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INDIAN DREDGING

TROUBLED SECTOR GETS A LIFELINE

Indian dredging companies that have been facing multiple challenges are likely to breathe easy with new guidelines.

Boost trade, strengthen relations.

If India's relations with Bangladesh have notably improved, it is largely because of Prime Minister Narendra Modi's visits both by the Minister of External Affairs and senior government officials to iron out pending issues and improve bilateral trade and cooperation.

In the last one year there have been many important developments that lend credence to India wanting to strengthen ties with its Bangla brethren. During his first visit, Modi finalised the land boundary agreement despite strong opposition from the Congress and Mamata Banerjee earlier. India has even agreed to sell 100 MW of power from a plant located in Tripura to Bangladesh. We hear that many infrastructure projects are also in the works. Indian independent power producers beat a Chinese conglomerate in developing a $ 1.6 billion power plant and will soon develop and sell power in the energy starved country. There are also talks of a trilateral agreement between India, Bangaldesh and Myanmar for improved cooperation and trade.

These developments tell us that India has realised the benefits of a strong and continued relationship with Bangladesh. And to sustain this relationship, India is using trade as an important tool to build trust and gain confidence with this neighbor. Since the two countries share the Bay of Bengal, maritime trade can be used as an effective tool to improve trade flow between them from the $ 7 billion currently. The Union government of India has expressed its interest in developing a new deep sea, all-weather port at Payra close to Chittagong. This too we believe, is after Dhaka snubbed a few Chinese proposals to build a port at Sonadia, closer to Andaman and Nicobar Islands.

With continued effort from private ports and the Shipping Corporation of India mainline vessels now ply between ports in India and Bangladesh. With the standard operating procedures of the coastal shipping agreement almost finalised, more cargo flow will take place between the two nations. India has also pushed for connectivity between Bangladesh, Bhutan and India that is now come to be known as the BBIN corridor where an extensive road network is waiting to be developed.

For India to enjoy continued success with its closest ally it should make sure road and rail networks between Bangladesh and North India are considerably improved. While trade flow is important in maintaining a cordial relationship, what will really keep the nation together is also people and cultural ties that help in bringing the two countries closer.

“For India to enjoy continued success with its closest ally it should make sure road and rail networks between Bangladesh and North India are considerably improved.”

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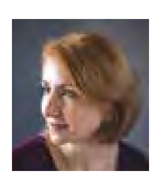

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Open art gallery at ICD Tughlakabad

Over the past couple of months, over 100 shipping containers at Concor ICD in Tughlakabad have gone through a metamorphosis with vibrant colours and geometric patterns.

The venue is the container parking lot, "WIP (Work in Progress): The Street Art Show," a massive walk-through art installation has turned the ICD into an open-air gallery. More than 20,000 working hours and 24 artists from across the world have transformed the space, using more than 100 shipping containers and 1,000 litres of paint.

The free exhibition at the ICD will eventually turn into traveling art as the containers get going.

The exhibition, which launched on January 31 and functioned through February, is part of a street art festival curated by Delhi-based organisation St+Art India Foundation in collaboration with Concor.

Shipping lines waive detention charges

Majority of the shipping liners in Kolkata have started waiving 25 to 40 per cent of the detention charges accrued due to delays in returning containers caused by the blockade at Nepal-India border. However, shipping liners are reluctant to provide concession in detention charges for containers that arrived at Kolkata prior to August 30.

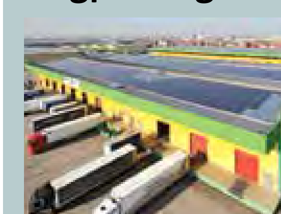
Cleveland-Europe Express expands to India

The Cleveland-Europe Express liner service will add India to its route, as the two ships that travel between Cleveland and Antwerp, Belgium, will also stop in India. The Spliethoff Group, the shipping line's investment partner, and their Bengaluru partner will cover the costs of the India venture.

New Wharf at JN Port

His Highness Sheikh Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, inaugurated a new wharf at the DP World's Nhava Sheva Gateway Terminal at JNPT. DP World's new investments cover expansion of existing terminals and long-term management contracts for new terminals and container. DP World is India's only foreign port operator where it has invested $1.2 billion in its activities.

Nagpur to get logistics hub



Finance minister Sudhir Mungantiwar is likely to make provisions for establishment of a logistics hub and park in the city in the budget to be presented by him for 2016-17. Mungantiwar has also announced he would provide ₹5,500 crore for construction of roads in Vidarbha's 11 districts. The city has potential for logistics hub and park as it is situated in the nation's centre. The hub can be used for packaging and repackaging.

Indo-Thailand logistics cooperation

Prime Minister Gen Prayut Chan-o-cha and Vice President of India Hamid Ansari have inked an agreement for coastal logistics cooperation. Thailand and India will set up a transport route between a seaport in the Andaman Sea and those in India. Thailand will study a new Indian investment law before proposing the establishment of a free trade area agreement with India.

IndoSpace to invest $1 billion

Leading developer of industrial and logistics parks IndoSpace plans to invest $1 billion in the country in the next five years to take its total investment to $1.75 billion. This additional investment will increase IndoSpace's development pipeline from 20 million sq. ft to 50 million sq. ft. Currently IndoSpace operates industrial and logistics parks in Pune, the National Capital Region, Bengaluru and Chennai. The company has plans to fund and expand its 17 industrial real estate projects across the country to support manufacturing, consumer and third-party logistics companies operating in India.

Flipkart offers eKart to third-party

Flipkart Ltd has opened its logistics services eKart to third-party e-commerce firms even as the company is gearing up to roll out an inter-city customer-to-customer courier service called eFlash. The e-commerce logistics service has already found takers such as online fashion store Jabong and online marketplace Shopclues. Flipkart is planning to build eKart as an independent business and separately raise capital for the logistics unit. Online retail sales could touch between $48 billion and $60 billion by 2020 from $4.47 billion in 2014, according to a report by financial services firm UBS Group AG.

Adani Ports expansion plans

In India the company is looking to expand presence in Maharashtra and West Bengal. Overseas they are scouting for opportunities in Sri Lanka, Bangladesh, US and Europe, apart from the ports planned in Australia. The overall objective is to make APSEZ a transshipment port company. They are partnering with Terminal Investment Ltd SA for transforming Mundra into a regional transshipment hub, while a similar port is being developed in Kerala as well.

Hyundai disposes bulk fleet

Hyundai Merchant Marine (HMM) signed a contract to sell its dry bulk division to H-Line Shipping, in a deal reportedly worth KRW120 billion ($100 million) with H-Line also assuming debts of around KRW420 billion. Credit ratings of HMM have recently taken more of a hammering with local agency Korea Ratings downgrading the under pressure line to B- in its latest report. HMM's 12 bulkers will help make H-Line a growing force in dry bulk. It is also likely to sell off its terminal at Pusan to pay off debts.

Cochin Shipyard to build 4 catamarans

Cochin Shipyard is making its maiden foray into catamaran manufacturing. They will build four vessels for cruising and other purposes for Andaman and Nicobar Islands. The vessels are expected to be ready in about two-and-a-half years and are part of the 'Make in India' drive. The vessels will cost ₹1,400 crore and will be used for cruising. Recently, the shipyard has also collaborated with GTT France for developing cryogenic carriers to transport natural gas frozen in liquid form.

New ports in Bangladesh

India has expressed interest in developing the deep sea port at Payra in Bangladesh. Separately, Japan may develop another deep sea port, Matarbari, in Cox's Bazar. However, Dhaka has cancelled a port that China proposed to build at Sonadia, on the south-eastern corner of Bangladesh,

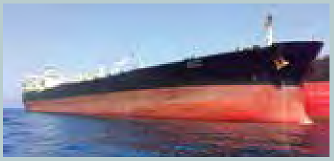
DB Schenker celebrates 20 years of operations in India

Schenker India Pvt Ltd celebrated 20 years of successful operations in India. Started in 1996 with five branch offices in India, today DB Schenker is operational in more than 44 offices in 37 cities across India. The company operates with 12 DB Schenker logistics centers (Multi Client facilities) and 42 customer-specific warehouses, covering millions of square feet of warehousing area across India. Customers can expect a shorter response time, availability of products and seamless last mile deliveries to their destinations.

Colombo Port growth declines

Colombo Port has made a downward slide of around 6 per cent growth last year compared to a 14 per cent growth in 2014 and Jaya Container Terminal fully managed by the Sri Lanka Ports Authority (SLPA) has continued to make losses, SLPA statistics showed. Colombo Port's annual throughput for 2014 was 4.9 million teu compared to 5.1 million teu last year that accounted for a 6 per cent increase, which was reportedly lower than the previous year's increase in growth by 14 per cent. In 2013, annual throughput was at 4.3 million teu.

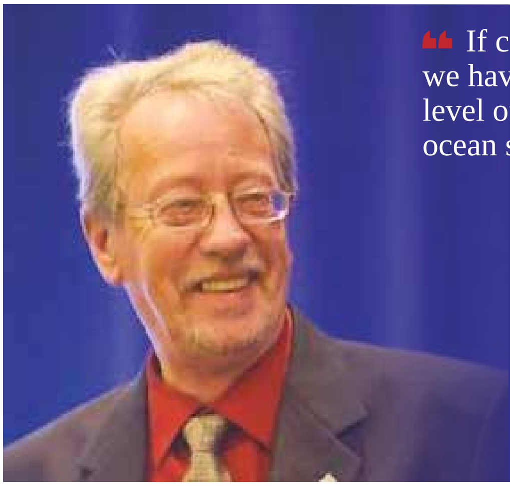
M T DistyaAkula - First suezmax tanker to load Iranian crude oil in post sanctions



M T DistyaAkula, co-owned by Elektrans Group, is the first Indian suezmax tanker to load 130,000 mt of Iranian crude for Litasco, the trading arm of Russia's Lukoil after the removal of sanctions against Iran. It has the capacity of carrying a full load of about 149,000 metric tonnes of oil cargoes equivalent to about 6,000 oil-carrying road trucks of standard size. Built by Mitsui Ichihara Engineering and Shipbuilding, *DistyaAkula* previously known as F*ront Glory,* is 269 metres long with a draft of 17 metres.

APM Terminals Pipavav receives maiden RoRo vessel

APM Terminals Pipavav hosted the maiden call by leading RORO operator Höegh Autoliners vessel – *m v HOEGH ANTWERP* at Pipavav Port. The carrier berthed at Pipavav Port in late January, 2016 to load Ford's small and midsized cars, being exported from its Sanand plant in Gujarat. In August 2015, APM Terminals Pipavav commenced RoRo operations and successfully berthed its first RoRo vessel *m v Grand Dahlia* at the port. So far over 10,000 cars have been shipped from Pipavav Port since the commencement of the RoRo facility.



If consolidation occurs, we have reached the next level of uncertainty in global ocean shipping.

– Chas Deller
Partner, 10XOceanSolutions Inc.

Operating costs are likely to rise in the future, as the scope for further cost cutting is in most cases quite limited. However, the expected increases in 2016 and 2017 are likely to be modest in nature as we anticipate only small rises in the cost of lube oils and other commodities; with a relatively weak global economy inflation is also expected to remain low.

– Nigel Gardiner
Managing Director, Drewry

Lines operate jointly, covering loops in the trade lanes, with most loops being single-operator loops. Alliance cooperation will allow substantially greater efficiency and lower costs for its member lines.”

– Bill Payne
Vice-Chairman, NYK Line

We are keen on getting into shipping...as a non-vessel owning common carrier to start with. That is one of our strategic plans. We will have slots on ships. Shipping now is not in good shape. We are in the business of transporting containers, so it is either forward or backward integration.

– V Kalyana Rama
Director (Projects & Services), CONCOR

India is Hong Kong's seventh-largest trading partner, with bilateral trade of $23.7 billion last year. We are looking at increasing trade with India manifold. Both the nations will sign Investment Promotion and Protection Agreement to further strengthen ties.

– Margaret Fong
Executive Director, Hong Kong Trade Development Council

SHIPPING

Road funds to be used for Inland Waterways

The Shipping Ministry is looking to divert part of the funds from the Central Road Fund – meant for development and maintenance of roads and railway over-bridges-to develop Inland Waterways. The fund accumulated ₹40,000 crore between 2012 and 2014. Currently, the private sector is arguing they cannot see any great returns from the investment they would make towards this sector. The Shipping Ministry, therefore, needs that initial investment to demonstrate that things can change in this sector if funds are infused. Only then can the private sector be invited to invest in those projects.

Improvement in shipping lines schedule reliability

Last year has proved to be one of the best years for schedule reliability among container shipping lines, especially the second half of 2015 when "global schedule reliability reached considerably higher performances from September to December compared to previous years," said SeaIntel CEO Alan Murphy. Furthermore, last year saw the difference between the best and worst ocean liners in the top 20 narrowing. Liner on-time performance rose by 13.3 percentage points in December compared to the same month the previous year, to reach a global score of 84.6 per cent, reported Lloyd's Loading List.

Wan Hai retained its top position in its December Global Top 20 carrier rankings with 91 per cent on-time performance, followed by MOL at 90.1 per cent, Maersk at 89 per cent and Hamburg Sud at 87.7 per cent. At the other end of the scale, CMA CGM was 84.1 per cent on time, Zim 84.2 per cent and NYK 85.2 per cent.

Maersk merges Singapore and Hong Kong offices

Maersk Line has merged its Singapore and Hong Kong regional offices. Hong Kong is now headquarters for the combined operations, while the Singapore outlet is a country cluster office overseeing the shipping line's business in South-east Asia. As part of reorganisation efforts, Maersk has reduced the number of its regional offices from eight to seven by merging its Asia-Pacific (South-east Asia and Oceania) and North Asia regions.

Combining the two regions will enable simpler and more standardised processes. This will allow Maersk to create a leaner organisation to operate with greater transparency and alignment on a regional as well as cluster (sub-regional) level.

Shipowners refrain from newbuilding

Shipowners around the globe are trimming down their investment plans as a plunging freight rate market for both dry bulk and container segments, coupled with mixed prospects for the tanker market's elevated rates and their sustainability, have contributed to a more conservative stance.

The debts faced by many shipbuilders in some cases grossly outweigh the value of fixed assets they hold. The unknown question as to most of these shipbuilders in regards to the current orders they still hold, while most of these have already been put on hold as the troubles faced by both the shipbuilders as well as the reluctance to accept delivery of these vessels from the owner under the current freight market conditions means that there is little in terms of incentive to push their construction forward, Allied Shipbroking said.

Dry bulk vessel recycling up by 43 per cent YoY

The first month of 2016 saw 53 dry bulk vessels recycled, 20 per cent more than in December 2015, while marking a 43 per cent increase from January 2015, Greek sales-and-purchase shipbroker Golden Destiny said. The average age of dry bulk vessels scrapped in January 2016 was 24, while the average deadweight was 78,682 dwt. Out of the 53 vessels demolished, 23 were Panamaxes, averaging 72,186 dwt, while January 2016 also saw 11 VLOCs and nine Handymaxes demolished, averaging 164,039 dwt and 44,224 dwt respectively. 24 dry bulk vessels were demolished in India, followed by 16 in Bangladesh, 4 in China and 3 in Pakistan, while the rest was demolished in other countries. Dry bulk carriers amounted to 70 per cent of the total ships demolished in January 2016, with only three tankers and seven container ships demolished during the same period.

Coastal shipping to grow in India

Consultants McKinsey & Co. and AECOM have completed a study regarding the nation's maritime freight traffic, and have concluded that optimisation – primarily boosting coastal shipping and speeding up container exports – could lead to cost savings in the billions. The study estimates 20 per cent annual growth in coastwise bulk freight traffic through 2025 – an increase from 150-250 million tonnes per year today to 750 million tonnes per year by the end of that period. The consultants also expect container volume at Indian ports to double, to 21 million teu by 2025. If government initiatives like the Make in India program are successful, that volume could be as much as 25 million teu, McKinsey said.

To facilitate growth of coastwise shipping, the firms recommended consolidation in the sector, dedicated port capacity for coastal bulkers, a transshipment port at the southern tip of the subcontinent, and improved bunkering and shipyard facilities.

CMA CGM eInvoice dashboard

CMA CGM eBusiness has continued its much anticipated foray into the next level of service engagements with customers with the launch of Invoice Dashboard. It allows customers to manage their invoices. The move offers benefits of visibility and access to freight, detention and demurrage and deposit invoices. It assures information visibility to clientele on their Invoices, available 24 X 7. Key features include all eInvoices in one single dashboard, sorting, filtering and grouping capacities with the usage of customisable views of invoices, placing the invoice information in the context of its related shipment, invoice payment status information and capacity to mass print invoices or export to PDF/XLS.

The invoice detail page provides visibility on the whole invoice lifecycle such as time line showing the initial invoice and the potential adjustements credits, one-click access to all the invoices related to the current shipment, visibility on the Invoice PDF and possibility to download it

Maersk to help shipyards upgrade

Maersk has announced a commitment to help selected ship recycling yards at Alang in India to upgrade facilities and practices to comply with the company's standards. With more vessels to be recycled in the future, the current cost of sustainable ship recycling is not feasible. Today, responsible recycling is only feasible in a limited number of yards in China and Turkey. In order to improve conditions on a broader scale at Alang, Maersk is working on building a coalition with shipowners and has initiated engagement with a number of selected yards.

Mercator to sell its Singapore bulk cargo business

Shipping and logistics company Mercator Ltd has sold its Singapore bulk cargo business to three investors for a token amount of three Singapore Dollars. The token amount is considering the negative networth of the Singapore unit. The company has entered into an agreement for the sale of all 900 million shares of Mercator Lines Singapore to Singapore's Bellerophon Holdings Pte Ltd, MIB Investments Pvt Ltd, and Wroclaw Holdings Ltd. The sale will help take roughly ₹1,000 crore debt of the Singapore unit out of the parent company's book.

Mercator's Singapore unit currently carries a debt of ₹1,000 crore and reported a loss after tax of ₹424 crore for fiscal year 2013, ₹140 crore for fiscal year 2014, ₹768 crore for fiscal year 2015 and ₹136 crore for six months of the current fiscal year.

Fulfillment by Amazon going global

Amazon has received its Chinese shipping license, signaling the massive retailer is further along with its plans to become a transnational fulfillment and shipping company. Last month, the company had got its license to act as a wholesaler for ocean container shipping from the US Federal Maritime Commission. Having licenses on both ends means Amazon can now buy space on shipping containers at wholesale rates and resell it at retail rates. The move appears to be about connecting "two giant markets to each other, the Chinese producers and the American consumers," while cutting out American resellers, said Ryan Petersen, CEO of Flexport.

Hanjin Shipping starts new service from KPCT

Hanjin Shipping India Pvt Ltd made its maiden call at KPCT on February 1, 2016. Vessel *MV Hanjin Florida* exchanged 553 teu at the port out of which 109 teu are imports and 444 teu are exports.

The Port Rotation for this service is: Krishnapatnam – Tanjung Pelepas – Singapore – Qingdao – Xingang – Busan – Shanghai – Nansha.

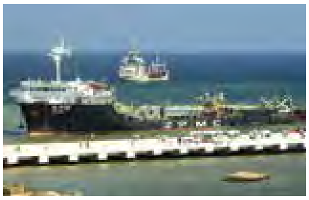
This service will cater to all imports/exports from KPCT to Far East, USEC, USWC, Latin America, Europe and Inter Asia. This direct container shipping service is expected to give a filling to the trade on the East Coast particularly for exports of granites, tobacco, shrimps, cotton yarn, linters, along with imports of automotive parts, furniture, tiles, news print, coffee powder, fruit juices etc.

Hyundai Motor India takes to sea

Hyundai Motor India is now using ships to move cars across domestic markets, saving on costs and reducing carbon footprint. As many as 800 cars were loaded on to the *M V IDM Symex* at the Chennai Port and the cargo was transported to Pipavav Port in Gujarat. Though Hyundai had been using Chennai Port for exporting cars, this is the first time it is transporting cargo through the sea for domestic market.

It normally takes three to four days for Hyundai to move vehicles from the production centres near Chennai to Gujarat region through trailers. However, shipping them is seen to cost less as the Centre has promised to provide incentive of ₹3,000 a car to those using coastal route. Chennai Port Trust officials are also talking to other OEMs such as Nissan and Ford to start using the coast for moving cargo.

Nepal to use Vizag Port for trade



Nepal will now be able to use India's Visakhapatnam Port for its trade with third countries, with the two countries signing a Letter of Exchange in New Delhi. India has so far been providing a single transit route to the sea—the Kolkata Port. India had agreed in principle to allow Nepal to use the Visakhapatnam Port in 2009, but a final agreement was delayed after Nepal opposed the double lock system that India implemented on Nepal-bound cargos.

The Nepal-India Transit Treaty has stipulated a single-lock system which means that Nepal-bound third country imports enter via Kolkata with a one-time lock put on the container. Nepal initially opposed the double lock system, but later agreed to the provision after finding this would not result in procedural delays. One of the main benefits of getting access to an alternative sea port is it would help reduce traffic congestions that Nepal-bound cargos face in Kolkata.

Bidders turn 'realistic' in port auctions

Revenue shares offered by private firms in auctions for running cargo terminals at major ports located in New Mangalore and Kandla are an indication of bidders taking "realistic" calls on port contracts. Chettinad International Bulk Terminal Pvt. Ltd quoted a revenue share bid of 31 per cent to win a contract for mechanizing berth no 12 at the New Mangalore Port for loading 6.73 million tonnes (mt) of bulk cargo, mainly coal, for 30 years with an investment of ₹470 crore.

At Kandla Port, United Liner Agencies of India (Pvt) Ltd put a price bid of 10.44 per cent to become the highest bidder to run a container handling facility with a capacity to load 600,000 teu a year from berth numbers 11 and 12 at the port located on the western coast.

Port auctions had earlier fetched revenue shares exceeding 50 per cent but some of them failed to materialise as lenders found the projects un-bankable due to the steep revenue share.

