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**Short Sea Shipping – History in the Making**

**COASTAL SHIPPING**
**Bunker Subsidy Still a Sour Grape**

**WAREHOUSING**
**Why FTWZs Failed?**

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# maritime gateway


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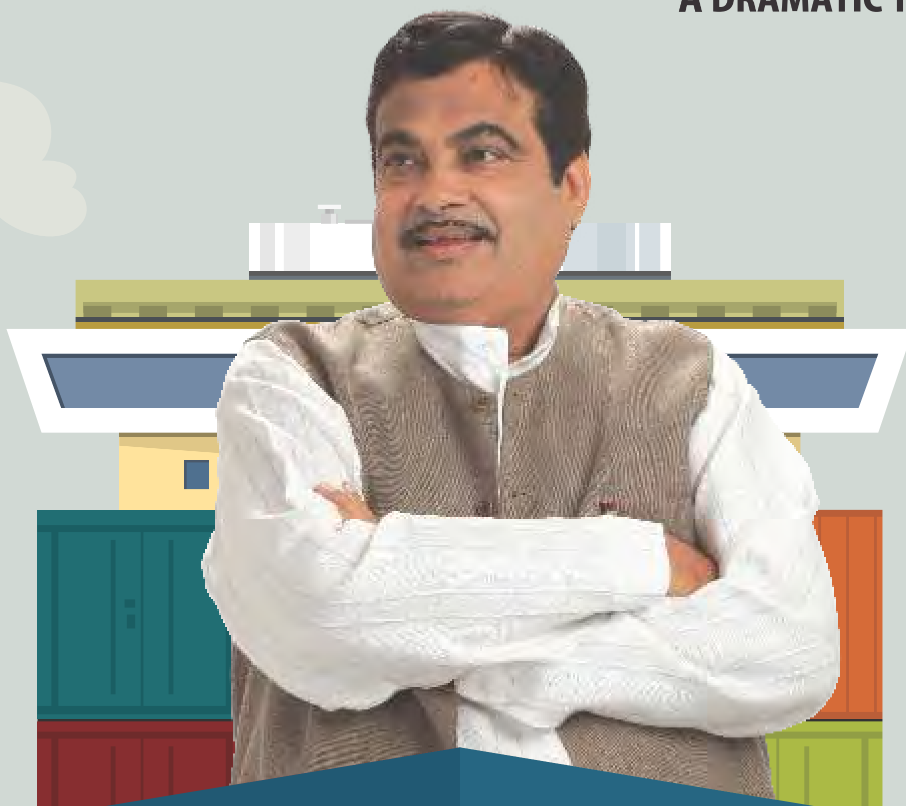
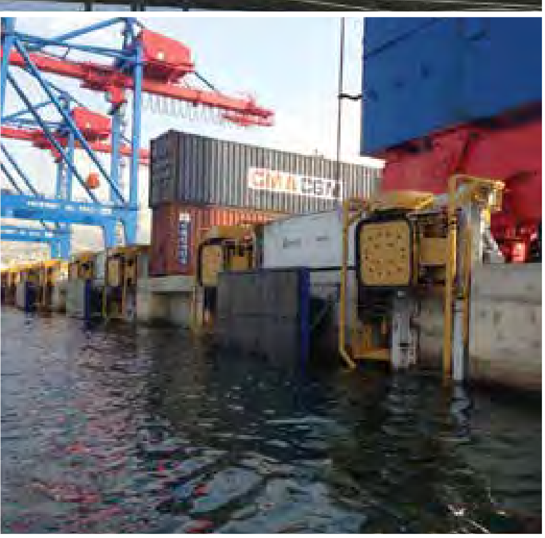
**VALLARPADAM**
**A DRAMATIC TURNAROUND**



# Sea Change!

*Under Nitin Gadkari, the shipping ministry has been gradually transforming the face of the Indian maritime sector*





# Making maritime sector vibrant

The Maritime India Summit by the Ministry of Shipping is the manna from heaven that the ailing and ignored sector needs most. The three-day event is expected to showcase investment opportunities in the sector and highlight areas of participation for international firms in the sector.

The event assumes importance because the flashflood of reforms to ease restrictions in a dozen sectors to bring in foreign direct investment since 2013 has been a damp squip. There have been just a handful of sectors that have been flushed with monies from abroad. It is in this light that the India Maritime Summit gains importance. The ministry is targetting an investment of ₹50,000 crore for over 200 detailed projects in the maritime sector. Investment is likely in inland waterways, coastal shipping, and port mechanisation. In port led-development and modernization sector, the four greenfield major ports in Vadhavan (Maharashtra), Sagar Island (West Bengal), Colachel (Tamil Nadu) and Dugarajapatnam (Andhra Pradesh) are vying for financial suitors.

Remarking that this conference is being conducted to improve trade, the government is also supporting all projects by offering a subsidy of 20 per cent for all initiatives in this sector. According to the United Nations trade body UNCTAD, India is the fourth most attractive destination in the world for foreign direct investment. India should leverage on this strength build strong partnerships during this summit. The presence of South Korea as a supporting partner is a big plus for India as shipbuilding firms can tie up with companies such as Hyundai, Daewoo and Samsung for technology and knowledge transfers on ship building and repair.

While creating awareness about India's shipping sector is crucial, this move is only half a step taken to revive the sector. A tax-free climate conducive for foreign investment must be created to aid the sector's competitiveness. The Indian flag suffers from certain tax barriers and duty structures which might impede the growth of FDI. For an international business like shipping to thrive, substantial fiscal incentives need to be offered for ship owning and running activities.

While India can expect a lot of fund flow in to the sector, the country also has to step up and undo certain measures of protectionism such as cabotage and repel tonnage tax for all players to compete freely.

> While creating awareness about India's shipping sector is crucial, this move is only half a step taken to revive the sector.

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India's premier maritime business magazine

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**Feedback**

Readers are advised to send all feedback and comments to *editor@gatewaymedia.in*

# CONTENTS

VOLUME 8 | ISSUE 07 | APRIL 2016

## Tie the knot on a luxury cruise

Couples in India could soon marry at sea on luxury cruises as the government wants to facilitate it at locations like Goa, Mumbai and Andaman & Nicobar Islands, revealed Union shipping minister, Nitin Gadkari. Couples who can afford such luxury need not go to Sydney Harbour for a gala wedding as government is facilitating such services here and such weddings could easily accommodate about 4,000 people. The shipping ministry has also sought the approval of Directorate General of Civil Aviation's (DGCA) for operating 25 sea planes. Investors have evinced interest to operate 25 seaplanes in India at the first leg.

## HUL sells its rice export business

Hindustan Unilever Ltd (HUL) has agreed to sell its rice export business to Delhi-based LT Foods Ltd. The decision is in line with HUL's strategy to exit non-core businesses, while continuing to drive its growth agenda in the core packaged foods business. The rice export business of HUL registered sales of ₹51 crore for the year 2014-15.

## Jawaharlal Nehru Port poised to hit record volume

Jawaharlal Nehru Port Trust total containerised exports and imports edged up 0.6 per cent in the first 11 fiscal months of 2015-16, through the end of February compared to the same period in the previous fiscal year, to 4.1 million teus. Throughput during February was up 3 per cent Y-O-Y to 368,957 teu.

## NSIGT creates history

Nhava Sheva (India) Gateway Terminal (NSIGT) hosted the largest container vessel *MSC Francesca* to ever call at JNPT. The ship with a length of 363 metres is deployed on the Himalaya Express (HEX) Service and can carry more than 11,000 teu while requiring a minimum draft of 14.5 metres at berth. NSIGT is the only terminal at JN Port to have the requisite state-of-the-art facilities to receive such modern vessels.

## V O Chidambaranar Port sets container handling record

V O Chidambaranar Port has achieved a momentous landmark in container handling by surpassing the previous financial year's container traffic of 5,59,727 teu by handling 5,61,586 teu, 25 days ahead during the current financial. This year, up to March 6, 2016, the Port has been maintaining an impressive growth at 9.36 per cent as compared with the same period of last financial year.

## Simatech begins coastal shipping in India

Sima Marine India Pvt Ltd, a subsidiary of Simatech Shipping, has launched coastal container shipping services in India covering four ports namely Mundra, Goa, Mangalore and Kochi. For the purpose Sima Marine has acquired two 1,500-teu container vessels, *Sima Godavari* and *Sima Narmada*, which have already started their operations. As a strategic move, the company has started a fully-equipped back office operation facility in Kochi which will support its global operations later.

## India's first rail-auto hub in Chennai

A first-of-its-kind rail-auto hub will begin taking shape in Chennai and is expected to enhance logistics operations in the city's automobile corridor in Sriperumbudur and Oragadam.

## DP World to create a holding company in India

The Union Cabinet chaired by Prime Minister Narendra Modi has approved grant of 'no objection' to DP World to create an Indian holding company by change in shareholding in the Container Terminal Projects.

DP World has the intention to make significant investments to back potential infrastructure development in the country as announced by His Excellency Sultan Ahmed Bin Sulayem, Group CEO, DP World. DP World plans to sell shares through an IPO and list its new Indian holding company, Hindustan Ports Pvt. Ltd.

## BHEL to develop power project in Bangladesh

BHEL is soon to sign a $1.6-billion power station construction contract with Bangladesh after undercutting China's Harbin Electric International Company. The 1,320 MW thermal power station will be located in Khulna district, southern Bangladesh. It will be the largest foreign project by an Indian power company. The Exim Bank is providing 70 per cent of the funding at the low soft interest rate of about 1 per cent above the Libor.

## CMA CGM consolidates India coverage


CMA CGM has added a new port call at Mundra to its Swahili Express Service connecting India the Middle East and Africa, effective March 4. The upgraded service offers the following transit times from Mundra: 11 days to Longoni, 14 days to Dar es Salaam, 18 days to Zanzibar and 25 days to Nacala.