Container service from Iran to China

Iran has launched a new shipping route linking Bandar Abbas with Qinzhou Port in the Beibu Gulf, south China's Guangxi Zhuang autonomous region. Iranian container ship *"Perarin,"* with a 3,280-teu capacity, arrived at Qinzhou Port recently, offloading 978 containers from several countries along the 21st Century Maritime Silk Road. This marks the opening of the first shipping route directly linking the Middle East and the Beibu Gulf, which has three ports – Qinzhou, Beihai and Fangchenggang. There are 22 container ships departing from the Beibu Gulf each week for major ports in the ASEAN region. Guangxi is now looking to extend its shipping routes to more Middle East and European countries to boost foreign trade.

Truck parking yard at Vallarpadam

Cochin Port Trust has allotted 3.5 acres of land at Vallarpadam to Indian Oil Corporation Ltd (IOCL) for developing a modern truck parking yard with various amenities for drivers. The Yard will come up in close proximity to ICTT Vallarpadam and will have amenities like ATM, food court, rest room, toilet blocks for drivers etc. The land has been allotted to IOCL for a period of 30 years.

PORTS

Two vessels berth simultaneously at BPCL Jetty

With the berthing of *MT Ginga Panther* (LoA of 158.98 metres) at LB-01 (South) along with *MT Atlantic Polaris* (LoA of 183.21 metres) which was berthed at LB-01 (North), a record has been set for accommodating two vessels at a time at JNPT, having maximum combined Total LoA 342.10 meters (double- berthing of vessels) on 300-metre long BPCL jetty with the help of the mooring dolphin structure, surpassing the previous maximum combined total LoA of 334.05 metres.

This achievement is a result of the constant endeavour of traffic department and marine department of JNPT with cooperation from vessel master to maximise utilisation of available infrastructure, helping to reduce the pre-berthing detention of liquid cargo vessels.

Modernising Chittagong Port

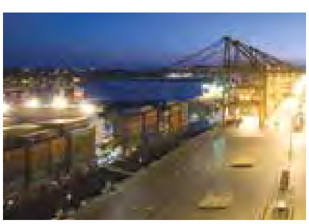
The Bangladesh government has undertaken various projects to modernise Chittagong Port aimed at turning it into a busy port in the world. "We have formulated a 25-30 year strategic master plan with technical support from Asian Development Bank (ADB) for Chittagong Port," informed Shipping Minister Shajahan Khan.

The government has already constructed backup facilities behind 4 and 5 berth of the Newmooring Container Terminal along with Chittagong Port Trade Facilitation Project (CTMS). Vessel Traffic Management Information System (VTMIS) and Tugboat having capacity of 4,500 BHP were brought and set up respectively at the port. The government has collected sea going water supply vessel having capacity of 1,000 metric tonnes, 29 container and cargo handling equipment and three reconditioned container vessel and other projects.

IFC to finance Myanmar Industrial Port

The International Finance Corporation (IFC) is increasing its exposure in Myanmar. It is looking to inject $200 million, in the form of debt financing, to Myanmar Industrial Port in central Yangon. This is IFC's first investment in transport infrastructure and comprises of $40 million as loan, $40 million as convertible C loan and $120 million in parallel loans.

e-Forms speed container traffic at APM Terminals Mumbai



APM Terminals Mumbai became the first Indian container terminal to go paperless by providing shipping lines electronically with the required Export Form 13 for export containers entering the terminal by truck. Building upon the success of the Export e-Form 13, APM Terminals Mumbai has also introduced an 'Online Import Delivery Process' to streamline the import cycle to enable faster container movements into and out of the terminal.

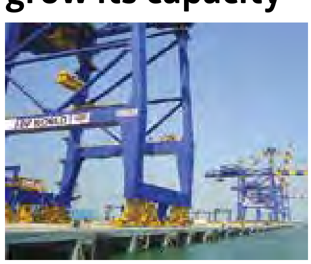
The Web-based application allows CFS' registered with the terminal to get real-time updates on the status of import deliveries. PIN numbers are established for an online submission of the tractor trailer (TT) number and cell phone number of the driver, triggering an SMS text message to the driver's cellular number containing all information concerning the shipment and PIN. The application also has a feature for the CFS to generate a report listing all transaction events against the PINs generated for the selected period.

DP World appoints group chairman and CEO

DP World has announced the appointment of His Excellency Sultan Ahmed bin Sulayem as Group Chairman and CEO. His Excellency became Chairman of DP World in May 2007 and has overseen DP World's expansion, including the acquisitions of CSX and the P&O Group to become a leading global marine terminals operator.

DP World Pvt Ltd has plans to invest over $1 billion in India for augmenting its port-related operations. The investment will mostly go into brownfield container terminals, greenfield con-

DP World Kochi to grow its capacity



India's first transshipment terminal operated by DP World in Kochi is expected to double its capacity in the next two years when it adds two more shipping berths. The current capacity with two berths can handle a maximum of 1 million teu per year, while the designed capacity of the terminal is 4 million teus per year. The terminal in Kochi began commercial operations in 2011, and has recorded a 28 per cent growth year-on-year for January 2016, against the same period last year. In December 2015, it handled 64 ships as against 68 in January 2016.

Adani Hazira Port connected by rail to central India

Adani Hazira Port Pvt Ltd is now connected to ICD Pithampur - Ratlam in Central India through rail. Concor has begun running rakes from ICD Pithampur - Ratlam to Adani Hazira Port on a regular basis and the port has received eight laden export rakes from these ICD's already.

Through this regular rail movement EXIM Trade in Central India has got an alternative rail gateway which will provide them faster turnaround of trains. Hazira is around 270 km shorter in distance from Pithampur in comparison to Nhava Sheva and rail freight paid for Hazira is lower when compared to Nhava Sheva Port.

Major shipping lines like Maersk, MSC, CMA CGM, UASC, Balaji Shipping, Goodrich are using this rail services to connect their export boxes to Hazira. M/s National Steel, M/s Lanxess India, M/s Shakti Pumps and M/s Krasoma Laboratory are some of the regular users of this service.

Paul Antony to continue as Cochin Port Trust Chairman

Paul Antony will continue as chairman of Cochin Port Trust as the deputation period has been extended by the Shipping Ministry for three more months. He was principal secretary (Power), Kerala prior to his appointment as Port Trust chairman. A member of Alappat family in Thrissur, Paul Antony, assumed charge as CPT chairman on February 17, 2011.

Provisons to operate container ports in Bangladesh

Private entrepreneurs seeking to obtain customs bond licence for operating private inland water container terminal (IWCT) will have to comply with a multipronged set of guidelines, including one on adequate facilities for external trade. A private container-handling company must be registered as a limited company, should have five years' experience in handling inland water container, cargo transportation or seven years' experience as ship-building industry or charter agent or owner of cargo-carrying vessel or seven years' experience as shipping licence-holding company in commercial water-vessel operation. The customs wing of the National Board of Revenue recently issued the policy with comprehensive guidelines with some 36 conditions binding private IWCT ventures.

Dong Nai cracks down on unlicensed ports

Unlicensed river ports remain very common in the southern province of Dong Nai, Vietnam, despite the fact that local authorities had previously announced plans to crack down, even eliminate all of them, by 2010. Of the 96 ports still in operation, only a third are legal. More than half of the unlicensed ports (35) are in the vicinity of Bien Hoa City and are mostly used to transport construction materials, with sand and stone brought to them by barge and lifted into trucks by crane.

According to a Department of Transport spokesperson, "We have raided many of these ports. But by the time we check one, all others close down. Many even have barges docking at night, meaning we cannot catch them."

Finance Ministry to announce 4 major ports in Budget

In the Budget for 2016-17, Finance Minister Arun Jaitley is likely to propose four new major ports to be constructed, which include Dahanu (Maharashtra), Colachel (Tamil Nadu), Sagar (West Bengal) and Dugarajapatnam (Andhra Pradesh) at an estimated cost of ₹32,000 crore. A study by Mckinsey and Aecom for the shipping ministry underlined the need of building coastal capacities to meet future cargo volume. It estimates that in 2025, bulk traffic will increase to 1,850 mt a year. Exim bulk will rise 4 per cent to reach 1,000 mt a year. Shipping ministry will issue tenders for appointment of a consultant by March for the proposed transshipment port at Colachel.

Largest container ship put on China-USA route

CMA CGM-owned "*Benjamin Franklin*" - the 200,000-tonne container vessel traveling between China and the US – has set sail from Guangzhou Port recently. The vessel can carry up to 18,000 containers and connects major Chinese Ports, including Xiamen, Guangzhou, Yantian, and Hong Kong, with the US west coast.

According to Ludovic Renou, General Manager for CMA-CGM Shipping Co.'s South China region, the company has put its largest container ship on this route because it was confident in the Chinese market. China's ocean freight to the US west coast has increased 5 per cent and CMA-CGM's freight volume grew 30 per cent. CMA CGM offers 12 shipping lines in Guangzhou, connecting the Chinese Mainland with Europe, North America, Africa, and Southeast Asia.

Wadhawan Port on the cards

Wadhawan near Dahanu may soon get their satellite port, with the signing of the MoU during the upcoming Make in India week. The new port, which will cost around ₹10,000 crore, is expected to ease congestion at JNPT that will hold a 74 per cent stake in the proposed port project, while the Maharashtra Maritime Board will hold the rest. The proposed port will provide a draft of 20 metres, making operations for bigger ships easier.

The Wadhawan site was chosen because of its connectivity with the Western Railway network, which is a double-line, unlike the single-line Konkan Railway network. The proposed port will have a capacity of 40-60 million tonnes. JNPT will build the port and invite private firms to operate it. Proximity to the upcoming dedicated freight corridor and Delhi-Mumbai industrial corridor will ensure captive cargo for the port.

JSW Infra get green nod for jetty

JSW Infrastructure has got environment clearance for setting up of an all-weather greenfield jetty in Maharashtra, entailing an investment of ₹1,175 crore. The proposed multi-cargo captive jetty, to be developed in Nandgaon village in Thane district, is expected to handle 8.4 million tonnes of cargo in next five years and up to 16.7 million tonnes in 10 years.

The jetty would cater to local demands of the Maharashtra Industrial Development Corporation (MIDC) and the partial demand of the nation as far as the container traffic is concerned at a later date, when the Dedicated Freight Corridor is operational. tainer terminals, logistics parks, inland container depots, container rail facilities and basic infrastructure facilities required for business expansion.

Sulayem said the tariff rates are at least 30 per cent lower in Colombo and it will take some more time to compete with this scenario. "Shipping lines are asking to match the Colombo rates," Sulayem said referring to competition.

Adnoc to store oil in India

Two-thirds of the crude oil India plans to store in its strategic oil storage will come free as the UAE national oil company Abu Dhabi National Oil Company (Adnoc) has agreed to store crude oil in India's maiden strategic storage facility and give two-third of the oil to it for free. India is building underground storage facilities at Visakhapatnam, Mangalore and Padur in Karnataka, which together could hold about 5.33 million tonnes of crude oil to ward off an oil shock due either to supply disruptions and price spikes. Adnoc is looking for a safer and closer storage facility and is keen on taking half of the 1.5-million tonne Mangalore storage facility.

India is now looking at building four more strategic crude oil facilities at Bikaner in Rajasthan, Rajkot in Gujarat, Padur in Karnataka and Chandikhole in Jajpur district of Odisha.

Chennai Port soon to launch RFID

RFID and e-seal are expected to be launched soon at Chennai Port. M A Bhaskarachar said that live demonstration of the use of RFID was held at the port and it would be introduced for all vehicles so that they need not wait for manual checking for entry. The e-seal would be a part of the RFID programme.

The problem of congestion had also been addressed at the port, a task force had been formed that monitored within the port and a group checked the trailers for documents outside the port area and this had brought down congestion.

Kamarajar Port expanding capacity

Kamarajar Port is all set to commission five projects, including its maiden container terminal and multi-purpose cargo berths, within the next three years at a cost of ₹8,100 crore. The project will increase cargo handling capacity by 44 million tonnes to 80 million tonnes per annum. The new projects will help keep pace with competition from neighbouring ports such as L&T Kattupalli Port, Karaikal, Tuticorin, Chennai and Krishnapatnam. With the completion of these projects, KPL's terminal handling capacity will touch 100 million tonnes by 2020, said M A Bhaskarachar. The major projects that are in the various stages of construction are container terminal, coal berths III and IV, multi-purpose cargo berth, one LNG terminal and capital dredging. Besides, tenders have been floated for general cargo berth-II and multi-liquid terminal.

JNPT to comply with VGM

Container terminals at Jawaharlal Nehru Port Trust are gearing up to meet the July 1 implementation of new container weight rules under SOLAS convention.

Gateway Terminals India has had several trial runs of the IMO requirements and the terminal is fully prepared to comply with the new process. It has integrated container weighing system within normal yard operations. All laden export containers, including those that have entered the terminal with a verified gross mass from the shipper, will be weighed at the terminal yard, using its rubber-tired gantry cranes. At present, APMT Mumbai does not plan to levy any additional fee for providing a VGM to the shipper.

India's 1st multi-modal hub in Varanasi

Five multimodal logistics park are being set up in Gujarat, Punjab, Rajasthan, Uttar Pradesh and Maharashtra, including one in Varanasi, along the 3,342-km-long Dedicated Freight Corridor at a cost of ₹5,000 crore for hassle-free, cost-effective cargo movement across the country. The process of acquiring land is in progress. Varanasi will get a first-of-its-kind logistic hub at riverfront to connect inland waterways, rail and road for fast movement of cargo.

Various options such as PPP, state government participation and debt equity are being explored for the purpose. It will facilitate door-to-door services for customers besides giving value addition including packaging, retailing, labelling, transportation of the goods on the dedicated tracks.

Kakinada Port gets green nod for FSRU

The ministry of environment, forests and climate change has accorded environmental and coastal regulation zone (CRZ) clearance to AP Gas Distribution Corporation Limited (APGDC) for the development of the Floating Storage Re-gasification Unit (FSRU) based LNG terminal at Kakinada Deep Water Port in East Godavari district.

The APGDC is undertaking the project with a 3.5 MMTPA design capacity of the proposed LNG terminal and appropriate operational flexibility up to a maximum of 5.25 MMTPA. The environmental clearance document states that the proposed LNG terminal consists of development of marine facilities for LNG import, berthing/mooring of FSRU, storage and regasification of LNG with Kakinada Deep Water Port harbour, a high pressure subsea pipeline to transport regasified LNG to coast and an onshore receiving facility for gas metering skid, control room and supply to gas grid.

Government roping in multilateral agencies for Sagarmala

Shipping ministry is roping in global multilateral agencies to extend a helping hand to entrepreneurs looking to explore ₹3.5 lakh-crore of investment opportunities under the Sagarmala project. Sagarmala Development Company, with an equity base of ₹1,000 crore, would chip in for investments and viability gap funding to help entrepreneurs achieve viable returns on their investments. The company was also seeking the support of Asian Development Bank and other multilateral agencies for programme loans to various initiatives under the Sagarmala project.

The investment opportunities for the entrepreneurs include setting up of greenfield seaports, modernisation of existing ports, augmenting cargo handling capacities, harbours, dry ports, coastal economic zones, lastmile port connectivity through rail and road, container freight stations and inland container depots.

Business community asks to automate trade and logistics

After years of putting up with multiple procedures and documentations involved in export and import of goods through India's seaports, the country's maritime community is mustering its collective strength to lobby for a common IT platform to facilitate ease of doing business at ports. The discussions in the maritime industry these days revolve around the urgent need to roll out a so-called pan-India port community system (PCS). There are some 21 government departments involved in the export-import chain in some way or the other. It takes about 7-10 days – seven for exports and 10 for imports – for completing documentation in India, compared with four days in Germany.

Haryana receives ₹20,000 crore investment proposals

The Haryana government said it has received investment commitments worth ₹20,000 crore in various sectors such as renewable energy, retail and logistics. The state government expects to cross the target of ₹1 lakh crore worth of investment deals ahead of the investor summit next month. The Wanda Group of China had signed a MoU worth ₹65,000 crore. Haryana recently unveiled a new 'Enterprise Promotion Policy', which is targeting ease of doing business and transparency to attract more investments into the state. As the state is in the forefront of automobile manufacturing, several companies including Ashok Leyland, TVS as well as Maruti are looking to set up more production facilities in the state.

EXIM

China's EXIM in January shrinks further

China's January trade performance was worse than expected as tepid demand persisted both at home and abroad, raising expectations of further government measures to arrest the slowdown and to quell market jitters. January exports fell 11.2 per cent from a year earlier – the seventh straight month of decline, while imports tumbled 18.8 per cent – the 15th month of decline. China posted a record trade surplus of $63.3 billion in January – partly due to soft demand and falling commodities prices, versus $60.09 billion in December. Exports to the United States, the country's biggest market, fell 9.9 per cent in dollar terms in January from a year earlier, while exports to the European Union, the second biggest market, fell 12 per cent.

Sweden looks at India for exports

Swedish companies which are into manufacturing are bullish on India and see the country as a major investment destination as well as an important hub for exports. According to the business climate survey conducted by Swedish Chamber of Commerce India, about 70 per cent of the Swedish companies see India as a major hub for exports.

"This is against only 30 per cent of the companies expressing such sentiment last year," it said. "The companies also feel that for India to truly take its place in the global value chain, there are key reforms that need to materialise," it added.

Maharashtra continued to be a very important hub for Swedish businesses, with one out of three companies having their head office in the state, while most manufacturing companies have some presence. Companies have chosen Maharashtra mainly because of the strategic location for imports and exports and proximity to strategic business partners, it reasoned.

Garment exporters target West Bengal

Garment makers are no longer looking to set up warehouses in Gujarat but looking at West Bengal due to its proximity to Bangladesh, revealed Abdul Matlub Ahmad, President FBCCI. Facility in Gujarat will not be beneficial for Bangladesh due to the long distance. Further, the Gujarat government is more interested in allocating land for setting up factories, rather than warehousing, stated Siddiqur Rahman, president of Bangladesh Garment Manufacturers and Exporters Association. Setting up the warehouse in West Bengal would be commercially viable for Bangladeshi garment makers and the state government has also expressed interest in providing land for the same.

SEBI wants to regulate warehouse service providers

SEBI is planning to bring warehouse service providers under its regulatory ambit to keep an eye on all aspects of the commodity market. Currently, commodity exchanges come under Sebi, but the activities related to storage of underlying commodities linked to futures are not under its purview. The existing norms only ensure that warehouses are registered with Warehouse Development and Regulatory Authority (WDRA).

If SEBI is able to bring in controls over the warehouse service providers, a significant part of the commodities market will come directly under its control and it will be easier for SEBI to keep a check on undue activities that often create unfair speculations through derivatives contracts, resulting in unwarranted fluctuations in commodity prices.

India to import LNG from Australia

GAIL (India) Ltd, NTPC Ltd and Petronet LNG Ltd are exploring plans to import natural gas from Australian companies, the details of which will be finalised in two months. Australia has about 2.8 trillion cubic metres or 2 per cent of world gas reserves. It is also a major exporter of coal, gas and uranium with energy exports accounting for $71 billion in 2013-14. Power Minister Piyush Goyal urged Australian firms to supply gas at an affordable price considering the fact that India is looking to replace coal, which is abundantly available in India. India is also keen to access Australia's clean coal technologies to reduce carbon emissions from thermal power plants, which account for 70 per cent of India's 284 gigawatt power production.

Wooing investors

The Ministry of Shipping will host the inaugural Maritime India Summit (MIS) in Mumbai from April 14 to 16. Seeking millions of dollars in foreign investment, the ministry will showcase more than 200 maritime-related projects with Prime Minister Narendra Modi on hand to open the event. Ports and shipyards will form the majority of investment opportunities. About 750 million tonnes of cargo is projected to pass through India's ports by 2025, more than three times today's figure. On the container front, box volumes could more than double to 25 million teu by 2025.

Cargo moves from Faridabad to Iraq

Emirati logistics firm Fleetline Shipping has delivered a 45-tonne heavy load cargo from Faridabad in India to Kirkuk in the north of Iraq in 20 days. The shipment had a total gross tonnage of 51 tonnes, including container tare weight, and was transported using the firm's super-heavy-duty, flat-rack container.

LOGISTICS

IOC against import duty on crude oil

Indian Oil Corporation (IOC) has urged the government not to consider reimposing a five per cent customs duty on crude oil imports arguing the levy would jack up costs.

"Considering the current burden of steep and continuous fall in the prices of finished petroleum products, the refining companies are not in a position to absorb the additional cost of imposition of customs duty on crude oil," said, IOC Chairman, B Ashok.

Algor launches temperature controlled logistics

Algor Supply Chain Solutions has introduced temperature controlled logistics and supply chain services targeted at the enterprise-class customers. Starting with Mumbai and Gujarat, the company will extend its services to Nagpur, Raipur, Hyderabad, Bengaluru and Chennai. It plans to expand its operations pan-India in the next two years. It will also offer refrigerated warehousing and transportation for small consignments (less than a truckload). The high quality logistics service is equipped with a world-class fleet management system, satellite navigation and online temperature monitoring in real time.

Algor has invested in HACCP-certified quality cold storages, operating in five temperature zones in order to meet the requirements of handling various products with ease. The temperatures that can be maintained range from +25°C to -25°C, and be changed as per customer-requirement. The right level of humidity can also be maintained along with temperature as deemed necessary.

Demand for industrial and logistics space growing

About 10 million sq. ft. of industrial and logistics space across leading cities was taken up during 2015, said a CBRE report. In the second half of 2015, healthy demand was noted from traditional as well as emerging sectors, translating into a YoY growth of nearly 40 per cent. During the year, demand for industrial and warehousing space reached an all-time high of approximately 10 million sq. ft. Delhi National Capital Region and Mumbai led demand, followed by Bengaluru and Chennai.

Snapdeal invests more in logistics

Backed by Japan's SoftBank Group Corp, Snapdeal plans to spend more on logistics and technology to better compete with Flipkart and Amazon India. The $200 million investment it received would be utilised to strengthen logistics and financial technology (fintech) side of the business. Ontario Teachers' Pension Plan, one of the world's largest pension funds, and Singapore-based investment entity Brother Fortune Apparel recently invested 200-million in the company. Snapdeal has already spent nearly $35 million to buy 50 per cent stake in logistics services company GoJavas.

Galex Consortium calls at Hazira

Adani Hazira Container Terminal recently celebrated the first ship call of the Galex service, an intra-Asia loop operated jointly by Emirates Shipping Line, Hanjin Shipping, Korea Marine Transport Co. and Regional Container Lines.

INDIAN DREDGING

TROUBLED SECTOR GETS A LIFELINE

Indian dredging companies that have been facing multiple challenges are likely to breathe easy with new guidelines

by Ritu Gupta

The maritime policymakers in India seem to be waking up to some ‘deep’ realities, and this might be the reason why the Modi government's recent guidelines may bring some respite for indigenous dredging firms. To date, many of the big-ticket dredging projects have been bagged by European firms as few Indian companies have been able to compete and bag projects for these require much technical expertise and successful execution of projects.It is said that there are no protectionist policies in place like those existing in several other countries. The new guidelines may reverse the market trend to a certain extent. Now all the 12 state-owned ports will opt for long-term maintenance dredging contract of as much as five years instead of the current practice of one year. Furthermore, these ports will continue to finalise capital and maintenance dredging contracts on the basis of open competitive bids, as has been the case since the last few years. Another important point is that among the major ports, “depth-based dredging contract” may be adopted in ports like Kolkata, Cochin and Kandla where sufficient data of previous years is available and dredging is required throughout the year, and the contract may be linked with incentive and disincentive mode of payment for guaranteeing the depth. When dredging is only seasonal, quantity based on in-situ quantity measurement or hopper volume measurement of specific densities may be adopted for payment. In exceptional circumstances where dredging is required to be done for very short period, day-hire charges of dredgers may also be adopted. Because of frequent variation in price due to deregulation of fuel prices, the price adjustment shall be allowed irrespective of contract duration and this may be incorporated in the tender documents, state the new guidelines. Previously, no price adjustment was permitted in respect of contract less than six months’ duration.

Another very important facet relates to marine survey. It is stated that ports will be engaging geotechnical or geophysical survey agencies to carry out bathymetric surveys, geotechnical investigations if the same is not available with the port. Where any capital dredging has to be carried out...costing up to ₹200 crore...geotechnical and geophysical investigations of the sea bed must be carried out by the ports to identify the type of soil and rock to be dredged and to define physical and mechanical properties like particle size.... Bathymetric surveys to define the water depths in and around dredging area and disposal site should also be conducted. Inclusion of such aspects in the new guidelines is of significance as most ports do not undertake any marine surveys at present, which has been posing numerous problems for small Indian private players.

Experts hope that the new guidelines will have some balancing effect on the sector which was last estimated to be more than ₹20,000 crore. Now, an ocean of opportunities waits for the sector due to Modi government's recent initiatives – the Sagarmala project and development of inland waterways. Experts concede that such projects will create huge opportunities for the contractors. The government’s maritime agenda for 2010-2020 has also envisaged that all major ports will have a minimum depth of 14 metres and all hub ports will have 17 metres to handle bigger ships. Indeed, the prospects for the industry are bright but dredging has been a dirty word in India with many on-going dredging port projects running immensely late and with some small players facing arbitration due to non-target achievement. The state of affairs can be gauged by this simple fact – under the eleventh Five Year Plan, the target for capital dredging and maintenance dredging was set at 675.3 million cubic metre (cu. m.) and 430 cu. m. respectively. However, the achievement for capital and maintenance dredging was only 40.29 per cent and 67.82 per cent respectively. The shortfall in capital dredging in the case of major and non-major ports was 68 per cent and 53 per cent respectively. This was due to several factors such as delay or failure in implementing port projects, financial and environmental constraints and poor response from bidders.

Another major black spot is the high cost of dredging in India as compared to those in other countries. Currently, dredging costs about $3-4 per cu. m for maintenance and $5-7 per cu. m for capital dredging. "The dredging costs are enormous. They have gone up by about 80 per cent in the last few years. They also have a rippling effect as the vessel-related charges levied by ports are pretty high in India, primarily because of high dredging costs, and port development projects also get badly affected," says **Ashwin Sinha of Alar Infrastructure Private Limited.**

"Currently, dredging costs about $3-4 per cu. m for maintenance and $5-7 per cu. m for capital dredging. They have gone up by about 80 per cent in the last few years and have a rippling effect – the vessel-related charges levied by ports are pretty high in India, primarily because of high dredging costs, and port development projects also get badly affected."

Experts hope that the new policy aspects such as long-term contracts and open competitive bidding will lead to the sector witnessing a sea change, especially as a lot of business is in store. At present, all international giants – Van Oord, Jan De Nul, Royal Boskalis and Dredging International, part of the big four club – are active in India by having an Indian subsidiary. These companies give cutthroat competition to local peers. Dredging Corporation of India (DCI), which is the biggest Indian public sector player, is severely constrained to meet the huge demand due to several reasons. Modern dredging requirements place a heavy emphasis on cutting edge capacity, high degree of operational capability and highly trained manpower, none of which has been DCI's strong points. Many of its Trailer Suction Hopper Dredgers are more than 25-30 years old and same holds true for the Cutter Suction Dredgers. Their individual capacities are a fraction of what the latest dredgers in the market can provide, and even these capacities have been under-utilised by up to 30-35 per cent. Furthermore, DCI's operational and project management capabilities do not match that of foreign players, especially in complex projects. These challenges are further compounded by financial problems related to under-recoveries from port trusts and the government. While the equipment capacity issues are being addressed, DCI's operational and financial issues require significant time to be resolved. Several small local companies have forayed into the sector attracted by the money, but only a few have survived its vagaries. Mercator, Meka Dredging, Ocean Sparkle and Dharti Dredging are at present among the leading domestic private players. But these companies often are at the receiving end because of the market dynamics tilted towards the European giants.

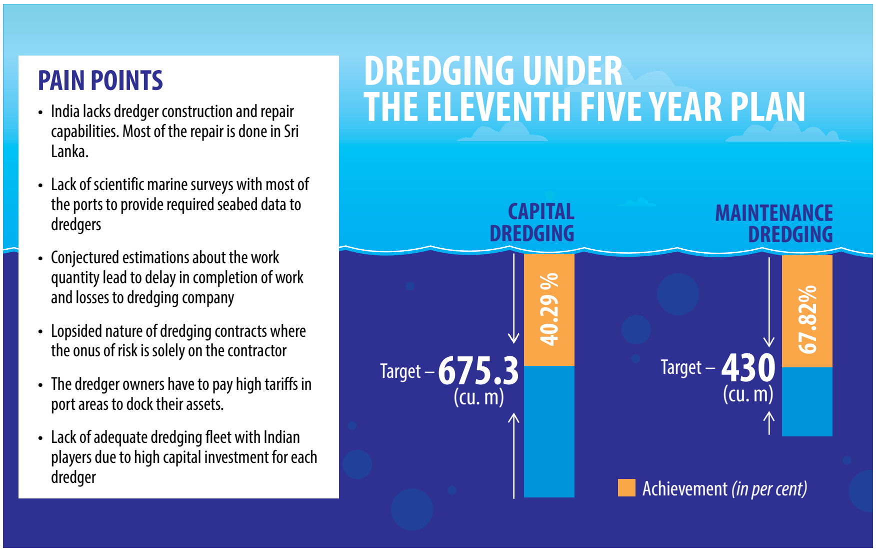
What ails the private companies?

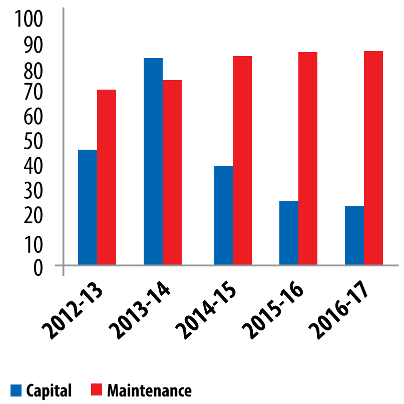
Indian private companies face numerous problems. They are too small and fragmented to be able to compete effectively. The plight of the small players can be gauged from what happened to Kandla-based Jaisu Shipping Company Private Limited one of the biggest contractors in Indian waters, which had a fleet of about 40 dredgers. The company is said to have run into trouble after a contract with the Cochin Port authorities fell through. There had been delay in completion of capital dredging work for ICTT, Vallarpadam contracted to Jaisu and it claimed that the delay in its work in the berth basin was due to various obstacles encountered during the work that resulted in the damage of dredgers coupled with heavy siltation due to excess rainfall. It also claimed that the delay in starting the work was also due to the delayed completion of berth dredging by the terminal operator DP World. Besides, Jaisu said that it had only been paid for 65 per cent of its completed works, despite capital and maintenance dredging awarded to it at a cost of ₹525.5 crore after it gave a discount of ₹23.5 crore on the original offer of ₹549 crore to make the Vallarpadam project viable. The contract was scrapped by port authorities after the default occurred on the project objective of attaining the required depth despite multiple extensions; following the incident, and having one more setback with another project, Jaisu had to file for bankruptcy. The Vallarpadam contract was then awarded to another well-recognised player, who after several months of effort, had also admitted that the siltation volumes overwhelmed its capability to achieve the depth. This incident according to private industry players, highlights a systemic failure in policy support for private companies, and also showcases the lopsided nature of dredging contracts where the onus of risk is solely on the contractor.

Hemanth Meka Rao, Director

of Meka Group, claims that what happened to Jaisu can happen to any Indian dredging company as the system from beginning to end isn't conducive for fostering the growth of the Indian companies. "Our problems commence with lack of scientific marine surveys with most of the ports; they expect the contractor to undertake these surveys as part of the dredging project and this means giving project estimates based on presumptions, because of which at times a small to medium size dredging company has to suffer big losses. Even if information is available, it is not sufficiently shared. Conjectured estimations about the work quantity can also lead to delay in completion of work, again for which the dredging company is held responsible, as was the case with Jaisu. On the other hand, giant foreign players, having the expertise and heavy assets, are better placed to evaluate the risk, and are able to budget for the incidence of the risks beforehand on a project basis and are able to manage the ground conditions below the seabed more prudently.

Another pothole for the private players is that lack of adequate dredging fleet due to high capital investment for each dredger, says **Prof Dr G Y V Victor,** who represents India in the board of the **Eastern Dredging Association.** A new dredger from the Netherlands may cost ₹300 crore, while the one built in China comes at about ₹100 crore, though the latter are not considered very efficient, and projects mostly go to companies having high-end dredgers. What's more European and Chinese dredgers are built for soil strata suited to their country which may not prove efficient in India. Another drawback of importing dredger is that it takes about 2-3 years for the delivery to take place (especially of an European dredger) and this means an escalation in the capital cost of a company without earning any profits from the asset. "Indian companies have to put up with several hurdles for acquiring dredgers," says Rao. "For one, the banks don't give loans easily. Only if the dredging company has a contract





Dredging requirements proposed by MoS for the years 2012-17.

in hand do the banks agree to provide loans because this assures a source of income for paying back the loan amount. But only if the company has the proper dredger for the job to be contracted one gets the job. It's is Catch 22 situation."

According to **R R K Raju, Director, Akash Dredging and Marine Services Private Limited,** there is no subsidy available for buying dredgers and interest rates are as high as 12-14 per cent, which is a sharp contrast to some other countries that offer interest rate as low as three per cent.

Lack of adequate fleet poses another set of problem for Indian companies – they are not geared to offer the entire range of dredging services. With a mere two or three dredgers they are left to depend more on chartering for meeting any exigencies, which need not necessarily be a reliable and cost-effective option. According to Victor, the remorseful situation exists as India lacks dredger construction capabilities. There is also a lack of dredger repair facilities and drydocks in India. Most of the repairs of dredgers is carried out in Sri Lanka. Availability of marinas for safe storing of dredgers is another grey area. The dredger owners have to pay high tariffs in port areas to dock their assets.

Clearly, the problems plaguing the sector are many and have deep ramifications, warranting a much more holistic approach than currently offered by the policymakers for addressing the various dimensions of the issue. There is on one hand an urgent need for dredging activity, and on the other a need for building a sustainable domestic dredging industry that in the long term is both capable and competitive. The government's 'Make in India' campaign can prove to be very vital for the sector. "This is an excellent period to target for indigenisation of dredger manufacturing. Locally manufactured dredgers not only reduce costs of dredging but also encourage business climate," says Raju. "In the long term, the sustainability of the Indian dredging industry will be critically dependent on the ability to build quality dredgers in India," says Victor. A positive trend in the last few years is the advent of several private shipyards along the Indian coastline, including those with a high degree of engineering expertise. Since commercial shipbuilding has slumped in recent times, such shipyards are actively on the lookout for demand for specialised vessels from other industries like defence and offshore exploration. The government should urge these yards to step up to the engineering challenges of making and repairing dredgers with indigenous technology.

More Solutions

Apart from building dredgers, the government should also develop a viable environment for Indian companies to buy adequate fleet of dredgers. Till now funding from financial institutions has been hard to come by as they looked for long-term projects. Most projects to date have been short-term. With the new guidelines in place and having contracts of five years may hopefully prove to be a game changer. The guidelines will also go long way in resolving some problems such as lack of marine surveys. But many other grey areas still need to be addressed. According to Raju, the bid document should be framed in such a way that the risks are shared between the contractors and the ports. "The government can encourage private operators by addressing their critical capability gaps by employing a combination of policy and financial interventions. This may include, for example, providing greater support for equipment procurement through adequate subsidies, exemption from taxes and duties, and also providing incubation support for adoption of innovative technologies and industry-leading practices," avers Raju. Dredging sector can be considered for grant of 'infrastructure' status enabling it to receive tax benefits. To support domestic fleet growth, while import of dredgers is exempted from customs duties, the import of repair equipment/spares can also be exempted, till such time domestic manufacturing capabilities get developed.

Furthermore, there is a need to develop skilled manpower by investing in research and development and training centres. The working paper for the Twelfth Five Year Plan had also identified the need to develop trained manpower to compete on the global platform. To this effect, the paper emphasised on strengthening the existing All India Dredging Cadre training scheme and measures to retain the trained personnel. Moreover, change in the legal definition for dredging is also required. Presently, dredgers have been included within the ambit of coastal trade/cabotage laws (vide sections 406 & 407 of the Merchant Shipping Act, 1958). Dredgers do not engage in coastal trade and are specially fitted vessels which undertake deepening and land reclamation activities within the contracted port waters. The stress of cabotage laws is for cargo support, and since dredgers are not involved in the transport of cargo, their inclusion within the ambit of coastal trade/cabotage laws needs to be reviewed as it can ease the legal environment in which they operate.

"Indian companies have to put up with several hurdles for acquiring dredgers. For one, the banks don't give loans easily. Only if the dredging company has a contract in hand do the banks agree to provide loans because this assures a source of income for paying back the loan amount. But only if the company has the proper dredger for the job to be contracted one gets the job. It's is Catch 22 situation."

Hemanth Meka Rao
Director, Meka Group

According to experts, there is also a need for a nodal institution under the Ministry of Shipping on the lines of the Central Electricity Authority that is able to identify and prioritise key issues and required interventions, influence far-reaching policies, prescribe guidelines and standards and also design equitable and fair contractual structures for dredging activities. "In the immediate future, dredging contracts need to be far more focused on the quality of results, competencies and efficient delivery. Port authorities should invest significant time in survey and studies that clearly establishes the work effort before inviting bids," says Rao. Such measures can move the industry towards a quality-based approach.

Another issue that needs urgent attention from the government is the stretched finances of port authorities that constrain their ability to meet dredging costs. The government should step in and provide appropriate capital and operational subsidies for large dredging projects as is the case in several other countries. "By raising the bar on the cost threshold, the port trusts may be able to focus better on achieving reliable results, sustainable over a longer term. This will improve the competitiveness of the ports, as the effect of high dredging costs on vessel-related charges will get mitigated," says Sinha. Availability of subsidies will also free the hands of port authorities to provide more water-tight guarantees on their obligations as part of the licensing agreements of dredging contracts, resulting in a more equitable contractual structure. This in turn will enhance the confidence of the private players when they are bidding for projects. In summary, there is an urgent need to resolve the fundamental issues plaguing the dredging industry, rather than adoption of quick-fix methods to treat the symptoms. This can be driven only by a sustainable policy framework that views this sector with a long-term perspective, and recognises the multiple dimensions of the problem and addresses them through targeted interventions over the short, medium and long term.

Short sea shipping: Waiting to be unlocked

Once the coastal shipping commences it is going to be the direct short distance trade ever made available between the two neighbouring trade partners

by Mohammed Shareef MP

Ushering in a new era of connectivity and enhancement of bilateral trade, coastal movement of vessels between India and Bangladesh is all set to commence. With India and its biggest trade partner in South Asia Bangladesh signing a treaty on coastal shipping in June last year, deliberation and development of special River Sea Vessels RSVs are made from the Bangla side and by the first week of March, 2016, three laden RSVs would commence its voyage between ports of East Coast India and port of Pangoan of Bangladesh.

This, provided the final clearance on tariff is accorded by the Finance Ministry, Government of India (GoI). Though every technical aspect as per the Standard Operating Procedures (SOP) between the two countries were followed, the operation of these vessels has been delayed because the Finance Ministry hasn't endorsed the SOP in order to make the tariff on par with domestic rates or even close to that, Bangla shipowners say.

Bangla officials at the port sector are excited and hopeful about the new initiative to boost the trade between the two countries, especially to bring laurels to the textiles industry of Bangladesh with augmentation of the raw cotton from India would become easier and cost effective with the new initiative getting shaped up.

Ahmedul Karim Chowdhury, Terminal Manager of Chittagong Port and the special designated operating officer of Pangaon Port of Bangladesh talked at length with MG about the prospective move and the Bangla government's special attention to the Indo-Bangla coastal shipping initiatives. According to Karim Chowdhury, after the two countries entered into the treaty last year, the Bangla government initiated activities like enhancing port infrastructure and shipbuilding designated to coastal movement among others.

"After the treaty was being made the government had asked to build as many as 32 ships, RSVs for the purpose of the coastal shipping alone and now three RSVs are ready from liner companies like Karim group, waiting to enter the sea for the coastal shipping between Bangladesh and India," says Karim Chowdhury.

Dhaka and the surrounding suburbs are the textile industrial hub of the country which are the backbone of the economy. However, connectivity to port of Chittangong is at present cumbersome as it is located far off; the logistics of sourcing the raw cotton from countries like India is still a huge task.

However the Bangladesh government is finding a way in mitigating these bottlenecks by developing and enhancing infrastructure at a nearby port, Pangaon. This port is going to be the hub port for Bangladesh for the coastal shipping.

As per the plan of getting direct access to the port from the industrial hub of Dhaka and improve the inland waterways and coastal shipping, the shipping ministry of Bangladesh has chalked out a plan to improve infrastructure at Pangaon Port. In getting business, the government has decided to divert 40 per cent of Chittagong Raw Cotton Cargo to Pangoan Port, which would come around 54000 teu, according to Karim Chowdhury.

Though the diversion plan of this cargo is taking shape up slowly as planned, the road cargo movement hasn't shifted even to a small percent as the tariff at the Pangaon Port is not competitive enough compared to the Inland Port (ICD) of Petrapole of Indian side and Benapole of Bangladesh side.

"In a month or so we would sort the tariff issue of Pangaon port in order to divert the road cargo movement to coastal movement. There would definitely be a easier way out as Bangladesh government is keen in realizing the coastal trade of the country, especially with India," said Chaudhury.

Bangladesh imports as much as 52 lakhs bales of raw cotton from India annually on an average and of this 44 per cent comes via road and rest of 56 per cent transshipped through Colombo and Singapore to Chittagong Port. While road transport would take at least 15 days, transshipment via Colombo takes a week's time and via Singapore it takes less than two weeks. The time taken to send raw cotton from India is a costly affair and the coastal shipping is considered to be a viable alternative any day, according to traders and liner group who are venturing into coastal shipping.

Capt. S M Shah Alam, AFNI, Executive Director, Karim Group has already anticipated the potential of the new initiative and that is precisely the reason they are ready with three RSVs to be sailed to the east coast ports of India and are waiting for a positive intervention from Indian Finance Ministry in sorting out the tariff related issues.

"As per the SOP we have the vessels and Long Distance Radio Communication (LDRC) installed. We are hoping the confusion with the Indian Finance Ministry in endorsing the SOP would be sorted out soon and we would be able to start our operations," says Captain Sha Alam.

The Karim Group expects to start operations by the first week of March and would ply three RSVs between Krishnapatnam, Vishakapatnam,

> **"In the bleak stage of the already dull international shipping scenario, short sea shipping or coastal shipping between the nearby countries is what developing countries like India have to look forward to."**

Haldia and East Coast ports of India and there would be bi-weekly service between these ports and also the Pangoan port of Bangladesh.

According to Shah Alam, on an average, Bangladesh imports 900,000 million tonnes of goods from India including Raw cotton, yarn, fabrics, machineries, fish, fruits, spices, construction project items, coals, stone chips, fly ash etc. While initially raw cotton seems to be the main target for coastal trade according to Alam, plans are afoot in getting Fruits and Capital Machineries from South of India and fish from places like Krishnapatnam and Vishakapatnam.

On the export front, Bangladesh ships garments and sarees, rice bran, bamboo, fish, cement, food and beverage, finished goods from export processing zone, leathers, betel nuts, betel leaves, among others to India. Targeting a lion's share of the road cargo movement is on the go plan, according to Shah Alam. Road movement of raw cotton is always cumbersome, it is time consuming and costly affair, he adds.

Deterioration of the cargo is also a matter of concern as in the road movement from India to Bangladesh, at least three times of cargo shifting happens and in adverse weather conditions the road movement results in an undesired end result. These are positive aspects which would work for the coastal movement initiatives, Shah Alam added. Currently, Bangladesh imports goods from Visakhapatnam Port in Andhra Pradesh, Haldia Port in Kolkata or any other ports in India via Colombo or Singapore which makes transportation of sea cargoes costlier – up to $110 per tonne.

The Indian side of the port sector is also very hopeful of the new venture of coastal shipping between India and Bangaladesh. Talking about the initiative **Sushil Mulchandani, Chief Operating Officer of Visakha Container Terminal,** Visakhapatnam Port Trust, said, in the bleak stage of already dull international shipping scenario, short sea shipping or coastal shipping between the nearby countries is what developing countries like India have to look forward to.