The fixed-day, weekly loop employs a fleet of six vessels with capacities of around 2,800 teu. Of that, the Marseilles-based carrier has contributed four vessels, while Emirates Shipping has phased in two ships. In a separate notice, CMA CGM announced the launch of its MIDAS service between the Indian subcontinent, the Middle East and Cameroon in conjunction with Pacific International Lines.

## Western India Shipyard to recommence operations

Western India Shipyard Limited has announced to recommence its operations in Goa. ABG has 60 per cent stake in this shipyard. The shipyard's lease with Mormugao Port Trust is about to expire and will be extended further. The shipyard has also got an assignment to construct a ship and the work will start soon.

## ASR Logistics expands to Dubai

ASR Logistics India Pvt Ltd has established a new division in Dubai to focus on transportation and warehousing in the region. ASR Cargo LLC Dubai will provide complete logistics solutions to the customers operation from the Gulf. It will operate warehousing services in Jebel Ali free zone. The company will mainly focus on container business. It has 1100 containers at present and plans to add another 700 containers this year, and by the end of next year, it will own over 2000 containers.

## Levy on ecommerce disturbs online retailers

Ecommerce players are crying foul as several states start imposing entry tax on goods purchased online, which the industry alleges is 'discriminatory' and even 'unconstitutional'. Uttarakhand, Bihar and Assam have already imposed an entry tax on goods purchased online. Almost half-a-dozen other states, including Gujarat, Madhya Pradesh and Rajasthan, are considering a similar levy. The levy is imposed on the courier agent delivering the goods and leads to substantial increase in prices of goods sold online since it amounts to double taxation.

## Lenders may sell majority stake in ABG Shipyard

Lenders to ABG Shipyard Ltd are in talks with an investor to sell a majority stake in it as part of the strategic debt restructuring invoked by them in December last year. Since March 2014, the firm is in the middle of a corporate debt restructuring under which lenders led by State Bank of India agreed to recast ₹11,000 crore of loans, offered the firm a two-year hold on interest payment, reduced borrowing cost and extended the repayment period. The firm was hurt by a slump in the industry as freight rates fell in step with a decline in global trade, combined with a domestic economic slump.

## Fast patrol vessel for Mauritius Coast Guard

Goa Shipyard has launched the first of the 11 fast patrol vessel ordered by Mauritian coast guard. Rear Adm Shekhar Mital, CMD, GSL said that the "Contract of the vessel was signed on May 17, 2014, while the keel of this vessel was laid on December 18, 2014. Launching of first of the series vessel, within 14 months of keel laying is a record in itself. He assured that the vessel will be delivered ahead of the contractual schedule of September 2016."

## Concor sell-off sees huge response

Government's sale of 5 per cent stake in Concor got off to a robust start with institutional investors bidding for twice the number of shares reserved for them, ensuring inflow of ₹1,165 crore to the exchequer irrespective of retail buyers' response. The offer for sale staggered over two days saw bids pouring in for 15.8 million shares as against 7.78 million shares offered to institutional investors. As many as 1.94 million shares have been reserved for retail investors, who will be allocated shares at a discount of 5 per cent to the cut-off price.

"The Depot Online System has been completed. The automation of the entire process from entry to exit of foodgrains at FCI depots would bring total transparency in the working of FCI. This will improve efficiency in operations of depots."

**– Ram Vilas Paswan**
Union MInister for
Food and Public Distribution.

"India's freight volumes are still not justifying our economic size. Ideally, we should be handling three to four times the freight volume that we handle today, in comparison to other countries with similar economic activity. This translates to huge potential, which can lead to transformational growth of the Indian logistics industry,"

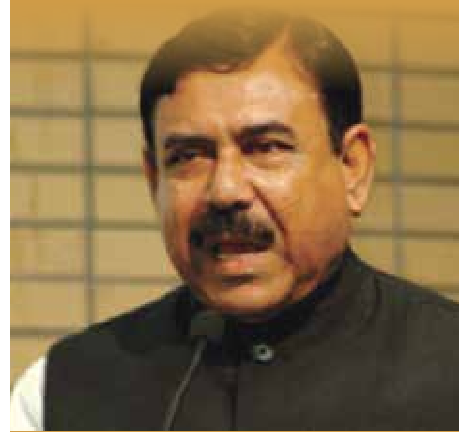
**– Gopal R**
Global Vice President,
Frost & Sullivan.

"In order to complete the chain of transportation, it is proposed to develop rail-side logistics parks and warehousing. These logistic parks and warehouses would be created in PPP (public-private partnership) mode to bring the required efficiency and investment but also help attract greater traffic to the railways."

**– Suresh Prabhu**
Railway Minister

"The idea of a sub-regional grouping between Bangladesh, India, Nepal and Bhutan is getting shape through this coastal shipping,"

**– Shahjahan Khan**
Shipping Minister, Bangladesh.



"All the manufacturing companies have a large amount of CENVAT credit. When they pay service tax for freight they are actually not paying service tax in full. But it is tax minus the amount already paid. So it will not add to the cost of input and there will be no cash outflow for anybody."

**– Anil Devli**
CEO, Indian National
Shipowners Association

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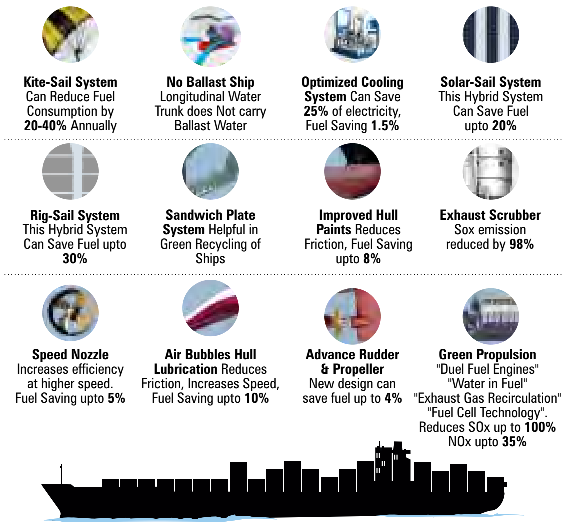
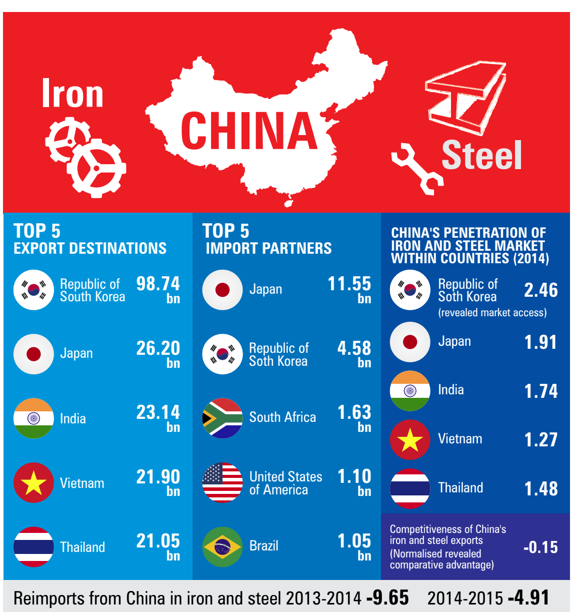
## HOW TO MAKE THE ULTIMATE GREEN SHIP?



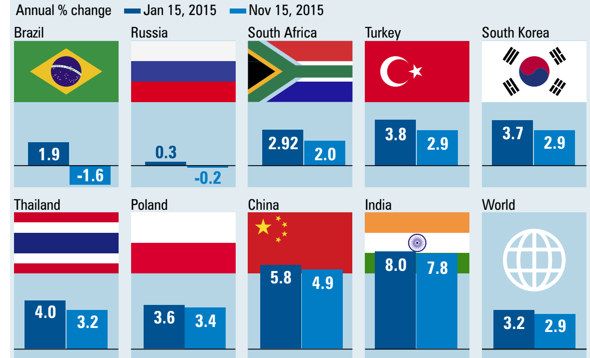

## Top 15 container ports in Europe

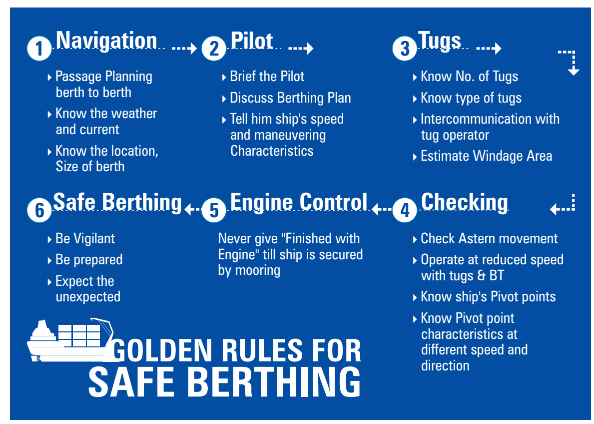
Total container throughput in 1000 TEU

| Rank 2015 | Rank 2014 | Rank 2007 | Port | 2015 1000 TEU | Growth 2014/2015 | Growth 2007/2015 |
|---|---|---|---|---|---|---|
| 1 | 1 | 1 | Rotterdam | 12 234 | -0.5% | 13.4% |
| 2 | 3 | 3 | Antwerp | 9 653 | 7.5% | 18.1% |
| 3 | 2 | 2 | Hamburg | 8 820 | -9.3% | -10.8% |
| 4 | 4 | 4 | Bremerhaven | 5 546 | -4.3% | 13.4% |
| 5 | 6 | 8 | Valencia | 4 615 | 3.9% | 51.7% |
| 6 | 5 | 6 | Algeciras | 4 511 | -1.0% | 31.9% |
| 7 | 7 | 7 | Felixstowe | 3 984 | -2.2% | 19.2% |
| 8 | 8 | (***) | Piraeus | 3 287 | -8.3% | 139.4% |
| 9 | 10 | 12 | Marsaxlokk | 3 100 | 8.1% | 63.2% |
| 10 | 11 | 9 | Le Havre | 2 560 | 0.2% | -3.0% |
| 11 | 9 | 5 | Gioia Tauro | 2 550 | -14.1% | -26.0% |
| 12 | 12 | 14 | Genoa | 2 243 | 3.2% | 20.9% |
| 13 | 14 | 13 | Southampton | 2 108 | 11.2% | 12.8% |
| 14 | 15 | 10 | Barcelona | 1 953 | 3.2% | -25.2% |
| 15 | 13 | 11 | Zeebrugge | 1 559 | -23.8% | -22.9% |
| | | | TOP 15 | 68723 | -1.6% | 12.1% |
| | | | TOP 3 | 30707 | -1.0% | 6.4% |