"We are hopeful of starting the operation of handling the cargo from the RSVs services soon. Bilateral trade between the South Asian neighbouring countries is what we have to look forward now. We are now handling Bangladesh bound cargo at VPT but there is no direct calling from Bangladesh as all of it is transshipped through Singapore," told Mulchandani.

"Shipping to ICT Pangaon via KPCT will provide exporters with a smooth, hassle -free, faster transit and cost efficient shipping service. Exporters and importers from Bengaluru, trading with Bangladesh can utilise and benefit by our weekly train service from ICD Bengaluru to KPCT or road services by trailer /truck," says **Vinita Venkatesh, Director, Krishnapatnam Port Container Terminal.**

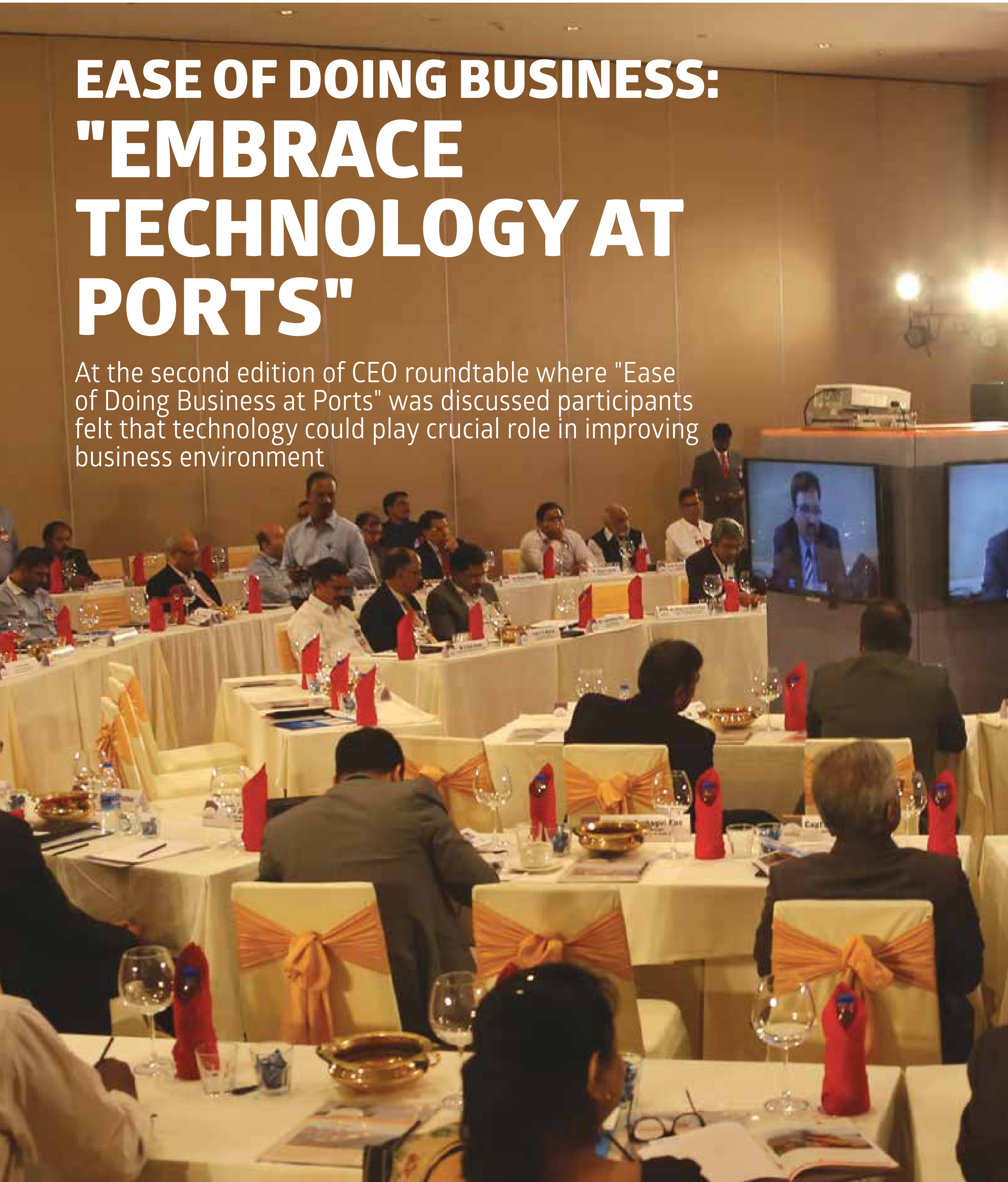
The coastal shipping is going to be the direct short distance trade ever made available between the two trade partners. Vessels up to 6000 GT shall be engaged and over a period the number of ships could be increased as the trade between these two countries increases. Then, all movement of cargo could completely be transferred to coastal shipping. This revolutionary change is what cargo agents, liners and traders look forward to. mg

Economies of coastal shipping

Bangladesh imports as much as 52 lakhs bales of raw cotton from India annually on an average and of this 44 per cent comes via road and rest of 56 per cent transshipped through Colombo and Singapore to Chittagong Port. While road transport would take at least 15 days, transshipment via Colombo takes a week's time and via Singapore it takes less than two weeks. The time taken to send raw cotton from India is a costly affair and the coastal shipping is considered to be a viable alternative any day, according to traders and liner group who are venturing into coastal shipping.

EASE OF DOING BUSINESS: "EMBRACE TECHNOLOGY AT PORTS"

At the second edition of CEO roundtable where "Ease of Doing Business at Ports" was discussed participants felt that technology could play crucial role in improving business environment




CEO ROUNDTABLE
Ease of Doing Business at Ports
East Coast Maritime Business Summit
Mr Murthy Vedula
PK Chatterjee

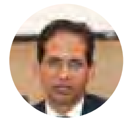
The fourth edition of ECMBS was organised at Visakhapatnam as it is a central location for people doing business on the east coast right from West Bengal to Tamil Nadu. While the west coast has become saturated and mature, the east coast is the rising land of opportunities. Many ports dotting the east coast have developed infrastructure, facilities and connectivity.

A major addition to the event last year, which has turned out to be a highlight, is the CEO roundtable, a focused platform for discussion on chosen topics which brings lot of value, where industry leaders participate and the outcome of the discussion can be presented to the state and central governments.

Last year, the topic of discussion at the roundtable was the 'Role of state governments in port development.' There seems to be disconnect between the cental and state governments when it comes to port development. The role that states should proactively play in facilitating the ports' business needs to be well defined. It is not just allocation of land for the project, there are more issues for which the ports need to be facilitated, including rail, road, infrastructure which we call the ecosystem of the port. Some of these vital issues discussed in the past event include cargo evacuation by road after delivering it by rail, providing soft infrastructure to ports like provision of Customs officers, necessary permissions. State government has to liason with the cental government in addressing some of these issues. Roads and bridges need to be strengthened for movement of project cargo, creation of maritime clusters for coastal development and timelines for obtaining clearances from concerned departments.

For 2016, 'Ease of doing business' has been chosen as the theme of the conference because we have seen countries, economies and states being ranked on the ease of doing business. Today it is imperative for a country as well as states to attract investment, facilitate business environment for growth of economy, to be user and investment friendly.

Ports being individual entities, it should be easy for people or businesses to conduct business with them. The session tried to bring forward the user perspective of conducting ease of business at ports – how to make it less cumbersome, more transparent, efficient and user friendly, reason for customers to prefer a port. To gain customer feedback on operational efficiency of ports, Maritime Gateway conducted a small poll among 300 port users.



Sk Khader Rehman
Commissioner of Customs

"2016 has been declared as Digital Customs Year. Focus is on use of ICT, digital management of documents."

Adarsh Hegde
Executive Director, Allcargo Logistics Ltd

"Technology at ports world over has reached to altogether a different level, we are still a decade behind."

Anil Yendluri
Director & CEO, Krishnapatnam Port Company Ltd

"People should update details online and walk into the port without any documentation."

P L Haranadh, IRTS
Deputy Chairman, Visakhapatnam Port

"As competition has increased, if we cannot compete we will not be able to survive"

The participants cited road and rail connectivity as the most important thing, followed by quick Customs clearance, customer friendliness, efficient cargo handling equipment and number of vessel calls – when asked about the reasons for choosing a port.

Majority of participants were positive when asked about safety and security of cargo at ports. The levels of pilferage or loss of cargo has come down. Entry and exit procedures at the gates have also been cited as smooth by a majority. Transparency of procedures remains a concern as 60 per cent voted as not being very transparent. 52 per cent said that time taken for cargo clearance needs to be brought down.

Major issues with Customs clearance include too much documentation and ambiguous rules. On the positive side, 56 per cent said that the ports they are dealing with have a single window clearance system, 61 per cent agreed on efficient customer service. 69 per cent said ports need to upgrade on use of technology. On storage capacity, 85 per cent responded as sufficient. Detention and demurrage charges are said to be unreasonable by majority of the respondents.

Citing a verse from Kautilya's Arthashastra – "The ruler should act like a honey bee which collects honey without causing pain to the plants," **Sk Khader Rehman, Commissioner of Customs,** set the ball rolling at the CEO Roundtable. Elaborating on how Customs is heading towards making business easy for benefit of port users, he commented that government should collect taxes without causing pain to the payers and in this regard Ministry of Finance, Department of Revenue and Central Board for Excise and Customs have been working to some extent trying to facilitate as much as possible, but little bit has been done and much more needs to be done. For the past two years Customs have been seriously working on this.

Tax administration reforms commission has been set up to rework on the taxation system, particularly the indirect tax mechanism. Certain measures have been implemented for ease of doing business, for instance, last year was declared as the 'Year of Tax Payers' Service' and the Directorate of tax payers service has been formed. Since 2011, to facilitate EXIM, self-assessment has been introduced to ease documentation filing. Shipper can assess his own bill of entry and shipping bill. Only certain items have been kept for assessment seperately. Instead of having transaction audit for every shipping bill, onsite post clearance audit has been introduced. The shipper will no longer have to wait at the Customs station, instead the Customs officials will perform the audit at the shippers' premises.

Risk Management System has been introduced wherein only selected bills of shipping are taken up for major assessment and this has reduced the number of levels in assessment and examination. Krishnapatnam Port has been recognised as AEO by World Customs Organisation (WCO). At both Kakinada and Krishnapatnam ports, Customs operations are available 24X7, particularly at Krishnapatnam Port the supply chain is very easy, which means less examination is done for cargo exported/imported through this port.

Tax payers' facilitation centres have been set up and designated officers are available for complying with any documentation procedure or obtaining information. Customs clearance facilitation meetings are being conducted with all the stakeholders involved to bridge the gaps in Customs operations and ensure quick clearance of cargo at Customs. Every Wednesday has been declared as "Tax Payers' Day" wherein customers can walk into any Customs office without any prior appointment for grevience redressal.

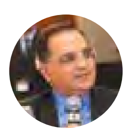
Electronic Data Interface has been introduced since 1998 wherein online filing of shipping bills and payment has been enabled through ICE GATE (e-commerce portal). This year 'Digital CBEC' has been introduced aimed at improving use of IT and 2016 has been decleared by WCO

Rajeshwar Bhatt
Director, Suraj Informatics

"Ports in India have the perception that advanced technologies that work globally may not work in India."

S Varadarajan
CEO, Shreyas Relay Systems Limited

"Technology solutions are available off the shelf, Indian ports just need to implement them."



Sushil Mulchandani
COO, Visakha Container Terminal Pvt Ltd

"If technology is developed to capture the seal number of containers at the gates then cargo can move in and out in 20 minutes."

Capt. Sriram Ravi Chander
Executive Director, Krishnapatnam Port Company Ltd

"Government should standardise technology and make common rules for major / non-major ports."

as "Digital Customs Year." Since January this year, digital signatures are being used while filing documents. Onsite post clearance audit has been introduced

Certain importers have been identified as "Accredited Clients," for whome facilitation levels are very high. Importers/exporters, Customs brokers, container terminals and warehouse holders can apply for AEO status. Single window clearance scheme is expected to be introduced this year wherein few government departments will come under one umbrella.

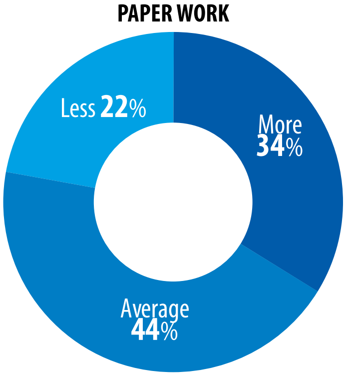
Electronic delivery of orders for shipping lines is been introduced. Ultimately the aim is to reduce paper work, transaction time/cost. As 2016 has been declared as Digital Customs Year, progressive investments will be made and the focus will be to involve people for more use of ICT, digital management of documents, implementation of enterprise data warehousing from this year. One of the major reforms to happen in indirect taxes is GST and Customs department is planning to lineup with it. We will ensure maximum facilitation for trade, while protecting the interest of the revenue department through enforcement.

The Customs department is surging ahead with ICT but the ports are still way behind, remarked **Adarsh Hegde, Executive Director, Allcargo Logistics Ltd.** When it comes to rules and regulations at ports, safety is of utmost importance and law has to be enforced, but having said that there has to be a way to ease this out to ensure free flow of trade happens. One thing that can make this happen is the usage of technology. Technology at ports has reached to altogether a different level in rest of the world and has eased out business. We are still a decade behind when it comes to technology implementation. We still have to fill in a number of forms and produce lot of documents at the ports due to which the trade is suffering. Hence, the first and foremost factor should be usage of updated technology and it should be looked at as a disruption. Manual intervention should be minimised and green channels should be introduced for quick movement of cargo, but without compromising on security. Labour

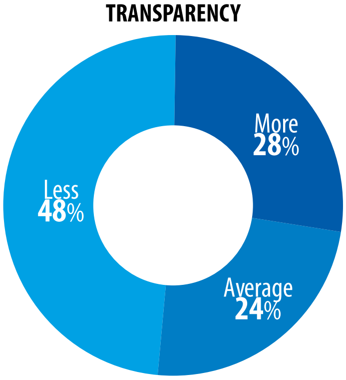
Summary of the poll

- Road and rail connectivity – major criteria for port preference
- Faster cargo clearance and customer friendliness – influences port users' choice
- To much documentation and ambiguious rules at Customs – cause delay in cargo clearance
- Technology upgradation – can improve customer satisfaction
- Tariffs and demurrage charges - are on the high side
- Movement at gates – is smooth
- Cargo handling – safe

PAPER WORK



TRANSPARENCY



laws at the ports should be streamlined because operations at ports get stopped due to labour problems and it is labour laws that can make or break a port.

As many as 21 departments are involved when it comes to moving EXIM through ports which gives us a glimpse of the cumbersome procedures involved, revealed **Anil Yendluri, Director & CEO, Krishnapatnam Port.** While the central and state governments are focusing on ease of doing business and Andhra Pradesh stands at second position in India in this scenario, port departments have their own procedures, followed by railways, transportation department, merchant shipping department, service tax department, mining and minerals department, CISF, Forest, civil supplies and ministry of roads, to name a few.

"Is it possible to integrate all these departments and come up with simple set of procedures? Can documentation be simplified and Customs integrate the operations of all its sister departments into a single format?" asked Anil hinting at the possible options for streamlining procedures.

Sometimes, different departments ask for different documents while fulfiling the same set of procedures. Some suggestions he offered include, self-certification system needs to be brought in, KYC norms need to be improved, certain procedures can be outsourced to third party so that Customs can focus on their core job. A review of ease of doing business at ports needs to be done timely so that we can assess where we stand and where we need to go. Like the airports, green channels should be made available at the seaports. These things can bring down the turnaround time for ships, rakes and trucks. A robust customer feedback system is essential to ensure continuous development. Technology will play a very crucial role in improving the ease of doing business at ports wherein people should be able to update all the details at the portals and walk straight into the port without any manual documentation required.

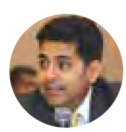
Bringing the scenario at major ports into focus, **P L Haranadh, Deputy Chairman, Visakhapatnam Port** said, as a major port we operate under several restrictions and regulations, but the situation has changed a lot now as competition has increased, so if we cannot compete we will not be able to survive. Realising this the ministry of shipping has taken a number of steps at the Visakhapatnam Port to enable customers do business much more easily than earlier, understand their greviences and improve upon them so that Visakhapatnam Port can become a key driver in coastal economic

Capt Vivek Kumar Singh
CEO, Shreyas Shipping & Logistics Ltd

> **"Feeder services or coastal services are often sidelined as soon as big ships start calling."**

Capt Shah Alam
Executive Director, Karim Group

> **"A lot of cargo can be shifted to coastal shipping provided ports offer a level playing field."**



Capt Dheeraj Bhatia
MD, Hapag Lloyd

> **"In developed economies there is more of automation, while in India there is more of documentation."**

Capt D K Manral
CEO, Vizag General Cargo Berth Pvt Ltd

> **"The best use of IT can be seen in consumer services and the tax department needs to take a leaf out of their book."**

development. Some of the steps taken at the port for ease of doing business are – ERP is being implemented to provide a common electronic gateway for exchange of documents and reduce paper work. E-payment system has been introduced and the port is planning for gate automation using RFID for which tenders will be called soon. This is expected to be implemented by July 2016 to streamline movement of trucks in and out of the port. Customs operation at the port has to be 24X7 because the port operates in similar manner, especially with a single window clearance mechanism.

Evacuation problems at Visakhapatnam Port has been solved. Chhattisgarh being the major hinterland to the port, rail electrification process is in progress and expected to be complete by December 2017, thereby improving the turnaround time for rakes. To improve road connectivity two important projects are in progress converting two lane into four lane, to enable seamless movement of cargo to various ICDs without disturbing traffic on the roads. An elevated corridor is being planned from the port to the Anandapuram-Anakapalli highway. The port has withdrawn levy on foodgrain, granite and steel to bring down the handling charges at the port. Technology automation is in progress at the container terminal for submitting of forms and issue of acknowledgements. Major focus will be on bringing down the cost, time and documentation for customers in dealing with the port. Route rationalisation is being planned to attract more cargo by next year.

Putting forward the perspective of a solution provider, **Rajeshwar Bhatt, Director, Suraj Informatics** elaborated on why ports do not want to use or improve on technology. Ports in India have the perception that advanced technologies that work for global ports may not work in India. The current processes at Customs, CISF, don't allow them to even evaluate the technologies currently available off the shelf. "We have been talking to lot of people about technology for gate automation, RFID, OCR, but there are only few ports who have gone for it with Adani Hazira being one of them."

Talking on similar lines, **S Varadarajan, CEO, Shreyas**

Capt Swaminathan Rajagopalan
Commercial Director, CMA CGM, India

"While VGM under SOLAS ensures stability of ships but it should not further increase the paperwork."

Prahlad Tanwar
Director Transport and Logistics, KPMG Advisory Services Pvt Ltd

"Ports in India need to be globally competitive, it is not just incremental change but exponential transformation"

Sanjay Dutta
Head – Marketing, Adani Vizag Coal Terminal Pvt Ltd

"If the slump in global trade continues then the ports will largely depend on coastal shipping."

Capt Ashok Kumar Bhattacharjee
Secretary General, Indian Private Ports and Terminals Association

"Essential Service Maintenance Act should be enforced at ports to improve their service standards."

Relay Systems Limited said, port community systems and cargo movement automation systems have been implemented about 20 years ago in ports around the world. The systems are available off the shelf, Indian ports just need to implement them. Calculating the ROI on technology implementation, for a ₹100 transaction the cost of implementing technology can be recovered in 4-5 years, he said.

"Customs systems are not talking to port systems," remarked **Sushil Mulchandani, COO, Visakha Container Terminal Pvt Ltd,** highlighting another glitch in IT implementation and the lack of compatibility in operations. The port community system has separate servers while ICEGATE of Customs is on a separate platform. Another major hitch is the tracking of seal number of containers during both entry and exit. If technology is developed to capture the seal number of containers at the gates then all the terminals can be automated and cargo can move in and out in 20 minutes.

Suggesting a solution to these issues, **Capt. Sriram Ravi Chander, Executive Director, Krishnapatnam Port Company Ltd,** said government should take lead in standardising technology implementation and make common rules for major and non-major ports. E-payment systems should be brought in and extended to every government organisation. Container pre-notification system is being used in Europe wherein container details can be shared with Customs in advance, such technologies need to be brought in India as well.

Capt Vivek Kumar Singh, CEO, Shreyas Shipping & Logistics Ltd gave a different twist to the discussion as he lamented the ports and Customs for not using properly even the existing technology. In spite of technology being available it is not being put to optimum use, as a long list of documents is still being submitted at the Customs and the same thing is happening even at the ports. Along with focusing on updation of technology, we should not forget to use the existing technology, he averred.

Another issue is every port has its own rules for documentation and functioning which makes it difficult for shipping lines to comply. To resolve these issues, a committee was formed under shipping ministry on ease of doing business in 2015, but no action has yet been taken on the ground level on the recommendations of the committee. Presenting a gloomy picture of coastal shipping he said, at most of the ports/terminals feeder services or coastal services are often sidelined as soon as big ships start calling.

Capt Shah Alam, Executive Director, Karim Group, too shared the views of Capt Vivek as he said, ports welcome coastal ships when trade is dull but when trade improves coastal shipping is ignored. A lot of imports come to Bangladesh from India while exports are less. About 52 lakh bales of raw cotton are exported to Bangladesh, of which 44 per cent is through road and this takes about 13 days for the cargo to reach the destination. This cargo can be shifted to coastal shipping, provided ports offer a level-playing field.

Even though India and Bangladesh have come close for coastal trade with a treaty formally signed, but there are certain issues that need to be ironed out – for instance, there seems to be a disagreement on port tariffs with Indian Customs.

Responding to the remark on lack of level-playing field, **Anil Yendluri, Director & CEO, Krishnapatnam Port** said that international shippers pay more compared to coastal shippers hence they gain the priority. However, there is immense potential for coastal shipping in India and the government should promote it through subsidies. A lot of coastal cargo moves from Paradip Port to Krishnapatnam Port, Vizag Port and Chennai Port. The secondary treatment for coastal shipping may be only in containerised trade as there are loading and unloading costs involved.

Comparing with the international scenario, **Capt Dheeraj Bhatia, MD, Hapag Lloyd** said, in developed economies like the US there is more of automation, while in India there is more of documentation which we need to get rid of. Another issue that shipping lines face is high detention leverage tariff. Shipping lines have started to look at this because the number of rounds that a container makes is getting less. When a container comes to India it takes 40 days for an import cycle and about 60 days for an export cycle which leads to a customer asking for more free time, else he will abandon the container.

Touching upon the financial aspects, **Capt D K Manral, CEO, Vizag General Cargo Berth Pvt Ltd** said finance departments at ports are not up-to-date with the lastest financials particularly service tax as a result customers get penalised. Its time the service tax department gets udpated with digitalisation. The best use of IT can be seen in consumer services and the tax department needs to take a leaf out of their book. While rail connectivity at ports needs to increase, it is noticed that rakes when inbound to a port are not inspected whereas rakes that are outbound are inspected and the mishandling of cargo like coal is affecting the bottom line of customers. Even though fuel costs have declined, the same has not been passed on to customers.

Adding to the list of woes, **Capt Swaminathan Rajagopalan, Commercial Director, CMA CGM, India** reflected on the leverages and demurrage charges impacting the bottom line of shippers. While VGM under SOLAS is necessary to ensure stability of ships but it should not further increase the paperwork.

"Nothing is as redundant as technology and it is time operators in different ecosystems adopt it together so that every body is on the same platform and systems can better talk to each other," said **Prahlad Tanwar, Director Transport and Logistics, KPMG Advisory Services Pvt Ltd.** Ease of doing business is about increasing efficiency – doing the most in minimum cost. Ports in India need to be globally competitive because it not just incremental change but exponential transformation – ports on the east/west coast should start competing with those in Sri Lanka or Singapore and this is possible by visiting and learning from global best practices.

To increase efficiency, one essential element is to move cargo from road to rail, said **Sanjay Dutta, Head – Marketing, Adani Vizag Coal Terminal Pvt Ltd**. But this is not happening as the loading and transport cost through trucks is lower than that of rail. Railway haulage charges need to be reduced and frequency of rails should be increased. Coastal movement of cargo should be encouraged because if the slump in global trade continues then the ports will have to largely depend on the coastal shipping.

Around 1,000 to 1,500 tonnes of coal is moved daily to steel plants in Vizag and it is done through road rather than rail as road transport is much cheaper, said **K V Bhaskar, Managing Director, VPL Integral CFS Limited.** Railways offer 50 per cent discount for less than 100 km tariff whch makes movement of coal by rakes unviable.

Role of TAMP is no more relevant, remarked **Capt Ashok Kumar Bhattacharjee, Secretary General, Indian Private Ports and Terminals Association,** as he highlighted the lack of level-playing field among ports. Landlord ports have lopsided rules wherein the user is punished for mistakes but there is no accountability for the port. Essential Service Maintenance Act should be enforced at ports to improve their service.

Towards the conclusion, S k Khader Rehman, Commissioner of Customs summed up the issues raised by users: lack of coordination among various departments in Customs, for which single window clearance system has been introduced at some ports. Message exchange system under ICEGATE has to be improved and ICEGATE should be made compatible with port community system to avoid duplication of procedures. Indirect tax system is hampering the profits of shippers but this problem will be solved once GST is introduced.

SUMMIT MARKED BY DELIBERATIONS AND BONHOMIE

The participants discussed the need for better infrastructure and quick resolution of issues by the government. For the sector to grow, efficiency is the best value that can be offered to customers, was the broad consensus arrived at the summit

The fourth edition of the East Coast Maritime Business Summit was a picture of jubilance, bonhomie, business and serious thought as more than 300 honchos from the shipping, ports and logistics industry gathered in the expansive halls of Novotel Varun Beach in the third week of January. This is not an invitation you don't accept. It was a reunion of sorts where thinkers, decision makers and performers congregated to put their heads together and see how maritime business on the east coast can be advanced amending small issues hindering ease of doing business.

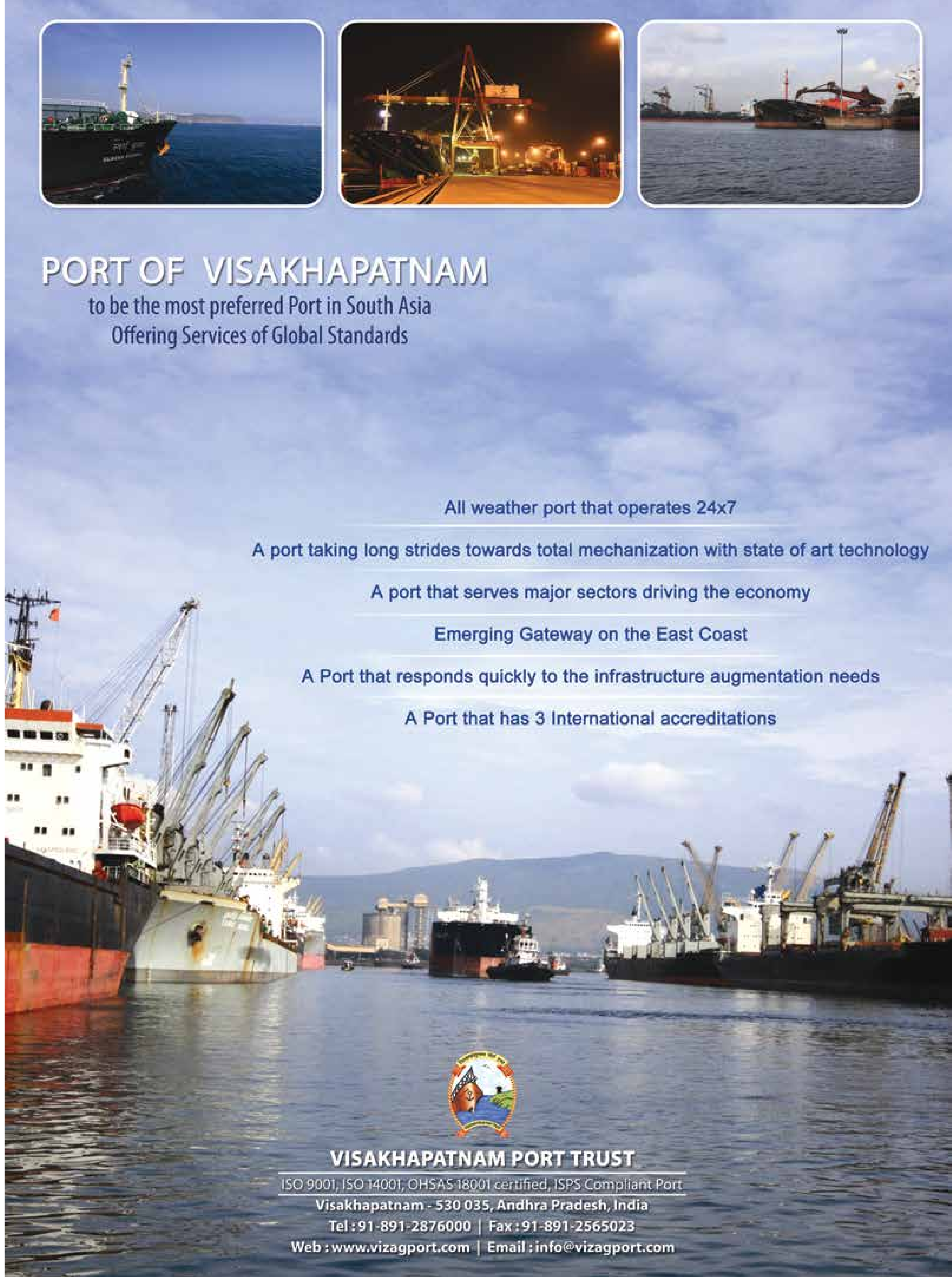
It was to discuss this important issue that almost 70 senior level executives assembled day prior to the main conference to state, debate and find a solution to all concerns – small and big. The CEO Roundtable was a dynamic, free-flowing session that lasted more than two hours. As the heads of shipping lines, logistics firms, CHA representatives and cargo owners encircled the main arc of presentation, many voices rose higher than hands to make their point on issues that needed immediate attention. What was most interesting to observe was solutions came as swiftly as problems began to be stated. While there was consensus on vital issues such as the need for better connectivity and faster Custom clearance, the invitees agreed to disagree on other pain points that troubled each segment from putting up a better show they were engaged by their customers.

As the CEO Roundtable concluded, the seriousness too wore off and the executives were back to being chummy, patting each other's backs as old pals would do. After a musical night that enthralled the audience to many a Bollywood number, the gathering retreated only to come back the next day armed with suggestions to improve business along the Coromandel. The following day had two business sessions dedicated to users of ports and the second to service providers. The seminar's aim was to accord equal importance to the user side of the story this year. Port users, who hold considerable sway over how business is done at these mega infrastructure facilities, made public their bucket list of wants and musts to the many representatives of ports who attended the conference. The presence of trained manpower, necessity of a cold chain facility and lowering of cost of handling cargo at ports were among the top asks of the users. As representatives from pharma, steel, textile and other industries made their opinions vocal, the audience sat rapt in attention concurring to every concern that was raised.

The second business session had panelists from service providers, namely shipping lines, Custom house agents, terminal owners and a representative from the Inland Waterways of India. The participants discussed the need for better infrastructure, improved rail connectivity and quick resolution of issues by the government. They all agreed that for the sector to improve, efficiency is the best value that they could give a customer.

Once the sessions in the designated halls were over, they spilled on to the lunch areas, lounges and around dessert tables. This helped all the participants realise profitable relationships as they rubbed shoulders with influential decision makers and allowed their personalities and opinion to stand out from crowd be heard. It was a perfect platform to promote one's interests as the exhibition hall provided ample opportunity for the stall owners to showcase their strengths to the hundreds that set foot to take notice of the newbies on the block and the older ones that had reinvented themselves.

There was something for everyone who came for the conference. And for everyone there was hope. The ECMBS is not just a conference. It is a confluence of some of the greatest minds in the industry. To attend this, some decided to come weeks in advance. Some decided at the spur of the moment. But neither regretted being here as they went back rich in thought with a confident stride that Acche Din were already in the making. mg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Focus on user needs

Industry leaders from all segments came together to debate and understand opportunities and challenges existing on the east coast of India, more so the requirements of the end users – shippers, exporters and importers

The muted global trade growth, economic slowdown in emerging markets and poor performance of container and bulk segments have been a drag on the maritime industry. As a result, in 2016 too performance will be under pressure. Slow growth in China and the incomplete transition of power to the developing nations will pose several significant risks because China accounts for two-thirds of global iron ore imports and 20 per cent of world coal imports. The weakened demand is expected to lead to over capacity further plighting the sectors recovery and put pressure on freight.

Industry experts warn that 2016 is going to be much worse than the previous year for container segment. One of the main reasons for this panic is the imbalance in the supply and demand that has worsened because of over capacity of vessels in 2015. Shipping lines will have to idle a bigger portion of their fleet. India's merchandise exports fell for the thirteenth successive month in December 2015 as orders from US and Europe shrank and due to weaker Chinese Yuan. According to the Ministry of Commerce report, exports fell 14.75 per cent compared to previous year.

The only silver shining in the midst of this economic turmoil is that for the second year in a row, India is expected to grow faster than China by clocking 7.7 per cent growth in 2016 and will be a star performer among emerging economies. India's east coast maritime business plays a pivotal role in the country's stable economic growth. Trade through major ports on the east coast has witnessed a considerable growth of 7.01 per cent during financial year 2014-15. On the flip side, growth on the west coast is 5.74 per cent. Among the major ports, east coast manages about 50 per cent of the total traffic.

Ports like Ennore and Krishnapatnam have posted stellar performance, container operations at Kolkata Port have improved, the Kakinada Port has developed a container terminal and the Visakhapatnam Port is on its way to iron out several age old problems. Coastal shipping services on the east coast are set to increase.

Bringing into context the government's act east policy, **Sabyasachi Hajara, former Chairman – SCI and Chief Advisor, Elektrans Shipping Pvt Ltd** said, we have been deliberating on the east coast for the last few years and it's an undoubted fact that India's growth story vis-à-vis the eastern part of the globe is likely to be much more robust than compared to the western part of the globe simply because most of the western economies have become mature and whatever growth is still coming – the Chinese economy is down but in spite of that they will have a growth of about 6.8 or 6.9 per cent which is much higher than the US or Europe.

While India is projected to clock more than 7 per cent growth in 2016, we must remember that the pace of growth in China and India is completely different. Even if growth in China is about 6 per cent and India grows by about 30 per cent, in absolute terms we will be no where near China. China has already emerged to be the largest trading partner with India and definitely, with involvement of Indian leadership with Japan, South Korea, South Asia, Southeast Asia and far eastern countries, the growth in India's exim trade with them will be far higher than the growth with the western world. In this context it makes sense that ports on the east coast become gateways for this trade.

Radm L V Sarat Babu, NM, IN (Retd), Chairman & Managing Director, Hindustan Shipyard Limited

Ports on the west coast have emerged to be the front runners for a long period when it comes to containerised trade. JNPT alone handles 50 per cent of the containerised exim trade, but this is only a sub-optimal solution.

With many ports coming up on the east coast and Kolkata and Haldia also gearing up for transloading both bulk and containers, there is lot of scope with ports at Vizag, Kakinada, Kattupalli and Dhamra. The Adani's are very ambitious about Dhamra and are projecting to reach the 100 million tonnes mark soon.

Bringing forth the plight of logistics in India Hajara said, the logistics cost in India is more than 13 to 15 per cent of our GDP, is one of the highest in the world. We are more than double (in terms of cost) than most of the developed countries in logistics cost ratio. If we can make sure that the east coast ports become the gateways for the east bound trade then I am sure the logistics cost can come down.

Placing bets on the tanker sector he said, 2015 was a record year for delivery of container ships, around 1.7 million teu have been added and total supply has gone up to 20 million teu. In 2016 again there is expected to be higher growth for demand by 4 to 5 per cent but it will not suffice to take care of the glut in capacity in the container and dry bulk scenario. The only relief is in the tanker market which performed well in 2015 and is expected to do pretty well in first half of 2016.

"The logistics cost in India is more than 13 to 15 per cent of our GDP, is one of the highest in the world. We are more than double (in terms of cost) than most of the developed countries in logistics cost ratio. If the east coast ports become the gateways for the east bound trade then I am sure the logistics cost can come down."

Sabyasachi Hajara
Former Chairman – SCI and Chief Advisor
Elektrans Shipping Pvt Ltd

I don't think there is any reason for us to be pessimistic, remarked **Rear Admiral L V Sarat Kumar, Chairman & MD, Hindustan Shipyard Ltd,** guiding the audience away from the gloomy market scenario.

Opportunities galore, looking at the developments happening around the world and the visits of our Prime Minister to southeast Asian countries, the look east policy. While the statistics say that there is a bit of concern about the market in the current year, but if you look holistically at the maritime business activities 80 per cent of the cargo is moved by ships and will never be over taken by any other means of transport. The shipping industry is the greenest compared to all other modes of transport and this aspect is particularly taken care of in the Navy. Recently, the shipbuilding industry has got the infrastructure status and the government is aiming to take both public and private sector shipbuilders on the same footing, so the government has lot of work to do in terms of getting ships built for the coming decades, which presents a huge opportunity. The Ministry of Defense is looking at diversifying its activities and involving private partners in and around the east coast. Shipping industry in Korea and China has developed by focusing at and achieving certain goals and we need to learn lessons from them.

Presenting a brief on the operations of IIC Technologies and solutions offered by it, **Rajesh Alla,**

From L to R - P L Haranadh, IRTS, Deputy Chairman, Visakhapatnam Port Trust, **Sabyasachi Hajara,** Former Chairman, SCI & Chief Advisor, Elektrans Shipping Pvt Ltd, **Ramprasad,** Editor in Chief & Publisher, Maritime Gateway, **V Kalyanarama,** Director (Projects & Services), Container Corporation of India Ltd, **Walter D'Souza,** Convenor - Ports & Logistics Committee, FIEO, **Rajesh Alla,** CMD, IIC Technologies Pvt Ltd

CMD of the company detailed on the projects handled. At the Cochin Port the company is doing a study to come up with models for siltation. They have brought to the market a new concept called nautical depth which will help ships with greater tonnage call the port despite siltation issues. Another application being developed will help predict shoals so that barges can navigate around them. All these applications will be offered through Nautiluscharts.com that will be a data and solution provider for end-users like fishing community and ports – offering a one-stop shop for hydrographic survey and port charts. The portal was inaugurated by Rear Admiral Sarat Kumar.

Hinting at the growth potential on the east coast, **P L Haranadh, Deputy Chairman, Visakhapatnam Port Trust** said, in the past year 2014-15, total cargo handled by all the major ports together is 1,050 million tonnes, of which roughly 40 per cent or 397 million tonnes was handled by the east coast and the remaining by the west coast. Even though the east coast handled less than the west coast, we have a huge potential here to grow at a much bigger rate compared to the west coast, said Haranadh.

The act east policy will definitely spur up the momentum on the east coast. At Vizag Port, for the past 2-3 years the growth has been a bit muted but it has huge potential in the coming years. The Vizag cluster has 30 per cent of the mineral production in India within 600 km radius of the port. Andhra Pradesh is going to become the manufacturing hub with the coming up of the Vizag-Chennai industrial corridor and PCPIR the manufacturing activity is going to increase and boost the demand for raw material.

Pointing at the potential in coastal shipping Haranadh said, as the entire coal production is concentrated in eastern and western India, there is a huge potential for coastal shipping considering it to be the most economical and eco-friendly mode of transport. Vizag Port will play a major role in this scenario because of its proximity to the coal production hinterland. About 25 to 26 million tonnes of coal is transported from Odisha and Chhattisgarh to Tamil Nadu, about 20 million tonnes to Maharashtra and 15 million tonnes to Gujarat. Most of this is transported through rail which is costly and time consuming considering the saturation of the railway lines. If this cargo is shifted to coastal shipping the cost of power generation will come down by 35 per cent.

“When it comes to cost of finance India is the highest in the world, except for few African countries. It is 1-3 per cent in most developed countries and 6-7 per cent in developing countries, while it is 10-12 per cent in India.”

Walter D'Souza
Convenor, Ports and Logistics Committee, FIEO.

The key to economic development is reduction of logistic cost, averred Haranadh. At present it is 17-18 per cent of the production cost in India which should be brought down to 7-8 per cent. Vizag Port has taken certain prudent steps for attracting traffic to the east coast. In the past five years the port has spent about ₹2,500 crore for capacity augmentation and modernisation. It has pioneered in implementation of PPP model for berth allotment which has drastically increased the efficiency. In the coming three years another ₹3,000 crore will be spent in these process. The port currently has about 93 million tonnes of handling capacity and it will be scaled up to 124 million tonnes in coming years. BCG has been appointed by the ministry of shipping to the study the modus operandi of the ports, understand the bottlenecks and unleash their potential. In the past year, the average turnaround time at the port has reduced by 30 per cent and average output per ship berth day has increased by 20 per cent.

Resolving the evacuation problem, the Raipur-Vijayanagaram railway line is being doubled and electrified. The port has been able to move 30 per cent more trains this year compared to the previous year. Roads connecting to the port are being expanded to four lane for easy movement of cargo. Electronic communication, cost and time of operation are the three elements that enable ease of doing business at ports and Vizag Port is focusing on these to increase efficiency continuously.

Emphasising on the significance of infrastructure development, **Walter D'Souza, Convenor, Ports and Logistics Committee, FIEO,** indicated at the development in Singapore. Even though Singapore got independence a decade after India, the city-state and other countries like

the UAE have focused on developing infrastructure and promoting entrepreneurship. However, post independence, India did not focus much on infrastructure development, as a result many ports in India still lack last mile connectivity which adds to the transaction cost making indian exports less competitive. When it comes to cost of finance, India is the highest in the world, except for few African countries. It is 1-3 per cent in most developed countries and 6-7 per cent in developing countries, while it is 10-12 per cent in India.

The government has however taken certain measures to reduce cost of finance a bit and exports are looking up since October last year. If proper infrastructure is provided and a level-playing field in the world market is offered (currently Indian exportes are at a disadvantage of 10-15 per cent compared to global levels in obtaining finance), Indian exports can perform much better. In many parts of the country the cost of frieght is 100 per cent more as compared to moving by ocean. In India 60 per cent of exim cargo is transported by road while 35 per cent goes by rail; here coastal shipping can play a pivotal role in bringing the cost and time down. Maritime transport constitutes 95 per cent by volume and 75 per cent by value of the global trade, so any growth in the maritime sector will influence the economic development of a country.

On the ease of doing business index India was at 142 and has come down to 132 position, but still countries like Mexico, Thailand, Brazil, indonesia are above us. This can be improved if exports shoot up and it is possible only if the minimum comfort level of exporters is not tampered. India logistics report reveals a loss of $45 billion due to logistics inefficiencies. It also projects that Indian logistics sector will grow by 150 per cent in the 2010 to 2050 period, so a lot of opportunities do await us.

Linking economic development to containerisation of trade, **V Kalyanarama, Director (Projects & Services), Concor** said, a developed economy goes more towards containerisation with more thrust on ease of doing business and ecofriendliness, and containerisation

"The MMLPs planned by Concor will have CFS, warehousing, automobile addition facilities, aggregation and distribution facilities, specialised warehousing for liquid products so that a lot of processing can happen in the MMLP itself and this is not limited to containers only but for bulk and breakbulk cargo as well."

V Kalyanarama
Director (Projects & Services), Concor

is the best solution for that. There is a misconception among the business community that containerisation adds to the cost, but it actually reduces the cost and increases the safety and quality of the product. As far as containerised trade is concerned Indian exports are more than imports. According to the 2013-14 figures published by the shipping ministry exports are more by 0.9 million teu. But on the east coast the imports are more by 0.6 million teu. This cross movement of containers from east coast to the west to balance the shortage is adding to the cost. So there is an urgent need to increase exports from the east coast. This side of the Indian coast is well positioned to trade with pacific nations and the US west coast. Industrialisation also needs to be developed near the east coast as currently it is more biased towards the north west region, but infrastructure development should preceed industrialisation.