(*) Estimate based on growth first 9 months; (**) Estimate
(***) Not in top 15 in 2007. Constantza ranked no. 15 in 2007 (1.41 mio TEU)

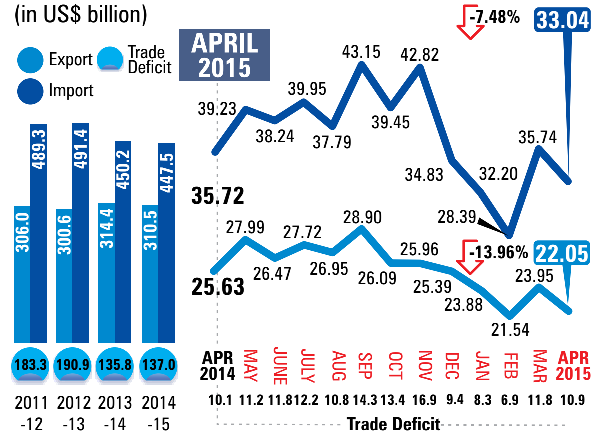
## 2016 real GDP growth forecasts

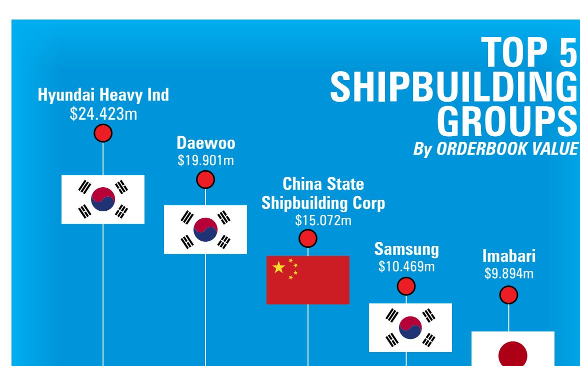



## INDIA'S FOREIGN TRADE

(in US$ billion)



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No tidal restriction.

All weather and round the clock operation.

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SHIPPING

## Navy orders for successor to *INSV Mhadei*

The Indian Navy has placed an order with Goan shipbuilding firm Aquarius Fibreglass to build a formidable successor to *INSV Mhadei*. The Indian Navy is keen to send a team of women officers to circumnavigate the globe in this ship.

Building an ocean-going sail boat is no mean feat and it requires engineers to make the vessel strong enough to withstand heavy seas and yet light enough to be powered by wind. Speed, efficiency and sturdiness are vital, especially since the vessel will attempt to navigate around the world with an all-women crew.

## Bunker sales at Kochi rise

A complete ban on supplying bunker fuel to vessels anchoring at Mumbai outer port limit has led some of the vessels to sail further down to the port of Kochi, the only Indian port which now allows OPL bunkering. It has been reported that OPL (bunker) supply in Mumbai was never legal. Still companies could take special permission from the customs authorities for OPL supplies. The Mumbai Port Authority has however completely clamped down on OPL supplies in the last six months. At least 50 per cent of the drop in Mumbai bunker demand is said to have shifted to Kochi, which market sources estimate bunker sales at 15,000-20,000 mt/month currently.

## Navy to order more Scorpenes

After the completion of the present order for six Scorpene submarines, the Navy will place additional orders for them with Mazgaon Docks Limited. The submarines are being built with technology transfer from DCNS of France. After several years delay, *Kalvari* – the first of the submarines – was launched last month and is scheduled to be commissioned by year end after extensive trials. The remaining five, which are in various stages of construction, are expected to be delivered in the next nine months. The defence ministry recently approved a ₹13,000-crore weapons and sensors package for the seven new stealth frigates being constructed by defence shipyards for the Navy.

## Ranong well placed to be marine gateway

Ranong in Thailand has the potential to be a gateway for trade with neighbouring countries, especially the BIMSTEC nations of Bangladesh, Bhutan, India, Myanmar, Nepal and Sri Lanka, as the province has a deep-sea port to serve such commerce, provincial governor Suriyan Kanchanasilp announced. Last year, Ranong recorded bilateral border trade with Myanmar worth Bt21 billion, with Bt19 billion of the total being Thai exports passing through Marid and Koh Song, and Bt2 billion arriving from Myanmar. This year, the province targets trade with Myanmar reaching Bt30 billion, thanks to strong demand for Thai consumer products in the neighbouring market.

## Shipyards see small gains in excise sop

The government's proposal to waive excise duty on spare parts used in repairing ships is not expected to benefit local shipyards. The revenue from the ship repair business is extremely low and many times runs into loss. With not all ships being employed due to weak trade, only those vessels that need regular dry docking come to yards. The vessels that come for dry docking ask for basic services unlike five years ago when they would ask for repair services. This exemption will help in the long term once trade picks up.

## Garden Reach launches sixth LCU ship

The sixth in the series of eight 'Landing Craft - Utility' (LCU) ships being built for the Indian Navy by Garden Reach Shipbuilders and Engineers Limited (GRSE) has been launched. The launching marks completion of main hull of the ship along with installation of major equipment. The ship will now be fitted with other equipment and systems, before harbour trials, sea-trials and commissioning of the ship. These ships have been fully designed in-house by GRSE as per the requirements specified by Indian Navy.

On a separate note, Elecon Engineering Company has won a ₹225-crore contract from Garden Reach for supplying marine gearboxes.

## Navy aims at 90 per cent indigenisation

Indian Navy in its endeavour to undergo a paradigm shift from buyers' Navy to builders' Navy, is aiming at achieving 90 per cent self-reliance in manufacturing capabilities across all three areas of the services – float, move and fight. Presently, there are 46 ships under different stages of construction in the Indian shipyards right from aircraft carrier, submarines, destroyers, frigates. For more indigenisation navy needs greater part of the defence budget. In the fiscal 2015-16, Indian Navy's budget allocation stood at 15.3 per cent of the total Defence Budget, which Vice Admiral P Murugesan describes as very meagre. Government plans to reduce contracts with foreign defence equipment vendors to 30 per cent of the total procurement over the next two years, Defence Minister Manohar Parrikar said.

## Cochin shipyard to build ship repair facility

Cochin Shipyard is planning to build an international ship repair facility estimated to cost ₹960 crore for which necessary approvals are being obtained. The shipyard is also building cryogenic carriers that transport natural gas frozen in liquid form and is also making its maiden foray into catamaran manufacturing.

The government last year had approved a proposal for initial public offering of the shipyard and the funds are proposed to be utilised for infrastructure expansion including projects such as the ship repair facility and new dry dock project for building larger vessels/LNG carriers. The IPO of over 3.39 crore equity shares would include issuance of over 2.26 crore fresh equity shares and sale of 10 per cent of government stake or over 1.13 crore shares to public.

## Indo Russian oil ties deepen

Russia's Rosneft OJSC agreed to sell bigger stakes in its Siberian oil assets to Indian state-run companies, including a $1.28-billion share to a consortium of Indian producers. A group of three Indian companies will take a combined 29.9 per cent share in Taas-Yuriakh Neftegazodobycha and a 23.9 per cent stake in Vankorneft. Rosneft also offered 11 per cent in Vankorneft to ONGC, an addition to the 15 per cent that India's biggest explorer bought for $1.27 billion in September. ONGC may pay up to $900 million for the new Vankorneft stake and it expects to complete the transaction by October.

## Indian shipping cos become more competitive

The finance minister, Arun Jaitley, has excluded the voyage charter services (transportation of goods by vessel from outside India to the first Customs station of landing in India) from the negative list of service tax. Earlier, being the negative list, the shipping firms were not eligible for the Cenvat credit or refund of taxes paid in inputs, input services and capital goods. Earlier Indian shipping companies had been losing Cenvat credit to the tune of 30-45 per cent of the total credit availed per annum.

## Thailand seeks cooperation from Sri Lanka on sea port development

Deputy Prime Minister of Thailand, Somkid Jatusripitak, has visited Sri Lanka to try to establish cooperation on sea transport between the Port of Colombo and Dawei Deep Sea Port. The Deputy Prime Minister is hoping to model the Dawei Special Economic Zone (SEZ) after the Port of Colombo. Dawei SEZ is a joint effort between Thailand and Myanmar. Sri Lankan authorities aim at transforming the port of Colombo into the world's best port by 2020.

## Hapag-Lloyd targets heavy cargos

As part of an increased focus on obtaining heavy and over-dimensional cargoes for its container ships, Hapag-Lloyd has established special cargo teams for the major markets in Asia and the Americas, in addition to its special cargo division at its headquarters in Hamburg, Germany. The shipping line is also increasing its sales and marketing activities for such cargoes to inform customers that such cargoes can be transported, loaded and unloaded on almost all ships operated by Hapag-Lloyd in any major port. The shipping line has recently invested in over 4,500 teu of specialist equipment such as flat racks specifically design for heavy and over-dimensional cargoes.

## UASC launches new route in Western Mediterranean

The United Arab Shipping Company (UASC) has launched a new route for cargo shipment connecting the Indian subcontinent with the Persian Gulf, the Red Sea and the Western Mediterranean. The new route is called the Indian Subcontinent Mediterranean Express Service (IMEX) and has been running since February 26 on a weekly basis.