The capacities of our ports are 60 per cent more than the cargo they handle today. The Chief Minister of Andhra Pradesh aims at making the state logistics hub of the nation. In this regard, Concor has also chalked out certain development plans for the east coast. Currently Concor operates five facilities on the east coast from Kolkata to Chennai and is planning to add eight more facilities on this side of the country, of which, one will be developed in Vizag on 100 acres. Concor is going for bigger facilities, the average size of ICD/CFS is being increased from 25-30 acres to around 100 acres and more. The idea is to create infrastructure at one place and reduce logistics cost. This will help in concentrating all the value addition and processes at one place. The MMLPs planned by Concor will have CFS, warehousing, automobile addition facilities, aggregation and distribution facilities, specialised warehousing for liquid products so that a lot of processing can happen in the MMLP itself and this is not limited to containers only but for bulk and breakbulk cargo as well. Concor today operates 63 facilities across India which will be increased to 90 soon. Concor is partnering with state governments and they are also appreciating the importance of a good logistics network. State chief ministers have showcased the facilities of Concor to foreign nations for attracting investments in industrial hubs. The facility at Khatua in Rajasthan on 280 acres is an example which has attracted industrial plants from Korea and Japan. Logistics and infrastructure need to preceed industrialisation and the development seems to be happening at the east coast, putting India on the world map. mg

From L to R - **Mr Antti Halonen,** Sales Manager-Port Cranes, Konecranes, **Capt S M Shah Alam, AFNI,** Executive Director, Karim Group, **Mr N Krishna Kumar,** Vice President - South India, MSC Agency (India) Private Limited, **Mr Ramprasad,** Editor in Chief and Publisher, Maritime Gateway, **Mr Rajan Sharma,** President, Nepal Freight Forwarders Association, **Mr Kapil Rawat,** Executive Director - Logistics, Jindal Steel & Power Limited, **Dr K Satyanarayana,** Director - International Logistics, Dr Reddy's Laboratories

Huge growth ahead for the east coast

End users pinpoint the bottlenecks to be eased out in port operations as the east coast gears up to handle larger cargo in the backdrop of huge industrial and manufacturing activity lined up in the southern and eastern hinterland

'Customer is the King' is an age-old adage that is oft used to draw attention to the importance of a customer's needs while doing business. This mantra holds true in every business as much as it does for ports that deal with all sizes of cargos and their customers demanding the best any facility could offer. While most ports have put in operating procedures to make processes easy for customers, they still lage behind on quite a few parameters making the conduct of business uneasy for customers. And so to discuss and put a finger on areas where ports should improve, the first business session was dedicated to port users. A motley mix of users from different segments places on record their views on how ports can do better and pointed new areas of opportunity in the east coast.

Business session one "Industrial and manufacturing growth on the east coast – hinterland development" focused on how the east coast is emerging as a major hub and is slowly going to outpace the west coast in terms of handling cargo volume in the backdrop of huge industrial and manufacturing lined up in the southern and eastern states.

With many smart-cities coming up in these states including new locations such as Krishnapatnam, Bhubaneswar, Visakhapatnam, Warangal, Hyderabad, Tirupati, Kakinada, the 12 smart cities in Tamil Nadu and four in West Bengal, along with national manufacturing investment zones (NMIZs), industrial and dedicated freight corridors, the hinterland for east coast is widening.

The panelists spoke about how the booming industrial and manufacturing scenario in addition to expanding maritime infrastructure is going to change the dynamics of the ports on the east coast.

Kapil Rawat, Executive Director (Logistics), Jindal Steel & Power Limited, "On the infrastructure development front, we are talking about 100 smart cities, which will require huge infrastructure in the coming years. It will lead to tremendous rise in demand for cement and steel."

Talking specifically about the steel industry, he said, the steel projection in India is going to touch 200 million tonnes. We expect sourcing of raw material for the steel industry will be doubled in next 2-4 years.

It's not just the domestic hinterland, but the east coast has plethora of opportunities to boost trade with neighbouring countries. With government's Look East policy, the trade relationship with neighbouring countries such as Nepal, Bangladesh and Mynamar is set to grow further.

The trade relations between India and Bangladesh were not significant in past years; the two-way trade in the fiscal year 2013-14 totaled $6.6 billion, with exports from India amounting to $6.1 billion. However, with the change in policies and initiatives, the trade volume is set to get a boost. Recently, the two countries signed the standard operating procedure (SOP) to operationalise the Agreement on Coastal Shipping, which will pave the way to promote coastal shipping and enhance bilateral trade between by bringing down the cost of transportation of EXIM cargo.

The present connectivity through sea route with Bangladesh is through ports of Colombo and Singapore. The long sea route adds significantly to the transportation costs of EXIM trade. There is no significant cargo movement between sea ports of Bangladesh and India as it is not profitable for the big vessels to operate between these sea ports. Under such circumstances, there is a need for smaller ships to provide direct connectivity between the eastern sea ports of India, Chittagong and other ports in Bangladesh. This, besides improving the connectivity would also provide competitive freight rates for coastal vessels that ply between ports of the two nations.

Speaking on the subject, **Capt SM Shah Alam, AFNI, Executive Director, Karim Group** said, "In Dhaka, more than 70 per cent of industry is within 100 km away from the inland port. Instead of sending cargo to transshipment hubs such as Singapore and Colombo, we can directly cargo to east coast." Indian ports serving as transshipment

"We are talking about 100 smart cities, which will require huge infrastructure in the coming years. It will lead to tremendous rise in demand for cement and steel. The steel projection in India is going to touch 200 million tonnes."

Kapil Rawat
Executive Director (Logistics), Jindal Steel & Power Ltd

ports for Bangladesh cargo will derive benefits by way of enhanced throughput as a result of Indo-Bangladesh coastal trade.

Speaking on the potential of sea trade between Nepal and India, **Rajan Sharma, President, Nepal Freight Forwarders Association**, said, "At present, Kolkata is the only port catering to Nepal. We are looking closely at other east coast ports, mainly the Visakhapatnam Port."

"We need to work collaboratively to solve all the prevailing issues both the countries have starting from labour to logistics," he said. "We are looking forward to solve these issues of the land-locked countries, to make it a win-win situation."

N Krishna Kumar, Vice President (South India), MSC Agency (India) Private Limited, said, "Though India saw a dip in growth in the last 13 months in exports, India fared better when compared alongside the BRIC (Brazil, India, Russia & China), countries. India grew at 7.5 per cent, while growth at Russia shrank by 3.8 per cent and Brazil shrank by 6.7 per cent." Speaking about India's trade relations, he said, "The demand-supply gap and geo political scenario will play a major role in boosting the bilateral trade between countries," he said.

Infra bottlenecks

The east coast, despite having huge opportunities and several advantages on its side, is suffering from several infrastructure bottlenecks. For instance, though the eastern coast has all the pharma companies manufacturing in large volumes does not have infrastructure to support pharma exports.

Expressing his concern, **Dr K Satyanarayana, Director - International Logistics, Dr Reddy's Laboratories**, said, most of the eastern ports are not yet infrastructure-ready, especially when it comes to some temperature-controlled facilities.

"Even if we intend to export from the east coast, the ports here do not have temperature-controlled facilities and direct vessel calls, which forces us all the way to the west coast, to JNPT," he said adding that though some pharma exports is carried out via air cargo, the pharma industry prefers the ocean freight due to the cargo's dependence on cold chain. Dr Reddy's is one of the largest pharma manufacturing companies in India with two-third of its revenue coming from exports.

At present as ships pass through transshipment hubs such as Colombo or Singapore, the lead time increases. Increase in lead time is loss for a company. The east coast needs to have some arrangements to increase efficiency and reduce lead time.

Talking on similar lines, Rawat of Jindal Steel & Power spoke about how the ports in India are lacking in infrastructure in handling raw material and bulk cargo. Giving an instance, he said, the major raw material for the steel industry is coking coal. Most of the ports in the country are lacking in proper storage facilities for bulk cargo, and most of the coal yards in the country do not have concrete flooring or pucca surface, which leads to damage of coal or other bulk cargo when it rains.

In addition to it, high logistics cost is also a major concern in the country. In contrary to developed countries where the logistics costs is pegged at around 7-8 per cent, it is around 12 per cent of the GDP in India, among the highest in the world. "The logistics costs for the steel industry is probably the highest at 20 per cent," Rawat of JSW said.

Improve infrastructure, speed up cargo evacuation

Panelists stressed on the need for development of necessary infrastructure, skilled manpower, cargo evacuation and last-mile connectivity across the east coast

For the success of any port or container terminal, efficient cargo evacuation is key in addition to having adequate infrastructure and excellent connectivity. Any port lacking in any one of these three aspects will witness a drop in productivity and face several challenges and will continue to lose out in the long run, according to panelists of the business session "Infrastructure, Connectivity and Cargo Evacuation" on the second day of East Coast Business Maritime Summit (ECMBS), which was organised at Visakhapatnam.

Focused on drawing the industry's attention and inviting opinions from industry stalwarts, the session discussed in length about several challenges faced by the Indian port sector and what could be the need of the hour in order to bring efficiency in cargo handling and to widen hinterland reach.

Speaking on the challenges faced by the industry, **Joy Saxena, Group President & Whole Time Director, Jindal ITF Limited**, said, "The industry faces challenges in terms of night navigation, fog, improper dredging, no proper marks and other technical challenges. On top of it, not much water available in rivers between the months of December and February which makes it difficult for coastal shipping."

Speaking on similar lines, **P Krishnan, Advisor, FFFAI & Trustee Chennai Port Trust,** said, people handling certain specialised cargo are not properly trained, especially for the coal cargo. Also, clearing cargo at some ports takes three to four days. He also said, "With the introduction of 24/7 custom operations, once the practice of monopoly ceases, then it is advantage for the trade. In future, the good business is on the cards." With the shifting of cargo from one port to another, the major benefit lies that accrues to the cargo owners is in

From L to R - **Mr K Ramachandra Rao,** Chief Engineer, Paradip Port Trust, **Capt Ramnath Vaidyanathan,** Director & Project Lead, Adani Ennore Container Terminal Pvt Ltd, **Mr P S Krishnan**, Advisor, FFFAI & Trustee, Chennai Port Trust, **Mr Joy Saxena,** Group President & Whole Time Director, Jindal ITF Ltd, **Capt Swaminathan Rajagopalan,** Commercial Director, CMA CGM Global (India) Pvt Ltd, **Capt Sriram Ravi Chander,** Executive Director, Krishnapatnam Port Company Ltd, **Cdr Prashant Kumar Srivastava**, Chief of Hydrographic, Inland Waterways Authority of India negotiation of rates. All the non-major ports on east coast are only about 7-8 years old. Operational cost has not reduced, he said.

Even **Cdr Prashant Kumar Srivastava, Chief of Hydrography, Inland Waterways Authority of India,** spoke about how the inland waterways sector is also facing challenges including insufficient funding and other challenges in the development of waterways. Currently just two of the five planned waterways for immediate development are operational.

However, the government of India is trying to boost coastal shipping and build waterways for better transportation, he added. As per the National Waterways Bill, 2015, the government is planning 106 new waterways, adding to the existing five waterways and taking the total number to 111, he said. The declaration of these national waterways would enable IWAI to develop feasible stretches for shipping and navigation. The Bill proposes conversion of 15 rivers in West Bengal, 14 each in Assam and Maharashtra, 11 in Karnataka, 12 in Uttar Pradesh, nine in Tamil Nadu and six each in Bihar and Goa and five each in Gujarat, Meghalaya, Odisha and Telangana, among others. The right over the use of water, river bed and the appurtenant land will remain with the state government.

Giving an instance of how waterways can boost the trade and reduce dependence on road and other mode of transportation, Srivastava said, "In a first, auto-major Maruti Suzuki has done a trial run near Varanasi to transport its cars through waterways." The company has shipped cars manufactured in Gurgaon and Manesar, near Delhi, to Kolkata via inland waterways, on a pilot basis in October last year. It brought cars by road to Varanasi and from there cargo travelled by river to Kolkata. River transport facilities will provide more cost and time efficient than road transport.

"Traditionally, container terminals needed to go to hinterland, while today it is vice-versa. Business is no longer going to hinterland, now hinterland is coming to the port for better infrastructure."

Capt. Ramnath Vaidyanathan
Director & Project Lead
Adani Ennore Container Terminal Pvt Limited

Even Saxena of Jindal said, "We are requesting the government for dedicated anchorage, availability of pilots, ease of Custom procedures etc." He further said business only depends upon turnaround time. While the total requirement is 30 million tonnes, we can meet only 10 million tonnes with the current infrastructure. We require more support from the government.

Panelists also stressed on the need for development of necessary infrastructure and last-mile connectivity across the east coast.

Capt Sriram Ravi Chander, Executive Director, KPCL, spoke about how efficiency is the best service a port can offer to its customers. "The port operates a 24/7 customer service desk and provides comprehensive information system. We are focusing on areas such as to add efficiencies, ease of doing business etc."

He further said, in addition to the existing 6,800 acre land the port has, it has developed a land-bank of 13,000 acre to develop it as industrial zone or clusters for cold storages, pulses, timber etc. It also has marine capacity to berth large ships on the block. Infrastructure-wise, the port is well connected with 16-18 lanes road connectivity. He said, the state of Andhra Pradesh has a lot of potential in the backdrop of a lot of connectivity is being developed. The state government is also developing entire coastal road with a four-lane road. "We are also setting a joint venture with the Andhra Pradesh state government to enhance rail connectivity to the port and the region," he added.

Sharing the perspective of another container terminal operator, **Capt. Ramnath Vaidyanathan, Director & Project Lead, Adani Ennore Container Terminal Pvt Limited,** said, traditionally, container terminals needed to go to hinterland, while today it is vice-versa. "Business is no longer going to hinterland, now hinterland is coming to the port for better infrastructure," he said, adding that hinterland is becoming smaller and smaller towards the port which they are sharing. If you are looking at hinterlands coming to your port, you need national highways. For any port, they need road infrastructure. Same is the case with railway.

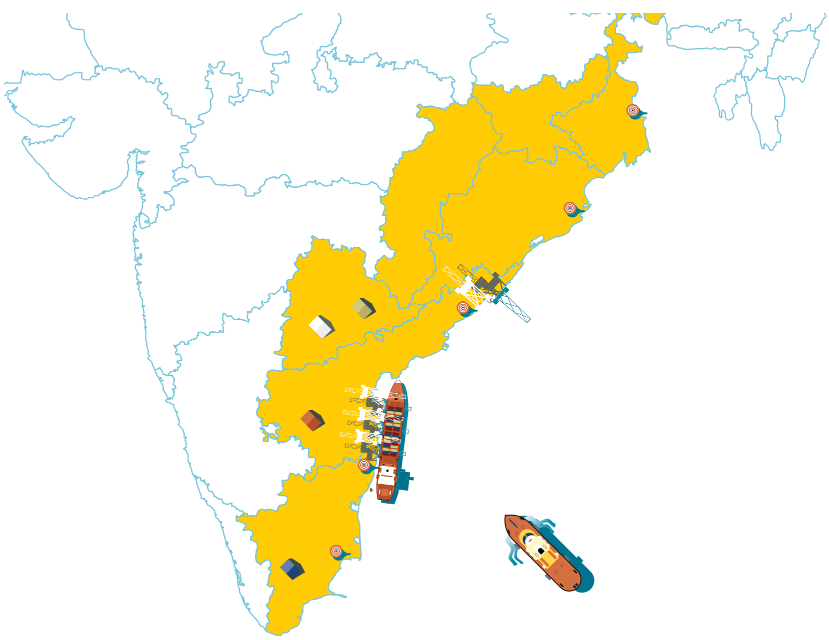
Container terminals are also expected to facilitate value-added services, he said. "Today location or cargo hinterland does not matter. The case in point is DRL – DRL having base in Vizag moving all its cargo to JNPT," he added.

While talking about its prospects in India, **Capt. Swaminathan Rajagopalan, Commercial Director, CMA CGM Global (India) Private Limited,** said, the company sees huge prospects on the east coast. With a market share of 11 per cent in India, it lags presence on the eastern part of India and would focus on the east coast. "We will be making investments India and will be adding one more terminal on west coast." mg

East Coast Maritime resurgence

Complex customs procedures and ambiguity on rules at ports need to be done away with and decisions announced by the government should see the light of day, if ease of doing business is to be implemented in its true sense

by Veeresh Malik



Vizag used to be my "home port" about 35-40 years ago, and then again about 25 years ago when I worked ashore for some time. For the typical "man on the street in Vizag" that I met, the competition in terms of strategic and commercial importance aspired for is no less than that of Mumbai's on the West Coast. "We work harder", they tell me, "We are people of steel" (Vizag is also known as steel town and ore town).

So it is kind of an opposite experience that I have at the "Ease of Doing Business at Ports" CEO Round-table at the East Coast Maritime Business Summit that I have come to attend. Speaker after speaker launches into how difficult it has become to do business in Indian Ports, with multiple authorities from Customs and Central Excise to Central Government Ports to State and local all pitching in to generate tonnes of paperwork. An example given is of how two arms of the same "service", Customs and Central Excise, require huge duplication of documentation for essentially the same activities.

Likewise, the reality that different ports interpret the same rules differently for "historical reasons," has been known to us seafarers for decades now. That it has become a huge giant waiting to swallow commercial entities in this day and age of better communications is not so well known. As transshipment cargo moves from one port to the other, it often falls afoul of the multiple different ways of interpreting the same rules at different ports. A legit shipment at one port runs into all sorts of problems in the neighbouring port. We knew this decades ago but modern communications make it easier for it to be "caught".

And policy decisions taken in Delhi take months to filter down to the ports. If they do at all. Reductions in taxes on bunkers and ease of doing business for coastal shipping, the backbone of any maritime country, are examples of decisions announced almost a year ago but not implemented.

Homilies about how it is the role of the ruler to collect taxes from subjects by "authorities" and government departments born and still living in a colonial era do not justify the huge amounts of paperwork that is still needed for movement of cargo in and out of our ports, even if it is domestic – most of which has to be signed and attested by a variety of people for that reason only. Bringing in National Security as a reason for hampering the movement, especially of exports, does not really have any meat in it when vast portions of our coastline and land borders are wide open to all. Ports in India and allied services therein appear to exist for only one reason – and that is to hamper the free flow of commerce.

"Make in India" will have no

meaning if what was called "fear factor" amongst our shipping fraternity of the existing inertia levels which block trade are not addressed. The fact that the CISF, feared by commercial cargo entities, which guards ports in India, is known as a very humane and pro-active force by people using the Delhi Metro, is considered one of the major reasons by many on why cargo does not move in Indian ports, is a dichotomy that needs to be looked into. Sea ports are a "wet" posting, Delhi Metro is not.

As always, the solutions lie in what is known as "follow the money", which is also easily done.

Shipping people already have charts drawn up on what expenses are involved for what kind of movement in which port. There is the legit part and then there is the cash part. If the legit part of expenses for each sea-port, every small little expense paid to any authority government central, state, local or private is documented and procedure for payments made online 24×7 for all of them, then documentation generated for free flow of cargo will also be automated. What's left then is random audits in real time, full audits post facto, and maybe a few cases which form the exception – and these, as per experiences in other countries, seldom cross 1 per cent by value of cargo being moved.

Typical movement of cargo – even if it is bulk and government cargo – through any seaport, especially government seaports – is being strangled by these idiotic repetitive and therefore time and cost increasing activities. Fear of taking on the many entities keeps people quiet. But somebody has to speak up and demand from the present government that the simple task of bringing in a standard accounting system wherein all official cost heads (government and private) are captured and made payable online without human interface, will solve 99 per cent of the problems that sea commerce meets.

Shipping interests have no issue in paying that which is justifiably demanded. Just make it easier to actually pay all these multiple legit charges at one location, online, and let nature handle the rest. Today, very often, just making the legit payments involves huge legwork – and we have not even started talking about the "returns" which then have to be filed. One easy task – ensuring that Customs (Customs and other allied matters) and Central Excise (central excise, service tax and other excise matters) can work towards common documentation and full 24×7 online transactions monetary as well as documentation, which automatically generates their "returns", will solve most of the issues that people in sea-cargo face in Indian ports.

Thing is, who will coordinate the various deeply entrenched silos, including, to be frank, the very people who perpetuate these methods of making sea cargo movements difficult?

As the preparations for next week's international fleet review continued outside (to put things in perspective, the flypast is about three or four times as big as the one for Republic Day's in Delhi, while the size and scale of sea and land operations with air support are on a scale bigger than land war games in the desert), the East Coast Maritime Business Summit in Vishakapatnam moved into its second day.

Aside – some very interesting aspects of trade through seaports as it impacts the land-locked Nepal and coastal trade between Bangladesh and India emerged which place the larger issue of where Kolkata stands now in East Coast of India sea trade into perspective. What was India's busiest and most important port system, up the Hooghly and then on to the rest of the world, is now not considered an influence on matters maritime both naval and mercantile even in India is about as simple as it gets.

In the midst of much moaning and groaning on how freight and commodity rates were going down globally, an interesting question to which no really credible answers were forthcoming from government as well as private ports comes up – why in the face of port costs going down all over the world especially where economics of scale kick in, are port costs going up relentlessly in India?

One simple answer is that the tariffs set for the "major ports", means older ports administered by the Central Government, are set abnormally high for a variety of reasons. If there was clarity and transparency in the way fiduciary issues were handled in these "major

> **One easy task – ensuring that Customs (Customs and other allied matters) and Central Excise (central excise, service tax and other excise matters) can work towards common documentation and full 24×7 online transactions monetary as well as documentation, which automatically generates their "returns", will solve most of the issues that people in sea-cargo face in Indian ports.**

ports", the tariffs would be way way lower than what they are set at, and the resulting competition would bring the private ports in line too. Unfortunately, the tariffs are not coming down, legacy inefficiencies and outright cheating and corruption keep on adding to the expense side of running these government operated ports, and so the costs stay high.

Tenants of prime real estate in and around major ports, for example, are on rents set hundreds of years ago, even though the actual occupants have changed many times since and happen to be collecting or paying market rents amongst themselves. Just trying to fix this one head under "incomes" would bring most of the major ports back on the way to their accounts being in the black.