The new service replaces the Middle East-India- US East Coast and will stop at Italy's Genoa and La Spezia ports. The route begins in Oman's Khor Fakkan Port and stops at: Jebel Ali, Port Qasim, Mundra, Nhava Sheva, Jeddah, Port Said East, La Spezia, Genoa, Fos Sur Mer, Barcelona, Valencia, Tangeri, Genova, Malta, Port Said West, Jeddah and Khor Fakkan.

## Industrial parks in Haryana

Embassy Industrial Parks, a joint venture between Embassy Group and Warburg Pincus, signed an MoU with the government of Haryana for the development of three industrial parks around Gurgaon with a projected investment of ₹1,910 crore and an employment potential of 4,000 people. The projects is intended to support the booming e-commerce as well as the retail and FMCG companies to consolidate in a post-GST scenario.

The proposed project will span the development of integrated industrial and logistics parks with support facilities and also target industrial light manufacturing clients to set up build-to-suit manufacturing facility/ ready built factories in these parks. The project will be developed in the outskirts of Gurgaon, on NH-8 or within 10-15 km from NH-8.

## AP to promote inland waterways

Chief Minister N Chandrababu Naidu announced an incentive of 25 paise per tonne to promote inland waterways in the state. He pointed at the potential for waterways development with linking of Godavari-Krishna and other rivers. He said the proposed Kakinada-Pondicherry, Muktyala-Amaravati, Polavaram right canal and Polavaram right canal linking Visakhapatnam would provide great opportunity to transport coal, cement and rice at cheapest transport cost and help to reduce pollution. Naidu requested IWAI to appoint world-class consultants for the purpose. The state government is also planning to commission a logistics university, water university and energy university to promote all these sectors.

## CMD for Shipping Corporation of India

The Shipping Ministry has begun the hunt for a CMD for the Shipping Corporation of India and has invited applications from the private sector too. The move follows Shipping Minister Nitin Gadkari's resolve to hire talent from private sector to turn around the ailing public sector company. So far, only candidates from other public sector undertakings and defence services were considered for the top post. The appointment will be for a period of five years and the Ministry has also constituted a panel for the selection of the candidate.

## ClassNK appoints new Chairman, President and executives

Koichi Fujiwara, Executive Vice President of Class NK, has been appointed as Chairman and President as well as a Representative Director of this leading classification society. Current Executive Vice Presidents Yasushi Nakamura and Tetsuya Kinoshita will continue in their present roles on the team, joined by Junichiro Iida as Managing Director.

Koichi Fujiwara said: "Following the recent downturn of the shipping and shipbuilding markets, the business environment surrounding ClassNK has become even more challenging. Under our new executive team, we will work to ensure stable operations and further enhance our corporate governance as required of an independent third-party organisation so that the society can continue contributing to the development of the maritime industry in the long term."

## CMA CGM's 2015 results remain firm

Volumes carried in 2015 rose by 6.3 per cent year-on-year, to 13.0 million teu, significantly outperforming the market. In particular, volume growth was led by the new Ocean Three Alliance and CMA CGM's robust expansion in the United States, where the Group had anticipated the market's growth. Consolidated revenue was down 6.4 per cent year-on-year to $15.7 billion. Volume growth helped stem this decline in revenue despite the sharp fall in freight rates. Core EBIT came in at $911 million. The resulting core EBIT margin remained stable, at 5.8 per cent for the year, and was once again one of the highest in the industry.

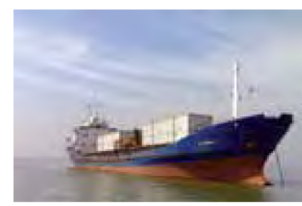
## MSC adds Hazira-India-Africa service


Mediterranean Shipping Company has expanded the port rotation of its India-South Africa service by introducing a direct call at Hazira in an attempt to pick up additional hinterland cargo. The fixed-day, weekly service employs a fleet of six vessels, each with a capacity of around 6,500 teu. The *MSC Valencia,* voyage IZ 611R, will make the first call at Adani Hazira Container Terminal on April 9. The new mainline call adds further momentum to Hazira's rapidly rising volume growth.

## J.M. Baxi Group in talks to raise funds

J.M.Baxi Group has started talks with private equity funds to raise $150-200 million and has hired investment banking firm Avendus Capital for the purpose. The funds will be invested in port terminals and container handling facilities. The group currently is developing its presence at five to six major ports and will further expand to all major ports. The company's investment plans are proceeding at a time when the Finance Ministry has announced plans to develop greenfield ports on the eastern and western coast of India.

## Coastal shipping to save ₹25,000 cr annually



Coastal shipping volumes could grow to 5-6 times of current levels to about 400-480 million tonnes (MT) by 2025. This would save logistics costs of about ₹25,000 crore per annum. Coastal shipping volume at present is about 80 MT. Logistic costs account for a large part of the country's non-services GDP compared to benchmarks of 8-10 per cent for developed nations. Up to 100-150 MT of coal can be moved from the east coast to coastal power plants in Andhra Pradesh, Tamil Nadu and Karnataka. In addition, up to 50 MT could be moved coastally for non-thermal coal users. There is potential to move steel, cement, fertilisers and foodgrains coastally to the extent of about 60 MT by 2025. Further, about 50 MT of petroleum products could be moved coastally from refining centres in Gujarat and Odisha to demand centres in Tamil Nadu and Andhra Pradesh.

## Vessel to check coastal pollution

The Odisha State Pollution Control Board (OSPCB) is set to get its maiden pollution monitoring vessel deployed on coastal waters of the state soon. The vessel is being customised at Bhimunipatnam in Vizag and is named *Sagar Utkal* by Mercantile Marine Department of Ministry of Shipping. OSPCB would be the first ever pollution board in country to have a floating coastal pollution monitoring unit. The vessel has been designed by IIT Chennai and its technical specifications conform to the guidelines issued by Indian Register of Shipping. It has two laboratories as well as a storage unit to store samples for investigation.

## Inland waterways bill cleared in Rajya Sabha

The National Waterways Bill 2015 got cleared through the Rajya Sabha unopposed. The decks are cleared for the conversion of 106 rivers and creeks across India into transport waterways. This is among the few legislations that the opposition is allowing passage in the upper House – setting the stage for the adoption of the new law. Once it is a law, it can potentially provide an alternative form of transporting goods, which at present is dominated by road and rail, and open up economic opportunities to new regions. The bill will now be sent to the President for his approval.

## Measures to revive 27 shipyards

Government is taking all steps to revive 27 shipyards facing severe problems to unlock capital worth over ₹1 lakh crore. The government is committed to reviving them on lines of stuck road projects where it has rolled out majority of the ₹3.8 lakh crore stuck projects. There has been a sharp decline in the share of Indian ships in the carriage of India's overseas trade. As on November 30, 2015, India had a fleet strength of 1,246 ships with dead weight tonnage of 15.37 million. With asset prices currently being serendipitously low, the time is right to acquire new generation ships to replace ageing ones.

## More pacts to be signed at the Indian Maritime Summit

The government is expected to sign agreements worth over ₹72,000 crore with private players on 109 port-related projects identified by the Shipping Ministry, at the Indian Maritime Summit to be held in Mumbai. The sectors identified for investment include shipbuilding, ship repair and recycling, port modernisation, new port development and multi-model logistic hubs among others. In addition, more than 150 projects will be showcased for investment under the Sagarmala Project for port modernisation.

Under the Sagarmala Project, the major development programmes identified by the government include port modernisation (₹90,000 crore), port connectivity (₹1.20 lakh crore) and port-led industrialisation (₹90,000 crore) besides coastal community development.

PORTS

## Major ports sail on efficiency

Major ports in the country have outpaced the non-major ones in cargo growth during the first six months of the current fiscal year. During April-September 2015, while cargo traffic at all ports increased by 1.1 per cent, major ports reported an increase of 4.1 per cent. Non-major ports, however, reported a decline of 1 per cent over the corresponding period in 2014-15.

This is mainly attributed to the decline in cargo volume of coal imports, iron ore, and other cargo at non-major ports. The coal import witnessed a negative growth of 7 per cent, iron ore (11 per cent) and other cargo decline by 11 per cent. Only, the container traffic grew by 9 per cent during the period. This has led to a decline of 1 per cent.

While in 2014-15, the cargo traffic of Indian ports had increased by 8.2 per cent to 1,052.2 million tonnes, traffic at non-major ports has risen at a faster rate than at major ports. The ministry attributes the success of major ports to modernisation efforts implemented.

## Satellite Port in Sirkazhi

Chennai Port is likely to have a satellite port in Sirkazhi to handle coal for the proposed 2,000 MW thermal plant of Neyveli Lignite Corporation. The port in Sirkazhi would be in operation in the next six months once the memorandum of understanding is signed. Chennai Port is also taking steps to restart barge handling facility in Bharati Dock, besides expanding its capacity and roads to tackle congestion. The movement of containers using barge from Kamarajar Port to Chennai Port would commence possibly soon. The port is also planning to attract new cargoes including bulk cargoes.

"We are developing a coastal berth at an estimated ₹75 crore," said Cyril C George, Chairman, Chennai Port. "It is being constructed as part of the Sagar Mala project, and can accommodate two small vessels carrying domestic cargo not involving customs clearance unlike the other cargo of the port."

## Ripley bags Haldia Port contract

Ripley & Co has bagged the contract to handle cargo at the two contentious berths of Haldia Port, capping a three-year struggle to make the port one of the most mechanised in the country. The Kolkata Port Trust has issued a letter of intent to Ripley to move cargo on shore in berths two and eight, close on the heels of the installation of mobile harbour cranes. The port trust will also award a contract for more cranes for berth 13 soon, making the entire movement of bulk cargo at the port mechanised and driving down the operational cost for users.

## Mumbai Port trust handles 1.5 lakh cars

Mumbai Port handled a record all time high 1,53,647 cars and other vehicles automobile units up to February 2016 and overtook its earlier record of 1,39,812 units in the Financial Year 2014-15, recording a growth of about 18 per cent. In February, the port exported six coaches of Bombardier Transportation India Pvt Ltd to Australia. The port has augmented its infrastructure by adding offshore container terminal berth no.1 and 2 with the wide apron and more than adequate temporary pre-shipment storage facility alongside the berth for handling of pure car carrier vessels.

## Major ports, 3 firms to see ₹6,000 crore profit

Concerted efforts of the government would result in at least ₹6,000 crore cumulative profit for the first time for all the 12 major ports and three flagship bodies of Cochin Shipyard, Shipping Corporation and Dredging Corporation of India. The 12 ports recorded an operating profit of ₹3,456.95 crore in the current fiscal up to January and several steps are being taken to modernise them. For next fiscal, cargo handling target for 12 ports has been set at 644.35 million tonne per annum, with 105 MTPA expected at Kandla Port Trust. About 104 initiatives are being implemented to reduce time and cost of operations in ports as per best global practises.

## New train service at Adani Kattupalli Port

Concor has commenced a new train service for import containers from Adani Kattupalli Port to ICD WhiteField, Bengaluru via Concor Tondiarpet in Tamil Nadu. The first rake carrying 80 teu of import containers was flagged off from CONCOR ICD – Tondiarpet recently. The train service will help shipping lines to evacuate import containers to ICD Bengaluru in an efficient manner and in a stipulated time. A similar movement will be shortly commenced for exports as well.

## Chennai Port starts refuelling service

Chennai Port has started supplying bunker fuel through barge to vessels berthed at 5 nautical miles from the port. "The supply of bunker fuel to ships at anchorage is a business which international ports such as Singapore and Colombo have excelled in. We started this facility with the aim of converting Chennai Port into a bunker hub in the East Coast," said Chennai Port Traffic Manager B Vimal. With the new bunkering facility International vessels will not have to come inside the port for fuelling alone. This saves them from paying pilotage, berthing and wharfage charges and time.

## Proposed port shifted to Enayam

The proposed port at Colachel is being shifted to Enayam, a coastal hamlet located some 10 km away, based on the techno-economic feasibility report prepared by a Spanish firm. But the locals are up in arms against the proposed Enayam International Container Transshipment Terminal (ICTT) project. They question the feasibility of the project, with Vizhinjam Port project taking off in Kerala in partnership with the Adani group. Another concern of the locals is that a port at Enayam would have an adverse impact on the ecology of the coastal district.

LOGISTICS

## Chennai Port to be made cruise destination

The Union shipping and tourism ministry's initiative to develop cruise and coastal tourism is likely to place Chennai Port in an enviable position in terms of attracting greater cruise traffic in the coming months. A Cruise Passenger Facilitation Centre has been developed at the existing Passenger Terminal at Chennai Port at a cost of ₹16.72 crore.

The terminal will be operational from April and has numerous facilities including escalators, passport baggage scanners, duty-free shops, media centres, Customs and immigration clearance facilities, first aid and food court facilities.

Besides, a cruise passenger facilitation centre and a dedicated cruise berthing facility have been developed at Cochin Port and a cruise terminal building has been developed at Mormugao Port Trust.

## Railway from Chabahar to Herat

Negotiations are underway between the Afghan, Iranian and Indian officials for the construction of railway from the strategic Chabahar Port to the western Herat province of Afghanistan.

The government of India is mulling to support the construction of the railway. Chabahar transit corridor is important to India, providing direct access to Afghanistan besides providing investment opportunities for the Afghan businessmen.

## Coal stocks decline at Indian ports

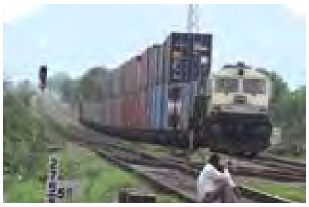
Coal stocks at 17 Indian ports totaled 12.32 million mt as of March 3, down 1 per cent week on week. The stockpile comprised 10.12 million mt of thermal coal, up 1.7 per cent from 9.95 million mt the previous week; and 2.08 million mt of coking coal, down 9.3 per cent over the same period from 2.29 million mt. There were no stocks of anthracite while petcoke plunged 30.6 per cent to 125,000 mt from 180,000 mt during the same period. Paradip on India's east coast had the highest coal stocks at 2.44 million mt, up 3.3 per cent from the previous week's 2.36 million mt.

## India and US mulling on military logistics agreement

India and US could sign a key military logistics agreement as top officials from the two sides meet in April to look at ways to deepen the bilateral ties in the critical sector.

One of the key areas of focus during the visit of US Defence Secretary, Ashton Carter, to India will be three contentious agreements that Washington has been pushing for long. Known as the "foundational agreements", these pacts are: Communications and Information Security Memorandum of Agreement (CISMOA), Logistics Support Agreement (LSA) and Basic Exchange and Cooperation Agreement (BECA). According to defence sources, LSA, which enables cashless supplies to each other's armed forces on credit, is doable as it can be done on "case by case" basis.

## Indian Railways targets more containerised freight



Indian Railways is looking to expand its freight reach as sluggish global demand and infrastructure challenges weigh heavily on the public enterprise's growth plans. The railways ministry plans to follow a two-pronged approach such as allowing more bulk commodities to be transported in containers and introducing new delivery models like Ro-Ro operations. Railways has worked out a pilot plan to operate intermodal freight trains.

Container sector would be opened to all traffic, barring coal and specified mineral ores, and part-loads would be permitted during the non-peak season. All existing terminals/sheds would be granted access to container traffic where considered feasible.

## Allcargo to set up logistics park in Haryana

Allcargo plans to set up a logistics park in Jhajjar district of Haryana, mainly to cater to the growing container traffic in the northern parts of the country. The facility is expected to be operational by 2018, subject to necessary regulatory approvals and rail connectivity. The project will comprise of rail linked private freight terminal catering to railway cargo movement, free trade warehousing zone, domestic tariff area and other related activities. It will also have the facility to handle both in-bound and out-bound contract logistics services. Allcargo wants to offer end-to-end logistics solutions to the customers in the northern belt through its facility in Jhajjar district.

## Haryana partners railway ministry to build infra

Haryana has become the first state to partner the railway ministry to create rail infrastructure. A Special Purpose Vehicle would be formed to seek states' synergies to boost rail infrastructure. The ministry is planning to engage the private sector to build 200 freight terminals in the next few years, the details of which are to be worked out soon. A decision on integrated transport solutions would be taken soon. A rail coach factory in Haryana, announced a few years ago, might become a reality as the ministry would expedite approvals for the said project. The state government had earmarked a land parcel of 120 acres near Sonipat for the rail coach factory.

## Service tax makes imports costlier

Imports via the sea route could become more expensive as the Union Budget 2016-17 has brought the activity into the service tax net, in addition to the Customs duty levied on imports. This could lead to double taxation as Customs duty is already levied on the imported goods and may discourage companies to use services of Indian freight forwarders. An option available for Indian buyers is to ask the exporters in other countries to use freight forwarders there for sending goods to India instead of using the services of freight forwarders in India.

## Gas imports from Iran

India is all set to ink a deal to have a direct undersea gas pipeline from Iran, by circumventing Pakistan. In future, the undersea gas pipeline will also bring gas from Turkmenistan. The $4.5-billion gas pipeline project will bring 31.5 million standard cubic metres gas per day to India's west coast. India will also fund a rail link between the Iranian port city of Chabahar and city of Zahedan, located on the tri-junction of Iran-Afghanistan-Pakistan. The rail link will join Chabahar Port with International North-South Transport Corridor to provide direct access to Central Asia.

## Single window Customs clearance

India will operationalise single window Customs clearance from April 1 and allow deferred payments to importers as part of a trade facilitation pact of the World Trade Organisation. According to Najib Shah, Chairman, CBEC, the department is working on a pilot for single window Customs clearance at 13 air and sea ports in the country. It will be roled out in April and gradually expanded to all ports. Importers will be able to get clearance from most regulators including food safety, plant quarantine, textiles and drugs through the new mechanism, which will also cut down their dwell time by 50- 60 per cent.

## HPCL to expand infra

Hindustan Petroleum Corp Ltd (HPCL) plans to invest ₹45,000 crore by 2020 in capacity expansion of its Mumbai and Visakhapatnam refineries, along with augmenting of its marketing infrastructure. While ₹21,000 crore would be invested in increasing refining capacity, ₹9,000 crore would be spent in marketing infrastructure. A total of ₹14,000 crore would go into joint venture refinery projects, natural gas business and upstream oil exploration.

The oil marketer will invest ₹4,199 crore in expanding its Mumbai refinery capacity to 9.5 million tonnes per annum (MTPA) from the existing 6.5 MTPA, and another ₹17,000 crore in expanding its Visakhapatnam refinery to 15 MTPA capacity, from the current 8 MTPA.

## Three AP sites vie for PSU refinery

Hindustan Petroleum Corporation Ltd and GAIL India Ltd have shortlisted three sites in Andhra Pradesh for setting up a 15 million tonne per annum oil refinery. These include Nakkapalli near Visakhapatnam, Kakinada SEZ in East Godavari and Machilipatnam. A financial appraisal of each of the sites has also been carried out. The project plan has been put forward following the failure of GAIL and HPCL to team up with France's Total, Arcelor Mittal Group and Oil India Ltd for the 15 million tonne per year refinery cum petrochemical plant at Visakhapatnam.

## Bizmen pitch for Azhikkal Port development

For a port that handled 28,541 tonnes of cargo in 1956-57, the port at Azhikkal, Kerala, now handles a fraction of that the cargo it used to. Cargo traffic at the port has reduced to nearly 500 tonnes a year now. Though subsequent governments promised they would develop it as a major port and the central government assured that it would be developed under the National Maritime Scheme, there has been no significant development in recent years. Even the costal shipping service from Azhikkal has been stopped.