Likewise. cleaning up the huge amount of paperwork that most major ports require of users would inspire the other authorities involved to keep pace and reduce inefficiencies as well as the extremely vast amount of local and hereditary practices in different ports all professing to follow the same rules, which leave vast room for differences in interpretation.

If there is one additional factor over corruption, inefficient and absent infrastructure that makes the movement of export and import as well as coastal and domestic cargo by sea uncompetitive then it has to be the reality of why port costs to users are probably the highest in the world. Government ports have a tariff mechanism which works broadly on cost plus which in turn hides the almost criminal wastage that goes on with major port resources. Private ports are thus shielded by these levels and make merry. Like with privatised airports, users are stuck between monopolies, and willy-nilly end up paying whatever is demanded.

If seaports were handling passenger trade, the demand for a clean-up would have fixed matters a long time ago – sadly, passenger trade by sea is almost dead in India. So it is going to be cargo mostly, and to some extent other user groups – fishing, oil exploration and support services. All have their existing inertia levels which prevent change for the better, except some local improvements in some cases.

But there is hope.

Make in India is going to go great guns, if field reports are to be believed, as manufacturers benefit from other efficiencies moving into the system in some states, with Andhra Pradesh as an example of how things are done correctly lately. But if real benefits of make in India are to be realised, then export India and Indian manufacturers must, and for that sea-ports need to become more efficient and operated transparently.

Typical export documentation takes four days per shipment before the goods reach the port, and atleast three mandays once they are in the port. That's seven days too many for something which in almost all the cases should have been over in minutes.

For all those who are still worried about the economy, especially as seen from armchairs in Delhi and Mumbai, may I suggest that they try to join the dots here too, along the seacoasts of India, especially the East Coast?

1. The current price of crude oil in dollars is almost the same as the average price of crude oil over the last 30 to 50 years.
2. Container and dry bulk shipping are not doing well, over-capacity tipping point meets reduction in cargo tipping point.
3. Tankers, fishing fleets, coastal ships and efficient ports are doing well all over the world.
4. As farm to fork and factory & shop floor to frequent shopper gets shorter in range and distance, commerce becomes more efficient.
5. There are efficient new ports in India springing up literally overnight and taking business from their older neighbours.
6. More and more major ports are being headed by people from Indian Railways who know the subject of fast evacuation of cargo very well.
7. The collateral benefits of sea-ports becoming intermodal transshipment hubs for India are best seen in Singapore, Dubai and Colombo.

Now, look closely at how many new sea-ports have come up in the last decade or so in India, as compared to how many sea-ports have actually functioned since Independence. Most of these new sea-ports, incidentally, allow deeper draught and therefore much bigger ships which in turn means lower costs. And then check out the YOY increase in revenue, turnover and most of all, cargo throughput.

So why are the usual suspects talking about a downturn? One reason could be that these new ports are not located right in the heart of town, in the old traditional sea-ports, which is viewed as a lack of control and loss of wet revenue by many people. So one common refrain from friends in the shipping industry that I hear is – so many new ports now in India like bus-stops, we have to open multiple new offices everywhere.

If they were efficient in the first place, they wouldn't need such high overheads, is the real answer.

This is in line with a simple truth – till about 30 years ago, every private company in every port in India was controlled out of Calcutta or Bombay only. I was with the biggest container shipping company in India in the late 80s and just trying to move containers by rail over Madras instead of Bombay needed permissions and coordination from the Bombay office. Which said Bombay office, obviously, strongly resisted this change in trade patterns because it impacted their local incomes both wet and dry.

Now, decision makers are needed at smaller "minor" ports, which often do way more business than legacy "major" ports, and increasingly the "head office" in the major port is simply not involved anymore. Not involved, therefore, also means no more "wet" incomes. In all sectors, government as well as private.

Another moan and groan, especially from large corporates already deep in the CDR and NPA game who are reluctant to get into competition with newer nimble competition, is to blame bad infrastructure for everything. Agreed, our infrastructure could be way better, but look at the way things have improved? Where have they improved, my friends in the media ask me, and point to how trucks and trains get stranded in and around the older seaports located near bigger towns. Go out a wee bit, I tell them, and look at sea-ports which have emerged away from the big cities and see how rail as well as road connectivity is way way better and just keeps getting better?

People who have no idea of how

the existing vested interests in legacy ports made it difficult to even build roads and revive railway lines to new satellite ports in their own region will not comprehend. Go back to why the Border Roads Organisation had to be called in to make roads and railway connections to what was then called Nhava Sheva Port and Jawaharlal Nehru Port. Go back to why Customs clearances for new ports were done from Customs offices far away in the legacy ports. All that and more is now, finally, history.

What we have, now, is sea-ports in India functioning at efficiency levels at par with the best in the world. And that, especially with the newly resurgent East Coast, is getting many entities who thought this business was locked in with them, very nervous.

What's common between the investigations against Walmart in India, the Tianjin explosions in China and the La Linea scandal in Guatemala? In all three cases, corruption in Customs, for sums as small as five dollars to millions of dollars, per transaction. As a global traveller, first as a seafarer and then by air variously, with knowledge and experience in the cargo industry, I am, like many, acutely aware of how Customs globally are able to make or break a country's economic growth.

In the course of a presentation at the recently concluded East Coast Maritime Business Seminar, held in Vishakapatnam ahead of the International Fleet Review to be attended by the President and Prime Minister, speaker after speaker as well as the results of a survey of people in the maritime business held that dealing with Customs and Central Excise was the single highest problem they faced in trying to do business through sea-ports. Having been in almost all aspects of sea-trade from working on ships to working at inland terminals and all points in between, I can only agree, and matters are only worse now than they were before.

“”There are few public agencies in which the classic pre-conditions for institutional corruption are so conveniently presented as in a Customs administration.” (J.W. Shaver, former Secretary General of the World Customs Organization). How did we, in independent India, then, get blessed with a department that is perceived to be so unhelpful towards economic growth of India?

> **“Make in India” will have no meaning if what was called “fear factor” amongst our shipping fraternity of the existing inertia levels which block trade are not addressed.**

One reason could be that its perception of “national interest” is skewed by its history in pre-Independence India (the history of Customs in India from around 1870 includes a north-south “Indian Customs Line,” also known as the “Great Hedge of India”), when it collected taxes to be sent to the colonial powers that be.

Customs at sea-ports in India are and have been what they are, which was discussed openly at the ECMBS – there are local variations in the way they interpret the same rules, especially in the older ports, because of legacy reasons, some of which have to do with local customs that have evolved for no other visible reason than to place barriers in the way of smooth movement of trade towards collecting traditional “dues” by descendants of the rent-seeker economies of our colonial era. The concept of “National Interest”, of course, is then subservient to the local demands and traditional practices.

But it is now the duplication of paperwork because the Central Excise department is also involved in Service Tax issues which cannot be understood. However, the two departments, Customs and Central Excise, have not been able to provide a common single-window service for clearing Customs and Service Tax issues.

It starts from there and the other departments involved, at any given port that means between 25 to 35 other entities. Even something like the CISF, known as a particularly people friendly force by millions of Delhi Metro users, becomes a huge barrier to the free flow of trade in sea-ports with its separate set of documentation required.

In most sea-ports globally, an export or import shipment has one core document that flows through all departments seamlessly, with minimal human intervention along the way except for physical examination where required. All payments required to be made, whether to private or government account, are effected into centralised accounting systems, from where the relevant sums are segregated and sent onwards as required.

Change has to come from somewhere, and to start with, if only Sea Customs and Central Excise could simplify and work as one team requiring one set of documents and demand one consolidated payment, that too 24×7 and online, things would improve a lot as the others would then fall in line too.

Veeresh Malik was a shipping professional for three decades and now blogs for Times of India. He can be reached at: veereshmalik@gmail.com

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BRIGHTER DAYS AHEAD

Ports on eastern coast have always played second fiddle to those on the western coast, partly due to the country's policy on trading partners and lack of industrialisation. But, this may be about to change as investors pledge billions of dollars to set up industries in southern states

MG Bureau

Two of the most business-friendly states of Andhra Pradesh and Tamil Nadu which are blessed with long stretches of sea on the eastern coast have shown impressive growth in the last decade and are set for an encore. Rapid industrialisation is underway in all states. West Bengal is confident of the planned cement plants by JSW, Dalmia Cements and Emami will come up this year. Odisha too, will soon become the steel manufacturing hub in the east coast with Tata Steel and JSW Steel setting up massive manufacturing plants in the state. Andhra Pradesh, after bifurcation is welcoming new investments in all sectors along the coastal and interior districts of the state. And Tamil Nadu that has been at the forefront of industrialisation has opened up new avenues for glass and textile manufacturers.

The union government's Act East policy will give an added fillip to the transformation of the eastern coast gateways, experts say.

"Undoubtedly, it's a fact that India's growth story vis-a-vis the east coast with the eastern part of the globe is likely to be much more robust than with the western part of the globe simply because most of the western economies have been saturated," says **S Hajara,** who ran state-owned **Shipping Corporation of India Ltd**

as its Chairman and Managing Director between September 2005 and December 2012.

"India was always trading most with the western countries, with middle-east, Europe, the US etc. So, naturally there is an advantage for ports located on India's western coast," says **Anil Yendluri, Director & CEO, Krishnapatnam Port Co Ltd.** But, if you look at the last 10-15 years, India's trade with Asian partners is rising and rising. Today, it has gone to the extent of almost 70 per cent of India's trade," he said.

"When you look at intra-Asian trade, India-China trade is doubling, India-Vietnam trade is improving, India-Japan trade is improving, India-Australia trade is improving, India-South East Asian nation trade is improving and even part of African trade is improving. So, when it comes to Africa or Far East or South East nations, there is more relevance and justification to have ports on the east coast. Otherwise, let's say, if some cargo was moving from Malaysia to Hyderabad, it was going all the way to Mumbai and then coming down to Hyderabad. Everything which goes around India means another six days of sea voyage and that much extra freight. So, the relevance of eastern coast ports has improved," Yendluri noted.

In 1991, India initiated a 'Look East' policy which sought to establish closer ties with East Asian economies as a means to realise its aspirations of becoming a global economic superpower. The erstwhile "Look East" policy has now been redeveloped as the "Act East" policy with a greater focus on developing projects that can improve India's engagement with the East and South East Asian economies.

"The state's coastline is naturally suited for tighter integration with East Asian and South-East Asian economies in terms of participating in global manufacturing supply chains, which have hitherto largely bypassed the subcontinent, and the ports of the coastline are expected to play an important part in this process. The state government seeks to leverage its locational advantage and pursue a port-led economic development strategy that could also result in the state emerging as the node integrating India into the global manufacturing supply chain," Andhra Pradesh Chief Minister **N Chandrababu Naidu** said at the CII Partnership Summit held in the coastal city of Visakhapatnam in January this year.

Andhra Pradesh, Naidu said, lags behind manufacturing contribution to GDP. The state government has identified several initiatives to rejuvenate the manufacturing sector in the state, including investments in National Manufacturing Investment Zones (NIMZs), aligned with the National Manufacturing Policy (NMP). "This is expected to create a large demand for shipping and logistics of raw materials and manufactured goods through the coastline," he added.

Andhra Pradesh received investment proposals worth ₹6.21 lakh crores during the Partnership Summit.

While, Tamil Nadu received investment proposals of ₹2.42 lakh crore at the Global Investor Meet held in Chennai in September last year. Of this, ₹1.04 lakh crore are in the manufacturing sector and the rest in power, handlooms, agriculture, fisheries, medium and small enterprises and solar energy.

Yet another cargo multiplier is the planned Vizag Chennai Industrial Corridor (VCIC), which is a part of the East Coast Economic Corridor (ECEC), India's first coastal corridor, aligned to the Golden Quadrilateral and is envisaged to play a key role in India's 'Look East' policy. The proposed Corridor shall also form an important part of the union government's plan for providing impetus to economic development in the region.

VCIC is expected to have an influence area spread across Andhra Pradesh and Tamil Nadu which have significant share of contribution to national GDP and total manufacturing output of the country. 11 districts in AP (Srikakulam, Vizianagaram, Visakhapatnam, East Godavari, West Godavari, Krishna, Guntur, Prakasam, Nellore, Kadapa and Chittoor) fall in the influence zone. These districts represent almost 80 per cent of the state's area and are expected to become home to various industrial nodes providing a renewed thrust to domestic and export-oriented manufacturing. This will in turn, create demand for both in-bound and outbound logistics through the port networks.

Special investment regions like the Petroleum and Petrochemical Investment Regions (PCPIR), such as the ones near the Kakinada-Srikakulam region will create demand for commodity-specific port infrastructure. Further, other industrial corridors like Chennai-Bangalore Industrial Corridor (CBIC) and Bangalore-Mumbai Economic Corridor (BMEC) will create cargo opportunities in the secondary hinterland.

These developments will create large cargo traffic opportunities for ports in the peninsular region as large scale investment will have a favourable impact on maritime trade enabling ports, container freight stations and inland container depots to be channelling the growth of trade. With private and public enterprises setting up ancillary infrastructure units such as warehouses and, multi modal logistics parks, movement of trade within the region is going to get a boost.

India's container traffic will grow at 6.5 percent rate under "business-as-usual" scenario and reach 21.5 million teu by 2025, according to a shipping ministry-mandated study. Including the impact of programs like "Make in India" and development of industrial corridors, the estimated container traffic can grow to 24-25 million teu. On top of this, additional growth of around 3-5 million teu will accrue from improved competitiveness of hinterland industries due to lower cost and time to exports and another 4-6 million teu from port-based export-oriented manufacturing clusters for industries like electronics, apparel and footwear, automotive and auto components.

Andhra Pradesh alone is looking to capture 15 per cent of India's container traffic by 2019 (2-3 million teu) and 25 per cent by 2025 (5-6 million teu) from the current traffic (2014-15) of 0.3 m TEUs which is less than 0.3 per cent of the total traffic at all India level.

"There is a lot to forward to in the east coast ... as the east coast becomes a natural gateway for the eastern bound trade, the logistics costs will come down," Hajara explained.










Coast Maritime
Summit

Direct Port Delivery: Less dwell time

In line with the ease of doing business campaign of the central government, JNPT has extended the direct port delivery (DPD) facility to all ACP clients irrespective of their import volume

MG Bureau

Anil Diggikar, Chairman, JNPT and **Neeraj Bansal,** Deputy Chairman, JNPT announcing Direct Port Delivery facility to all ACP Clients.

In the year 2007 through the Accredited Client Programme (ACP), the Risk Management System (RMS) was implemented in major ports which envisages assured facilitation to the clients meeting specified criteria in terms of duty, volume of imports and clean compliance record. The proposed arrangement enabled importers with ACP Status to receive Direct Port Delivery (DPD) of their containerised imports without routing them through CFSs.

To facilitate DPD, keeping in view various constraints like yard, additional equipment, manpower and unfruitful/multiple shifting, a bench mark of 50 teu per voyage to be imported by the agency was fixed as the eligibility criteria for availing DPD facility. However, over a period of time, with improvements in the operating system, in order to reduce the transaction cost per container, JNPT liberalised the minimum volume of containers be imported by ACP clients to 300 teu on an average per month covering all three terminals of JN Port as a part of the policy to extend the benefit of DPD facility to more number of ACP clients.

Presently 10-14 agencies are availing DPD facility at JNPCT which are fulfilling the criteria of importing not less than 300 teu on an average per month covering all three terminals as a bench mark. As understood, CBEC has issued accreditation to 357 ACP clients so far.

Now, under ease of doing business, in line with the directives of the Ministry of Shipping, Anil Diggikar, Chairman, JNPT informed that a decision has been taken to dispense with minimum volume criteria and extend DPD facility to all ACP clients from JNPCT with immediate effect irrespective of their import volume on trial basis for a period of six months. Continuance beyond six months will be subject to operational convenience. With this, a long pending demand of the trade bodies will be met. Under this facility, the import laden containers will be delivered to the consignees (in this case ACP clients) directly while reducing the burden of logistics cost.

As per existing norms, DPD container has to be picked up by the ACP clients within 72 hours of its landing. Otherwise, the same will be moved to JNP-CFS presently operated by Speedy Multi-modes Ltd after 72 hours to avoid piling-up of containers, if any, leading to multiple shifting/ congestion. To facilitate the same, the port is making adequate arrangements in terms of yard and equipment for extending DPD to maximum ACP clients. A separate Trade Notice is already issued in the shipping dailies for the benefit of the trade.

There is a general impression that import laden containers are dwelling in the port terminals for a longer period. This is not the case. While, the laden import boxes bound to local CFSs are delivered within one to one-and-a-half days on an average after landing as against a free period of three days from port terminals, the laden containers are delivered from CFSs to end users after an average dwelling period of 9-10 days subsequent to completion of requisite formalities involving Agencies like Shipping Lines, CHAs, Customs, Consignees & CFS Operators (excluding Port Terminals). The import laden containers are delivered to end users directly from Port Terminals in case of Agencies availing DPD facility with a dwell period is one-and-a-half days only on an average. mg

Results are a mixed bag for firms

Adani Ports and SEZ posts 25 per cent increase in net profit

For the October to December quarter, net profits of Adani Ports & SEZ rose 25 per cent on higher revenue, other income and a fall in finance cost. Net profit for the period rose to ₹638.10 crore from ₹511.97 crore a year earlier. Revenue for the quarter rose 11 per cent to ₹1717.86 crore. Other income rose 15 per cent to ₹177.89 crore while finance cost fell 24 per cent to ₹263.71 crore.

Hanjin Shipping returns to the black in 2015

Hanjin Shipping has reported a net profit of $6 million for its 2015 financial year, as against the loss of $396 million posted in 2014. The annual revenue, however, fell by 15.3 per cent year-on-year to $6.86 billion due to lower freight rates. Dry bulk division of the shipping company continued to record an operating loss of $93 million in 2015 compared to the bigger operating loss of $154 million in 2014, but earnings in its container and other divisions helped the company snatch a profit.

DP World reports flat 2015 volume growth

DP World reported a 3 per cent increase in handled shipping containers in 2015. It handled 61.7 million teus, compared to 59.8 million teus in 2014. Ports in Europe, the Middle East and Africa, including Jebel Ali handled 25.9 million teu last year, which was a 4.1 per cent improvement on the 24.9 million teu handled in 2014. The Asia Pacific and India Subcontinent region handled 28.2 million teu, a 1.6 per cent increase on the 27.8 million teu handled a year earlier. The largest YoY percentage growth was seen in the Americas and Australia market recording a 5.3 per cent increase to 7.4 million teu, up from 7 million. Jebeli Ali continues to be the operator's busiest port, handling 15.6 million Teu in 2015. The Asia Pacific and Indian Subcontinent region contracted by 1.4 per cent to 6.8 million teu.

Maersk profit plunges as oil, container units suffer

A.P. Moeller-Maersk A/S reported an 84 per cent plunge in 2015 profit after its oil unit was hit by lower energy prices and its container division got squeezed between sluggish trade growth and overcapacity. Net income was $791 million last year compared with $5.02 billion in 2014. Maersk shares dropped as much as 9.4 percent, the most since March 31, 2015. The company predicts 2016's underlying profit will be "significantly below" last year's $3.1 billion. The Maersk Line unit's profit will also be "significantly below" 2015's level, which was $1.3 billion.

Gateway Distriparks reports 43 per cent fall in Q3 net earnings

Gateway Distriparks Ltd recorded a 43 per cent fall in its net earnings during the third fiscal quarter. Net income was ₹30.9 crore (about $4.5 million) during October to December, compared with ₹54.3 crore for the same period in 2014. Total income from operations was down 2.2 per cent y-o-y to ₹268 crore.

The CFS division suffered a big hit as revenue fell 12 per cent from October to December 2014 to ₹78.2 crore. The intermodal rail segment bucked the trend, with operating income increasing 2.4 per cent y-o-y to ₹190 crore. The company's operating profit was down 45 per cent to ₹29.18 crore from ₹52.6 crore for the corresponding period in 2014.

Allcargo reports 6 per cent decrease in Q3 FY16 revenues

Allcargo recorded total revenue from operations at ₹1,339.2 crore for the quarter ended December 31, 2015, as compared to ₹1,431.7 crore for the corresponding previous period, a decrease of 6 per cent. 81 per cent of the revenues are from the global MTO business. The gross profit for the quarter was ₹467.9 crore, as against ₹442.4 crore for the corresponding previous period, year on year growth of 6per cent.

For the nine months in FY16, total revenue from operations was at ₹4,286.0 crore, as against ₹4,215.7 crore for the corresponding previous period, an increase of 2 per cent. The gross Profit for the nine months ended December 31, 2015 was ₹1,392.8 crore, as against ₹1,271.7 crore for the corresponding previous period, year on year growth of 10 per cent.

Shreyas Shipping net profits fall 88 per cent in Q3

Shreyas Shipping & Logistics net profit fell 88 per cent to ₹2.77 crore YoY and EBITDA margins dipped 17.4 percentage points to 6.4 per cent. Consolidated total income from operations was ₹141.14 crore and net profit was ₹2.77 crore for the quarter ended Dec '15. For the quarter ended Dec 2014 the consolidated total income from operations was ₹139.83 crore.

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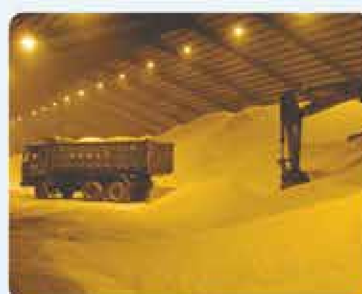


Gangavaram Port has redefined port operational standards in India

- Deepest Port In India with - 21 M depth in the harbour
- TwoCoal berths each equipped with two ship unloaders capable of handling fully laden Capesize Vessels (upto 200,000 DWT)
- Iron Ore berth equipped with ship loader capable of loading Capesize vessels (upto 200,000 DWT)
- Six multipurpose berths equipped with mobile Harbour Cranes capable of handling fully laden panamax vessels (upto 75,000 DWT)
- Most modern fully mechanized cargo handling system and environmental friendly operations
- Excellent rail / road connectivity to hinterland
- Round the year 24x7 operations

The port is capable of handling super capesize ships carrying coal and iron ore of even 200,000 DWT. The Cargo loading and unloading systems are among the best in Asia and have revolutionized the manner cargo is handled in Indian Ports.