As a first step, the government should appoint a special officer for the project, said members of Developing Infrastructure Scientifically and Aesthetically (DISA), a collective of businessmen in Kannur.

## Master plan for port-based zone at Dhamra

The state government has initiated the task of preparing the master plan for developing a port-based manufacturing zone at Dhamra. The cost of developing infrastructure for the proposed zone is pegged at ₹3,100 crore. Of this, the Government of India is set to contribute ₹1,844 crore while the balance ₹1,256 crore will be borne by the state government. The zone is planned on 7,500 acres of land. The master plan is being prepared by Pricewaterhouse Coopers and is expected to be ready in three months. A pilot project has been approved by the Department of Economic Affairs.

## Cargo handling equipment for Andaman & Nicobar Islands

The government has started procuring cargo handling equipment for Port Blair, Mayabunder, Kamorta, Katchal, Rangat, Car Nicobar, Diglipur Islands and Janglighat harbour. This procurement is part of a project that was initiated in December 2014 at a cost of ₹39.02 crore and to be completed in 36 months. Equipment has been procured for Mayabunder, Kamorta, Diglipur and a few at Port Blair. Equipment already procured and commissioned include mobile cranes, forklifts, crawler crane, trailors, tractors, aerial lift, acoustic enclosure diesel generating set and hydraulic controlled power hacksaw machines among other things.

## DP World announces 16.3 per cent revenue growth

DP World announced strong financial results from its global portfolio for the 12 months ended December 31, 2015. Revenue grew 16.3 per cent and adjusted EBITDA increased 21.4 per cent. Volumes grew by 2.7 per cent ahead of industry growth estimated at 1.1 per cent. Containerised revenue per teu grew 3.2 per cent on a like-for-like basis and non-container revenue increased 8.2 per cent on a like-for-like basis and up by 64.6 per cent on a reported basis due to acquisitions. Cash from operating activities amounted to $1,928 million up from $1,486 million in 2014. $1,389 million have been invested across the portfolio during the year.

## Sanjay Bhatia is new Chairman for Mumbai Port Trust

Sanjay Bhatia has been appointed as Chairman of Mumbai Port Trust by the Ministry of Shipping. At present he is serving as Vice-Chairman and Managing Director of CIDCO and has been responsible for planning and development of Navi Mumbai and other new towns in Maharashtra including special projects like Metro, Navi Mumbai International Airport etc.

With 27 years experience in serving at various senior levels in Maharashtra Government, he has worked as Commissioner of Sales Tax, Maharashtra State and was responsible for introducing electronic returns and computerisation of Sales Tax Department.

## Aegis Logistics to launch terminal at Haldia Port

The board of directors of Aegis Logistics has approved a company strategy to build a necklace of terminals around India's coastline. Accordingly, the company said it would set up a 25,000-tonne LPG storage terminal at Haldia Port at a maximum cost of ₹250 crore. The terminal is expected to be operational in 15 months and will be financed out of internal accruals. The group handles over 700,000 tonnes of LPG a year and is eyeing growth. Aegis Logistics is a leader in Oil, Gas and Chemical Logistics. The company is engaged in providing logistic solutions for Oil, Gas, Chemicals and Petrochemical Industries.

## Cisco selects Pune for manufacturing

Cisco has zeroed in on Pune for its manufacturing unit, as it looks to scale up its presence in the country, eventually making India an export hub. "India has to become an export hub for other countries because otherwise you don't hit your economies of scale. Can we do a one off for India? Of course. But that's not what the Prime Minister wants. You have to make it a win-win. First, you manufacture in India for India and then, in India for the world," said Cisco Chairman John Chambers. India has huge skilled human resources and the government promoting in-house production which offers an ultimate business climate for Cisco.

## China to build Colombo port city

Sri Lanka has given go-ahead to a China-backed project to build a port city in Colombo a year after it had been suspended due to environmental concerns. The $1.4-billion project, the biggest ever single foreign investment received by the South Asian nation, falls on China's ambitious 21st Maritime Silk Route.

The project will entail setting up of a port city on land reclaimed from the sea between the Colombo South Port and the Galle Face Green. The port city will feature facilities such as luxury hotels, sports complexes and a Formula One racetrack. The Chinese embassy in Sri Lanka reportedly described the Colombo port city project as a high-end urban complex in South Asia concentrating industries, including finance, tourism, logistics and information technology. This will be one of its kind project developed in Sri Lanka.

## ColdEx invests in technology


Refrigerated transport specialist ColdEx Logistics is investing heavily to meet the last-mile delivery needs of India's booming cold chain sector. The company is poised to become the go-to last-mile delivery provider for end-consumers. It has posted annual revenues of ₹200 crore ($30 million) and 35 per cent annual sales growth over the past five years.

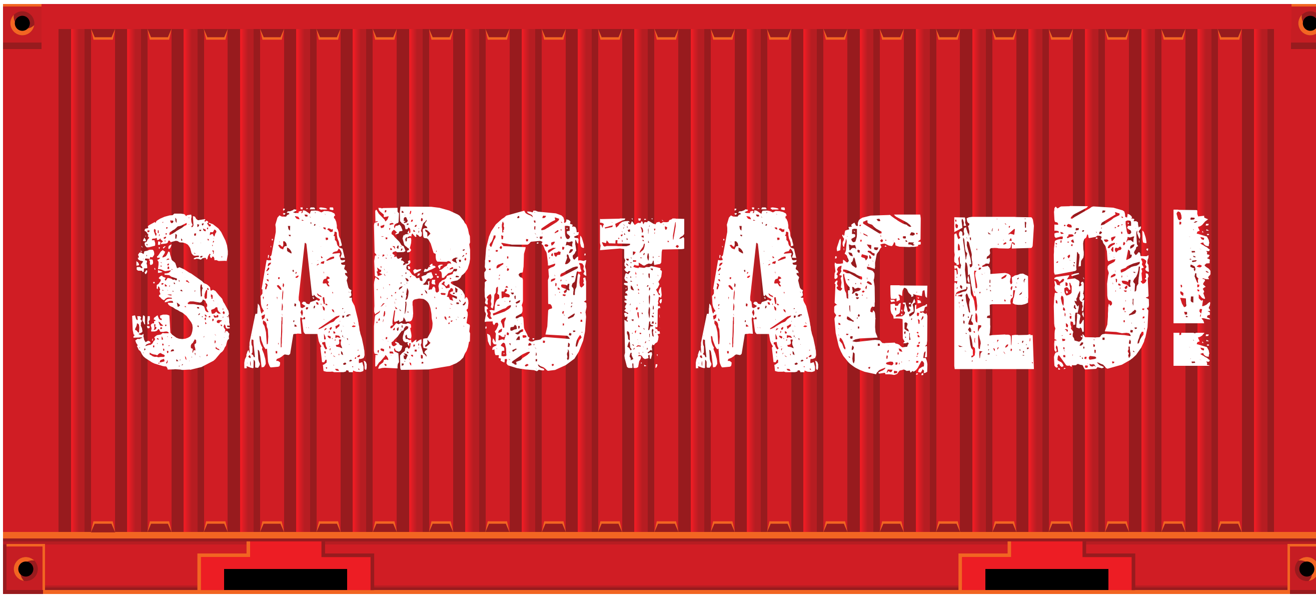
To cater for India's rampant cold chain expansion, which is expected to see the industry reach a market size of $13-billion in 2017, ColdEX plans to add 80,000 pallets to its cold storage capacity over the next three years, which entails adding 12 new distribution centres to cover 90 per cent of the urban population.

## GAC and HOYER Group join forces

The HOYER Group, one of the world's leading bulk logistics providers, has appointed GAC as its official agency partner in 17 countries in the Middle East, Indian Subcontinent and Africa. Both the companies will focus on providing bulk logistics particularly for the chemical, food, gas and mineral oil sectors, including tank cleaning maintenance and repair. GAC companies primarily focus on transportation of liquid cargoes by road, rail and sea.

## BlackBuck emerging in inter-city road transport

Flipkart-backed on-demand freight booking platform BlackBuck is looking to become the largest player in India's inter-city road transport space within the next year. The company has so far raised $30 million in venture capital funding and has already aggregated over 10,000 trucks on its platform. With a minimum haul distance of 160 km, BlackBuck currently operates in over 150 cities across India. There are between 4 million and 5 million trucks on Indian roads; however, the market is highly unorganised with 85 per cent of suppliers owning less than five trucks. Omitting partial truck-load and custom hauls, the market for intercity road transport is estimated to be worth $70 billion in India. In the short term the company is aiming at a 1 per cent stake of the trucking industry, or 50,000 trucks, which it estimates could drive revenues close to $2 billion.




Recent amendments to cabotage laws for making Indian ports into transshipment hubs may just be a mere paper tiger

by Ritu Gupta

A huge volume of India´s export and import containers are transshipped through ports like Singapore and Colombo. Such transshipment through ports outside the country involves an additional expenditure of about $300 per container and an extra 7-10 days of transit time. In the wake of such stark realities, the Union shipping ministry recently amended the cabotage rules to promote transshipment, but industry experts aver that certain conditions placed by the ministry in the new guidelines will only ensure that they prove to be a mere paper tiger rather than help Indian ports metamorphose into transshipment hubs.

As per the new regulation, ports with at least 50 per cent of their cargo being transshipped through containers can become transshipment hubs. This will be applicable to exim-laden or empty containers only. According to the policy document published by the ministry, "For the purpose of determining the cargo handled by the container port, only container EXIM cargo (i.e. overseas loaded and overseas unloaded), container transshipment of EXIM and empties handled by all the terminals of that port shall be included."

"That any new or existing container port handling transshipment traffic can apply for the said relaxation to the Directorate General of Shipping, which shall grant relaxation for a period of one year for existing port and two years for a new port," mentioned a ministry release. The new regulation adds that if the container handling port is able to transship 50 per cent or more of the cargo handled during the first year, the said relaxation shall continue else it shall be revoked. The new port will have a gestation period of one year and shall have to achieve the stipulated transshipment traffic of at least 50 per cent of the traffic handled in the second year. The container handling port whose relaxation is revoked shall not be considered for cabotage relaxation for next three years.

Industry players assert that a regulation with such stringent conditions is just a dampener. "The only thing positive about the new regulation is the thought of the ministry to amend the cabotage rule to encourage transshipment. Else, the regulation will prove to be a nonstarter, as most ports will not be able to qualify for the 50 per cent condition. Moreover, by putting the condition of revoking only after a year, and stating that a port whose relaxation is revoked shall not be considered for cabotage relaxation for next three years, the amendment may just discourage many ports. Moreover, having a short-term approach is not feasible. The ministry should have relaxed the laws without any conditions and could have taken back the amendments if things were not working well," rues **Sushil Mulchandani, Chief Operating Officer, Visakha Container Terminal (VCT).** "We welcome this initiative by the government and it is certainly a step forward in the final goal of helping the Indian port industry reach its rightful place as a transshipment hub. The cabotage relaxation is a positive message to the

container industry and well-timed as large container terminal facilities like KPCT are in place and operational for hassle-free and high efficiency transshipment operations for the container liner industry. The circular provides a period of one year for the port enjoying cabotage relaxation to convert 50 per cent of the throughput to transshipment. It is suggested that a longer window may be more effective in achieving the objective of facilitating successful transshipment hubs in India as many of the large liner companies have feedering arrangement contracts which may be yearly in nature and global liner companies may require some time to be able to take advantage of the favourable terms at Indian transshipment hubs. But the circular provides a period of one year for the port enjoying cabotage relaxation to convert 50 per cent of the throughput to transshipment. It is suggested that a longer window may be more effective in achieving the objective of facilitating successful transshipment hubs in India as many of the large liner companies have feedering arrangement contracts which may be yearly in nature and global liner companies may requires some time to be able to take advantage of the favourable terms at Indian transshipment hubs," avers **Vinita Venkatesh, Director, Krishnapatnam Port Container Terminal (KPCT)**.

**BY PUTTING THE CONDITION OF REVOKING ONLY AFTER A YEAR, AND STATING THAT A PORT WHOSE RELAXATION IS REVOKED SHALL NOT BE CONSIDERED FOR CABOTAGE RELAXATION FOR NEXT THREE YEARS, THE AMENDMENT MAY JUST DISCOURAGE MANY PORTS.**

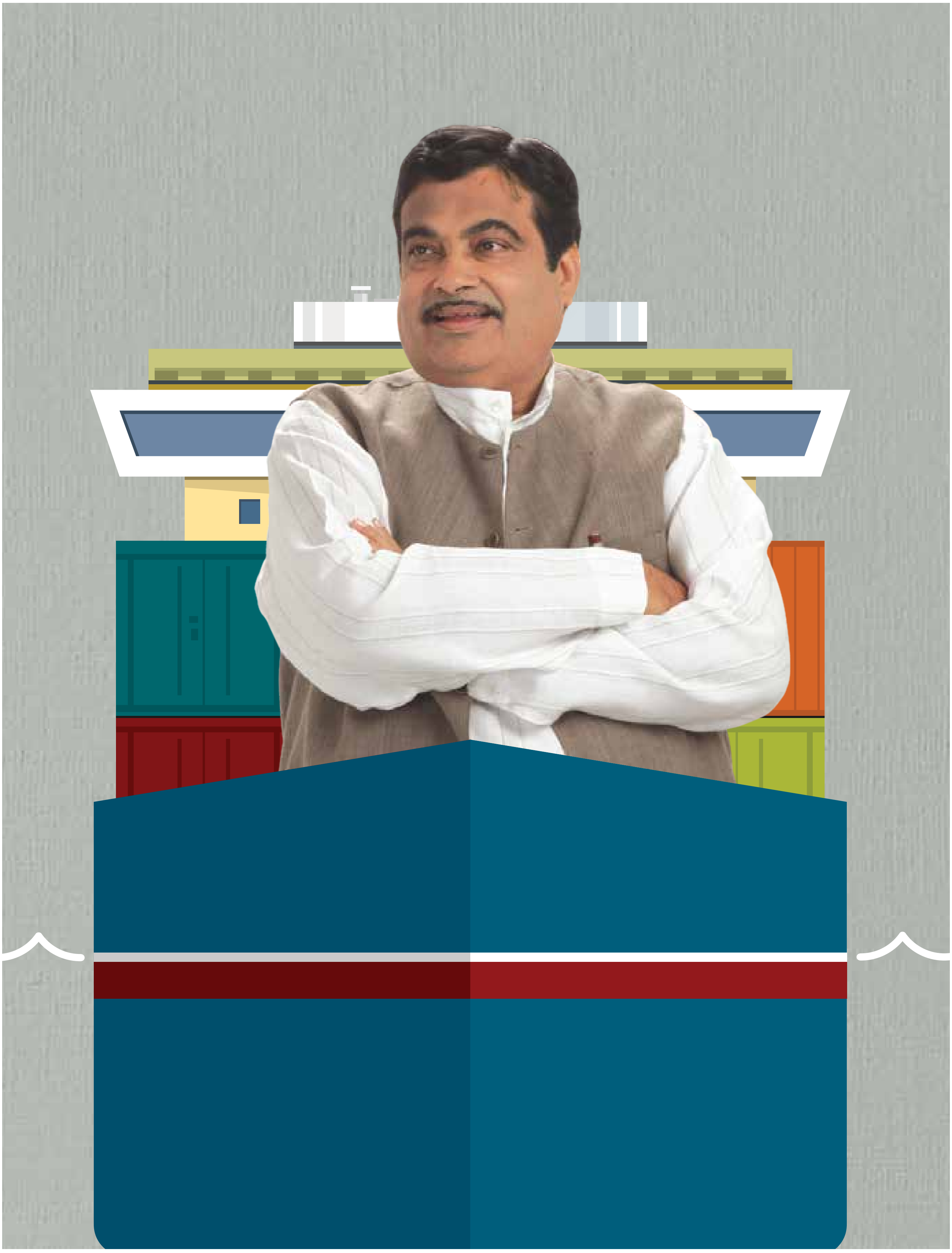
"The new legislation on the cabotage policy gives mixed and confusing signals. The new rule will not help in making Indian ports into transshipment hubs as most of them both major and private will not be able to meet the 50 per cent transshipment volume throughput within one year – a condition laid out by the Ministry. Ports like JNPT and Mundra, which already have a throughput of 4.4 million teu and 2.9 million teu respectively, cannot raise their capacity by another 2.2 million teu or 1.45 million teu of transshipment in just one year's time to meet the conditions laid down in the circular. Furthermore, the government should be asking the shipping lines to apply for cabotage relaxation rather than the ports, as it is the Lines who choose the port to establish transshipment hubs at the port. In my opinion only new ports or ports which do not have sufficient business today may stand a chance to qualify for becoming transshipment hubs if they are able to meet the conditions laid down. Overall, the new rule may prove ineffective for the metamorphosis of Indian ports into vibrant transshipment hubs. There is also a doubt whether these ports are suitably located to emerge as transshipment hubs." says **Deepak Tewari, Chairman, Container Shipping Lines Association (India).**

The gaping holes in the amendment are indeed disappointing as there are economic benefits of having a hub port. So much Indian transshipment happening elsewhere is economically inefficient, according to many industry observers. Apart from affecting cargo prices, hub ports can also help generate employment. Economies of scale is another benefit for India to become a hub. Right now, in the present state of affairs, the trade is affected adversely, with cargo owners becoming less competitive – the cost of moving cargo is $250 per teu, which can be reduced to $100 if transshipment takes place in India. "Transshipment will make the Indian goods more competitive. If legal hurdles like cabotage are removed, then shipping lines can take care of themselves," says Tewari.

Polices supporting transshipment and amendments to the cabotage laws have been long standing demands of the industry. On an experimental basis, cabotage relaxation was introduced for ICTT Vallarpadam in September 2012 for three years. But it was done keeping in mind a short time frame. Relaxation of cabotage has been done in countries like the Netherlands and Korea without a timeline and it is high time that India should also do it. "The big problem is that our consignees and consigners do not have a very strong lobby, otherwise things would have been very different," says an industry player, adding that the government should have a holistic approach to the issue. Neighbouring ports became hub ports for India because we gave them an opportunity. But this needs to change, and we need to develop a country-specific strategy, rather than introducing regulations which only further dishearten an industry facing tremendous pressures. mg

### What is transshipment scenario?

- JNPT recorded highest throughput handled last year, but it was only able to handle a meagre 1.6 per cent of transshipment.
- Despite of positive trajectory of total traffic growth in the case of Vallarpadam Container Transshipment Terminal, it is unable to register significant per cent growth of transhipment in the last fiscal.
- Most of the southern based major and private ports tranship their cargo through Colombo and Singapore transshipment hubs, In the case of Tuticorin Port, more than 90 per cent of cargo is being transshipped by Colombo and Singapore. Unless there is a whopping increment in the transshipment volume handled by Indian based transshipment ports, getting the status of transshipment hub will be a difficult task.
- In the case of Major ports, increasing the total traffic to the two folds size with more than 50 per cent of transhipment volume may be unachievable objective as per the present trends in the container industry.
- In the case of Private ports, attracting and increasing the total traffic is one of the major tasks, so when it comes to initializing the transshipment volume it will be a herculean task.