Big ticket announcements

After a series of investment summits by several states Karnataka investment summit also gets promises of huge investment

by Itishree Samal

At a time when the country is making waves worldwide with the "Make in India" campaign and successfully attracting investments from all corners, states are leaving no stones unturned to reap the benefits from the prevailing climate of business opportunity and economic growth potential in the country.

Gearing up to attract big-ticket investments to the state, Karnataka has successfully organised a three-day long global investors' meet "Invest Karnataka" last month in Bengaluru. The event, with impressive lineup of corporate heads, industrialists, international dignitaries, politicians along with over 300 exhibitors and more than 5,000 participants, saw around MoUs of 147 projects signed with total investments of around ₹1.33 lakh crore across several sectors.

In the last two years, the state has gathered over ₹3 lakh crore investments by approving 1,201 projects and signing MoUs, in addition to a total ₹1,75,633 crore worth of projects that were already approved over the past year, which combined, would generate nearly 700,000 jobs.

The energy sector – mainly the renewable energy sector particularly waste energy, solar energy and wind projects – received the highest investment valued at over 1 lakh crore, steel sector gathered about ₹38,000 crore investment leading to job creation for 6,000 people, while the chemicals sector saw investments of about ₹24,000 crore with an employment potential for 5,000 people.

Big-ticket projects

Among the key investments and projects announced at the global investors' meet, Aditya Birla Group announced to invest an additional ₹2,000 crore in telecom, apparel, and retail businesses, Adani Group announced ₹11,500 crore investment in the power sector, JSW committed ₹35,000 crore in Karnataka over next 3-4 years, Robert Bosch announced ₹1,000 crore of investment in 2016, while Infosys announced its fourth development centre at Hubli and Anil Dhirubhai Ambani Group would set up Dhirubhai Ambani Centre for Technology and Innovation in aerospace in Bengaluru.

Apart from the private sector investments, both the state and central governments have announced several key investments across sectors. The Union Ministry of Roadways announced ₹1 lakh crore for road development in the state over next two years – an investment of ₹60,000 crore before December this year to add 4,000 km of national highways while the additional ₹40,000 crore will be invested in 2017. It also announced an additional ₹200 crore for port development. On the other hand, Union Minister of Chemicals and Fertilizers Ananth Kumar announced an investment of ₹500 crore to set up a 1.3-million tonne urea plant in the state.

The state has been a hub for aviation, aerospace and defence, information technology, pharma and biotechnology and the electronic industries, this apart it has proved its mettle in other sectors as well such as agriculture and food processing, manufacturing, power, infrastructure and tourism.

Inaugurating the Summit on February 3, Union Minister for Finance, Corporate Affairs and Information and Broadcasting Arun Jaitley said, the state has potential to grow at least 2-3 per cent ahead of India's GDP, given its natural advantage, first-grade human resource and the natural technology inclination of entrepreneurs. "R&D centres worldwide coming into the state, I think we can exploit all these potential and really convert Karnataka into a destination of investment of economic activity of growth," he said adding that "there needs to be a focus on building more manufacturing setups in the country."

Talking on similar lines, Chief Minister Siddaramaiah said, "Karnataka is a 120-billion economy and aims to become a 700-billion economy by 2035. If the country aspires to grow at 9 per cent, let us aspire for Karnataka to grow at 10 per cent." The state Industrial Policy for 2014-19 also aims for an annual growth rate of 12 per cent and eyes to attract investment of ₹5 lakh crore, providing employment to 15 lakh people in the next five years.

In order to ensure the proposed investment projects materialised on time and covert into "actual investments", the state has appointed an official to follow up on projects worth above ₹200 crore. Moreover, the state aims to have all projects approved by high-power committees and single-window committees before May 15.

RV Deshpande, State Minister for Large and Medium Industries and Tourism, said, "The state government has come out with industry-friendly policies and streamlined processes for faster clearance of projects," adding that "We are investment leaders in steel, agriculture, technical, medical, startups, and manufacturing. With the Invest Karnataka initiative, there is now going to be a stronger focus on manufacturing and agricultural industry. With the amazing response, the state will be the key destination in India for investments."

The state government will also set up a public-private partnership company called Karnataka Invest where industrialists will advise the government and will function as an ambassador to attract global investments.

Infrastructure bottleneck

Despite being one of the most attractive investment destinations with its human resources, innovation and deep roots in science, infrastructure in the state especially in the city of Bengaluru needs a huge work before any further industrial, R&D

Proposed Investment Projects at "Invest Karnataka 2016" Summit

- Adani Green Energy Limited - ₹18,500 crore
- JSW Steel Limited - ₹12, 396 crore
- Geitso Green Energy Pvt Ltd - ₹10,000 crore
- Essel Infra Project - ₹7,200 crore
- Fox Petroleum Limited - ₹7,000 crore
- Shriram Properties Limited - ₹5,920 crore

opportunities, echoed most of the investors. Everyone from Infosys's Narayana Murthy to Wipro's Azim Premji spoke about the existing infrastructure woes of the city. Crippling traffic was another point of worry among the investors and politicians, who highlighted lack of basic infrastructure hampering the growth of the country's fastest growing city.

Slow moving traffic and the ever increasing number of vehicle users in the city have brought down the average speed during peak hours to just 10 km per hour. Unscientific road planning and poor road quality add to the problems.

If the state accelerates investments in infrastructure, it can be the fastest growing state in the country. Chief Minister Siddaramaiah announced that the state is working closely with the centre to improve infrastructure and reduce traffic congestion in Bengaluru.

Though the state has been

"We are investment leaders in steel, agriculture, technical, medical, and manufacturing. With the Invest Karnataka initiative, there is now going to be a stronger focus on manufacturing and agricultural industry. The state will be the key destination for investments."

promoting cities like Hubli-Dharwad, Mysore, Udupi, Belgaum, Mangalore and Davangere as potential investment destinations, lack of good roads and connectivity has hampered the state's effort to promote Tier II and III cities as cheaper and more lucrative alternative to Bengaluru as well. There have been few takers due to poor connectivity either by road or air.

State bags ₹9,700 cr investment proposals at 'Make in India' Week

After the success of 'Invest Karnataka 2016' where the state attracted investments of around ₹1.33 lakh crore, the state has yet again received investment proposals worth ₹9,700 crore at the recently concluded "Make in India Week", organised in Mumbai.

The proposed investments include, French major Tar Kovacs Systems Group's proposal to invest ₹2,284 crore to setup an ocean-based renewable energy project, US-based McCormick Ingredients's investment of ₹150 crore to set up a food processing unit, garment export company Global Mode & Accessories Pvt Ltd's proposal of ₹25 crore investment to set up a manufacturing unit with an employment potential of 2,000 persons, solar cell manufacturing company First Solar's proposal of ₹6,000 crore investment, Pert Telecom's plan of ₹1,250 crore investment to set up manufacturing base for a range of smart products and solutions in the areas of street lighting, IT security, surveillance and GPS, among others.

Ensuring safety at sea

Reporting the verified gross mass, or VGM of containers is essential to ensure proper equipment is used for loading them and also to balance the load on a ship. While a lot of discussion is going on in the maritime community as to the reporting issues, INTTRA has come forward to bring together the shippers and liners to arrive at a consensus while also offering technical solutions for the same

In the current market conditions, considering the slump in trade and excess capacity with the shipping lines, what is the significance of reporting VGM?

Inna Kuznetsova: VGM reporting is important to ensure safety of cargo and people's lives in terminals and at sea. Using the right equipment during loading and properly balancing ships is an essential part of safety – and it hinges upon the clarity of how much each container weighs. While SOLAS VGM may add monetary costs to the shipping process, it will allow for cost savings by avoiding damage to cargo. Not to mention, that when it comes to safety of ship crew members and terminal workers, we should not base the decisions on economic conditions only.

The industry is moving towards consolidation with more mergers/ alliances happening; will this cause more confusion in the process used in reporting VGM?

Inna Kuznetsova: The process of reporting is rather clear. The shipper of record, stated on the bill of lading, has the legal responsibility to provide the VGM to the carrier. As always, in a case of mergers, adherence to common standards provides for easy integration. This is true for general electronic transactions in booking and shipping instructions. We had several clients merging last year and each time we were able to help them quickly integrate their booking processes because they used the INTTRA platform – the industry standard. The same would be true for providing VGM. Developing and implementing standard ways to send the information across the shipping industry will provide a basis for easy integration in a case of a merger.

The shipping line or the port is not responsible to cross check the weight of containers reported by the shipper. Does this not defeat the very reason for introducing VGM reporting?

Inna Kuznetsova: The essence of the new law is in providing the information in the first place. Today the shippers are not required to send the weight of each container; instead they only state the total cargo weight on the shipping instructions form. While there is always a possibility of human error, the mere requirement to provide such a detail makes a big difference. Furthermore, the VGM is submitted with a certified signature, so a clear documented trail will help in a case of an insurance event.

Through the eVGM initiative you are in constant discussion with the shipping lines and freight forwarders. Could you share with us the challenges/ issues they have put forward relating to VGM reporting and how are these being solved?

Inna Kuznetsova: One of the examples of such issues is the timing of VGM provision. Today shippers provide two forms to carriers: the booking request and the shipping instructions. The first comes very early in the process, often ten days or more before the actual day of shipping. At this point the shippers do not know the tare mass of the actual container or the full weight of dunnage and

Inna Kuznetsova, President and Chief Operating Officer, INTTRA.

Jim Whalen, President Asia, INTTRA

cargo. The shipping instructions often come right before the sailing and in exceptional cases even after the cut-off date, too late for the carriers to create the stowage plans. Therefore there is a need for the third form, sent at least 3 days before the ship arrives ashore, providing the VGM. Another example relates to the handling of LCL and responsibilities of the consolidator. One other issue is third parties performing the weighing process – should they be sending the details to the freight forwarder or whether they can be authorized to provide them directly to the carriers on behalf of the forwarder We started by facilitating the discussion between carriers and shippers to create common standards in addressing such areas and have achieved a higher level of clarity. Then we launched a new IT service providing the shippers with maximum flexibility to execute on multiple scenarios and minimize the disruption to the current process. For example, in terms of timing, we provide the possibilities to submit VGM through the special message or with the shipping instructions, but consolidate the information for the carrier and time-stamp it to account for any corrections and avoid errors.

In India, stuffing/de-stuffing of containers happens both at ports and ICD/CFS. How should be the reporting of VGM in this scenario?

Jim Whalen: This is a typical case of third-party usage. The legal responsibility for providing VGM resides with shippers. Therefore, the shipper may simply authorize the stuffing facility to provide VGM on their behalf or, alternatively, receive the electronic message from them, sign off and retransmit to the carrier. When the VGM is provided digitally, neither choice will slow down the process – the shipper has the most flexibility to select the preferred option.

> **“While SOLAS VGM may add monetary costs to the shipping process, it will allow for cost savings by avoiding damage to cargo. Not to mention, that when it comes to safety of ship crew members and terminal workers, we should not base the decisions on economic conditions only.”**

Is VGM reporting alone sufficient to solve the stability problems of ships? What more needs to be done on part of the shipping line?

Jim Whalen: What we hear from the shipping lines professionals, the VGM reporting would make a big difference.

While the shipper is responsible for reporting VGM, who will have ownership of the data when it comes to sharing with third party?

Jim Whalen: In INTTRA's service we allow shippers maximum flexibility in deciding how they want to create and share the data. For example, it may be generated by the stuffing facility or the weighing station, but the shipper is still the owner and may specify flow directly to carriers or to the shipper first.

With the reporting of VGM, over time a lot of data will be compiled. Can it be used further to drive valuable business insights for the benefit of the business community?

Jim Whalen: At INTTRA we firmly believe that data-driven decisions help to increase value. For example, in 2015 we launched a new family of products for shippers and freight forwarders called Decision Support Dashboards, which utilized data from booking requests to help generate more reliable transportation plans. With time it may be possible to use VGM data to look for various patterns and improve planning, from assets utilization to load optimization. Hopefully, this data will also help to prevent incidents earlier by spotting the unusual weights, identifying facilities exceeding risk limits or developing general rules promoting safety. mg

Wheels of change

Green logistics can help a company improve its distribution efficiency, reduce distribution cost, and increase service differentiation

by Ritu Gupta

The last decade has seen a tremendous increase in public and government concern for the environment, and there has been an excessive amount of pressure on major firms to reduce the environmental footprint of their operations, especially those pertaining to logistics. Transportation of goods particularly has a negative impact on the local air quality, generates noise pollution, and is a key cause of global warming. It is said that goods transportation accounts for around eight per cent of energy-related carbon dioxide emissions worldwide. The inclusions of warehousing and freight management add another three per cent to this total. Making logistics sustainable, therefore, is crucial. Despite recent improvements, there still exists potential to cut the environmental costs of logistics by a significant margin.

Making logistics green does not only help the environment, but also improves the bottom-line of a company. The consumer goods manufacturers which can achieve positive environmental improvements by reducing energy consumption and decreasing packaging in distribution activities gain business benefits through better distribution efficiency and improved compliance processes, says a White paper on green logistics by the Tata Consultancy Services (TCS). "They experience 1-19 per cent improvement in product differentiation, distribution expenses and risk mitigation strategies. Alongside, over 80 per cent of such companies, and logistics and transportation service providers have improved significantly in terms of better distribution efficiency, reduced distribution cost, and increased service differentiation," says Prabhu Palanivelu, a functional consultant with the Consumer Products Practice in TCS, who is one of the authors of the paper. They have also witnessed a 20-50 per cent improvement in customer retention and compliance processes, says the TCS paper. Indeed, there is a lot to gain from green logistics, but how does one do what is good for the environment and business. According to the TCS paper, there the four areas wherein a successful green logistics implementation can have a positive impact on the overall supply chain of an organization. These areas are: network optimisation, packaging reduction, sustainable procurement and warehouse layout optimisation.

Network Optimisation: Network optimisation is the most fundamental type of modelling that can be done to optimise the hierarchy and inter-related transportation flows that can bring considerable cost and carbon reduction in the supply chain processes of a consumer packaged goods company. Research shows that restructuring the network can give an 11 per cent cost and a 10 per cent carbon emission reduction. Some of the key steps in network optimization through the green logistics route include:

Lowering the distance travelled by a product in the supply chain.

Increasing local sourcing might increase the costs of raw materials, but this could be more than balanced by reducing the distance travelled, which in turn, would lessen carbon footprint and shipping costs. It will also trim down contact to supply chain risks together with unpredictable fuel prices, long and erratic lead times, and currency exchange risks.

Using superior vehicle technology and design can also perk up fuel efficiency and reduce the total costs.

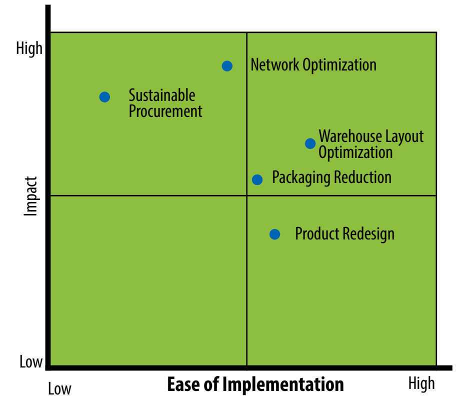
Limiting considerations including facilities, inventory, manufacturing conversion, and so on to develop a strategy that considers ecological factors apart from costs

Packaging Reduction: Packaging is a momentous cost to the supply chain, accounting for up to 12 percent of the charge of many typical consumer goods. and also creates an ultimate opening for companies to move towards a greener supply chain. Sustainable packaging programmes can make a considerable involvement to carbon reduction across the supply chain. Strategies such as packaging elimination, light-weighting and the selection of alternative resources help consumer goods companies to have an overall cost reduction. Green packaging includes methods of conceptualising products that takes into account conservation of the environment. It also considers the product's impact on the surroundings at all stages of its life cycle. For example, implementing green packaging techniques enables us to use recyclable or biodegradable material for packaging. Green packaging holds enormous promise through material quantity reduction, but what has to be kept in mind is that it is more difficult to recycle thin or light packaging (thin plastic film) than heavy packaging (glass). Packaging now represents 23 per cent of the waste weight and 37 per cent of waste volume.

Warehouse Layout Optimisation: Warehousing forms an important part in the consumer goods industry and is a key to the logistics space. A surplus of techniques and technologies are available today to drastically reduce the impact of their buildings on the environment. Following are a few examples: construction materials, day-lighting, lighting systems and high-reflectance roof membranes. There should be improvements focused on the energy performance of the amenities, such as external building fabrics that lower air leakage and loss of energy, and improved skylights that enhance natural lighting and lower consumption of electrical power. Companies should also start using renewable energy systems, such as roof-mounted solar panels, heat-absorbent solar walls, and solar thermal hot water systems. Third-party engineering consultants can even be brought on-board to check and examine the costs and paybacks of the variety of features that are planned to be included.

Sustainable Procurement: The approach for 'green' procurement should include organisation, people, process and technology. It should be treated as a vehicle that provides value, achieves better economics, enhances the brand image and benefits the environment. Through various sustainable initiatives, procurement organisations can realise incremental savings up to 12 per cent of the cost. These initiatives can include energy, supply, operations and logistics. The principle of sustainable 'green' procurement is based on the outlook that companies can derive benefits from the areas of economics, environment, and society.

Apart from the use of these factors, use of information technology (IT) can also play a vital role in green logistics. IT has always played a substantial role in most of the new initiatives adopted by organizations. IT can play a critical role in optimising transportation routes and ensuring that goods are delivered in a manner which is energy efficient as well as cost-effective. Transportation managers can mitigate the effects of unexpected events by automating the transportation planning process. Some organisations have developed business modelling software based on the SCOR (Supply Chain Operations Reference) framework (documented by the Supply Chain Council) to enable efficient planning of supply chain functions. IT can also enable reduction in resource usage while business processes are executed by streamlining business processes. Automation for permitting end-to-end paperless processes can play a major role in reducing waste. To achieve



this, mobility solutions that can enable dynamic scheduling of transportation tasks and real-time tracking are required. Mobility solutions are those that work as a platform for collaboration of documents as well as providing a robust internal and external mailing system.

Indeed, IT can go a long way in achieving the end result of logistics becoming environment friendly. But implementing green logistics has never been easy. Some of the challenges that organisations could face are lack of information about the best practices of green supply chain, and they might be left with a limited view because of this. There is also a lack of tools to optimise the supply chain with environmental management."Many organisations still have the impression that most of the sustainability initiatives lead to higher cost. This view comes in most instances from a lack of information on best practices, including, for example, the long-term benefits resulting from improved distribution efficiencies, and compliance processes. However, companies that have moved to advanced logistics modelling and product lifecycle management are now seeing a result orientation that others might want to study more carefully and possibly look to emulate," says Madhur Dhawan, the second author of the paper. He hopes that their findings will motivate many companies to go for green logistics, if not for the environment then at least for their financial windfalls that it can lead to.

Port of Antwerp reaffirms commitment to India

Diamonds are not just a girl's best friend, but also an important trade link between India and Belgium. Gems and jewellery account for major export volumes from India. Of late, there is also an on-going cooperation in maritimetrade India and the Antwerp Port Authority of Belgium

Belgium is the 10th global trading partner and the 3rd biggest EU trading partner of India. It is quite interesting to know that 160 Belgium companies have established themselves here in India and around 80 Indian companies have set up business in Belgium. Belgium acts as the perfect access point for India to trade with European countries due to its vast transportation options and proximity to other trading hubs in EU. Belgium is the number one country in Europe for logistics and distribution.

Every year the Antwerp Port Authority visit India as a marquee of their congenial relation with India and this year too was not an unexceptional. The representatives from Port of Antwerp present for this Annual Reception at Mumbai were Marc Van Peel, President, Antwerp Port Authority, Kristof Waterschoot, Managing Director, Port of Antwerp International, Nico Berx, Director, Port of Antwerp International along with other port officials from Antwerp.

The Special Guest of Honour for the evening was Pieter De Crem, Secretary of State for Foreign Trade, Belgium and Former Deputy Prime Minister and Minister of Defence. He was accompanied by Jan Luykx the Ambassador of Belgium to India, Karl van den Bossche – Counsel General of Belgium in Mumbai, Bart Degroof – Counsel General of Belgium in Chennai, Jurgen Maerschand, Trade Commissioner of Flanders Investment and Trade apart from other Belgium dignitaries. Raj Khalid, Port of Antwerp's Representative in India and Saroj Mehta of the representative office accompanied the delegation. Almost all the industry stalwarts from Freight Forwarders', Custom House Brokers', Ports, DG Shipping, Shipping Lines and Maritime industry attended the event.

Samir J Shah thanked the Port of Antwerp Authority on behalf of entire team of FFFAI.

Marc Van Peel said, "This year the Port of Antwerp Authority has entered into the sixth year of such Traditional Annual reception with the Indian Maritime Industry. The success of the Port of Antwerp in India is the result of interaction with a large numbers of players. In 2015 for the first time in its history the port of Antwerp passed the 200 million tonnes mark for the volume of freight handled. Another million-tonne record was broken in the container handling sector, with a volume of more than 9.7 million TEU in comparison with 2014, 7.5 per cent more containers were handled".

Peel further stressed on the fact that visit of the Secretary of State for Foreign Trade of Kingdom of Belgium besides other foreign trade delegations in India is much more than a symbolic one and they are here to enhance the bilateral trading ties with India and take it to the next level. According to him, its two daughter company in India proved to be very trustworthy to the Indian Government via - APEC, The Antwerp training Center for maritime professionals and Port of Antwerp International, the International Consulting and investment subsidiary. He anticipated a further closer collaboration with Indian authority with these two companies.

"A new port complex in Duqm in Oman is coming up which will help in serving the Indian trade in a much better way. The Port Authority of Antwerp is here for promoting and bonding relation between Antwerp and India, to facilitate logistics in India, Belgium and Europe at large," Marc Van Peel added.

To further cement ties between the two nations, Prime Minister Narendra Modi is going to visit Brussels at the end of March for the first India-European Union (EU) summit in Belgium and as a nation we can hope that India-EU FTA soon becomes a reality.