# SEA CHANGE!

Under Nitin Gadkari, the shipping ministry has been gradually transforming the face of the Indian maritime sector

by Ritu Gupta

A government elected for a term of five years can be reasonably judged within its first few months. This is also true for the shipping ministry which has been appreciated even by some opposition members for the exceptional development work that it has undertaken under the dynamic leadership of Nitin Gadkari. "We will modernise existing ports on one hand, and develop new ones on the other, stringing together the Sagarmala project. Public Private Partnership would be encouraged to tap into private sector resources as well as expertise. An institutional framework would be established for the same, while regulators would be given greater autonomy as well as accountability," the BJP had said this in its election manifesto. Under Gadkari, the Modi government has been slowly fulfilling these election promises, and the shipping sector is witnessing quite a hustle bustle. Indeed, the Modi government is said to have a very good understanding of the maritime industry partly due to Modi's experience in Gujarat.

Ever since assuming office as the shipping minister after the Bharatiya Janata Party's victory in the April-May 2014 general election, Gadkari has been a man in a hurry. Many archaic rules have been brought in sync with contemporary requirements to improve the ease of doing business. Gadkari has ensured that the Union Cabinet has taken three much awaited decisions for the sector – the enactment of Central legislation for declaring 106 additional inland waterways as National Waterways for navigation, approval of the formation of a Special Purpose Vehicle to provide efficient rail evacuation systems to major ports, thereby enhancing their handling capacity and efficiency, and lastly and most importantly, giving 'in-principle' approval to the concept and institutional framework of the Sagarmala project.

According to many observers, such Cabinet decisions are a result of the dynamic leadership of the ministry. Gadkari, 58, is no novice

## ACHIEVEMENTS IN PORT SECTOR

**CARGO GROWTH RATE DOUBLED**

The Cargo handled by the Indian Ports increased by **8** per cent in 2014-15 as compared to **4** per cent in the previous year. This included **4.6** per cent increase in traffic growth in major ports as against negative and sluggish growth in the previous three years.

**CAPACITY ADDITION**

Major Ports added an additional capacity of **71 MTPA** in 2014-15 which is the highest in any particular year so far. This was achieved by close monitoring of the on-going Projects.

**PERFORMANCE OF SCI**

Breaking the trend of the last three years of incurring losses till 2013-14, SCI made profits in the last quarter of 2013-14

**EFFICIENCY PARAMETERS**

The Major Ports showed continuous decline in turnaround time and pre-berthing detention of ships. The pre-berthing detention time decreased by **13.40** per cent under the new ministry.

**PORT COMMUNITY SYSTEM (PCS)**

PCS has been developed to integrate electronic flow of information among all port stakeholders like shipping lines, stevedores, bank etc.

**ENTERPRISE RESOURCE PLANNING (ERP) SYSTEMS**

**5** Major Ports have ERP Systems. By June 2016, all **12** Major Ports would become smart and paperless.

to the transport sector. He was the public works department (PWD) and ports minister for Maharashtra between 1995 and 1999 during which he demonstrated a penchant for building roads, highways and flyovers in Maharashtra, and also did a lot for ports like JNPT. From the beginning,Gadkari has had his task cut out for the Union ministry. Several issues awaited him, the most important among them being tariff reforms, restructuring the 12 ports owned by government into corporate entities, development of coastal shipping and inland waterways, improving road linkages to ports and allowing Indian fleet owners to register their ships overseas. Though some of these issues still remain unresolved, the ministry has done a commendable job in trying to evolve an economic model of port-led development.

Ahead of the 2016 budget, the Union Cabinet gave approval to a raft of steps including budgetary support to encourage shipbuilding and ship repair industry in India under the 'Make in India' initiative. The approval evidently has given Indian shipbuilders reasons to cheer as they have been struggling for new orders, especially as they face cost disadvantage when compared with the Japanese, South Korean and Chinese yards. With the new policy in place, India is looking to achieve a 5 per cent share of the global shipbuilding market by 2020, according to a target set by the shipping ministry. The government has also notified new rules for computing the non-resident status of Indian seafarers working on Indian flag ships. This notification ended a more than two-decade-old seafarers' taxation anomaly that had been cited by local fleet-owners as the main reason for an acute shortage of seafarers to run their ships. The Modi government clarified that the period of stay of seafarers outside India will be calculated from the date stamped on their continuous discharge certificate (CDC) – a seafarer's identity document – at the time of joining the ship for the voyage till the date entered in the CDC at the time of signing off. As a result, the period spent by a ship in Indian coastal waters is also taken into account for computing the non-resident status to be eligible for tax benefits.

The NDA government has also made an accomplishment in the international shipping arena – after a long time, international shipping regulators have revised the 'high-risk area' boundary in the Indian Ocean and have shifted it away from India's western coastline. Both the shipping ministry and external affairs ministry played a pivotal role in this decision that is likely to boost the country's maritime trade manifold. The move would potentially lower the insurance and operating costs of Indian shipping companies. The previous boundaries were covering almost the entire western coastline of

**Samir J Shah**
Chairperson, Federation of Freight Forwarders Association in India.

**"THE MINISTRY HAS BEEN PROACTIVE AND OPEN TO CHANGES. IT IS FOCUSED ON EASE OF DOING BUSINESS. IT IS PREPARED TO WORK ON THE BEST PRACTICES FOLLOWED IN OTHER COUNTRIES. IT ALSO HAS INITIATED THE PROCESS OF REDUCING PAPER WORK AND BUREAUCRATIC HURDLES. THEY HAVE INTRODUCED PROJECTS LIKE SAGARMALA, WHICH GO TO GREAT LOGICAL LENGTHS. IN 2016, WE HOPE THAT THE MINISTRY IS ABLE TO FINISH WHATEVER WORK IT HAS TAKEN UP."**

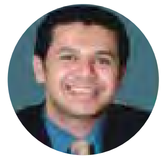
India and had triggered a huge jump in ship insurance costs, which led to high transaction cost of commodities shipped to the Indian ports.

The latest feather to be added to the hat of the ministry is decks being cleared for the conversion of 106 rivers and creeks across India into transport waterways. During the first week of March 2016, the Rajya Sabha passed the National Waterways Bill 2015 unopposed, setting the stage for the adoption of the new law. Once it is a law, it can potentially provide an alternative form of transporting goods, which at present is dominated by road and rail, and open up economic opportunities to new regions. The bill, introduced by Gadkari, was approved by the Lok Sabha last year and would now be sent to the President for his approval. According to the ministry, the inland waterway projects will be developed through public private partnership and infusion of foreign direct investment (FDI). Under Gadkari, the ministry has also launched the River Information System (RIS), which is the first of its kind in India. The system will facilitate safe and accurate navigation on National Waterway – 1 on the Ganges River. RIS is being implemented under the overall responsibility of IWAI.

In order to further promote coastal shipping, a new scheme for coastal berths has also been approved and the necessary guidelines have been issued to all the ports. Under the scheme, financial assistance up to 75 per cent of the cost of the project subject to maximum of ₹30 crore would be given to the ports to construct exclusive coastal berths. In order to ensure faster clearance of cargo, the ministry has introduced the Green Channel Clearance system for coastal cargo in major ports. A new incentive scheme has also been evolved to encourage major ports to become green ports. Under the scheme, green projects such as wastewater treatment, renewable energy generation, use of bio-diesel and provision of shore power would be supported by up to 50 per cent of the project cost. Each major port would be given a financial grant of up to ₹25 crore for undertaking these initiatives. Nine major ports have given a commitment to generate at least 150 MW of renewable energy through solar and wind power in the next five years. This includes 25 MW generation by Jawaharlal Nehru Port and 20 MW each by Paradip, Kamarajar and Kandla ports.

The ministry has also issued orders for enhancement of the financial powers delegated to major port trust boards as also chairman, deputy chairman and heads of departments in these trusts. The enhanced delegation is expected to speed up decision-making process. Keeping in view the need for simplifying and rationalising the delegated powers, the earlier distinction between plan and non-plan expenditure and category I and II Ports as also new and replacement works have been done away with. The powers for sanctioning and incurring expenditure on capital works have been enhanced from ₹50/₹100 crore for new/replacement works to ₹200 crore for all capital works, facilitating speedy decision making.

Another important focus area in the new year will be the Sagarmala Project, and this year's budget showed that the government is indeed very serious about implementing the Sagarmala project – a provision of ₹200 crore has been kept for project for the year 2015-16. The prime objective of the Sagarmala project is to promote port-led direct and indirect development and to provide infrastructure to transport goods to and from ports quickly, efficiently and cost-effectively. "Twelve projects have been identified for taking up under Sagarmala in FY 15-16 out of which six projects have been approved and fund of ₹90 crore has been released in three projects," Pon Radhakrishnan, minister of state for shipping, said in a written reply to the Lok Sabha. Apart from working on Sagarmala, the government also plans to weed out several archaic rules, some of which are over 100 years old. "We are re-looking at most of our acts some of which are more than 100 years old and we expect that in the next six months we should be able to revamp acts like Major Ports Act, Merchant Shipping Act, doing away with Tariff Authority for Major Ports (TAMP) and so on," Rajive Kumar, the shipping secretary, was quoted by the media. The ministry is also planning to set up two new ports – one in Maharashtra



**Aditya Suklikar**
President, ICC Shipping Association.

**"THE MINISTRY HAS BEEN VERY PROACTIVE IN FOSTERING AN ENVIRONMENT OF GROWTH AND INNOVATION FOR THE INDUSTRY. IT HAS TAKEN SEVERAL INITIATIVES TO GIVE A BOOST TO THE INDUSTRY. WE HOPE THAT THE MODAL SHIFT SCHEME GETS IMPLEMENTED VERY SOON AS THAT WILL GIVE A KEY IMPETUS TO THE GROWTH OF COSTAL SHIPPING."**

**Vivek Kele**
President, Association of Multimodal Transport Operators of India.

**"THE MINISTRY HAS DONE PATH-BREAKING WORK WHILE CONCEPTUALIZING PROJECTS LIKE SAGARMALA. IT IS YET TO BE SEEN HOW IMPLEMENTATION TAKES PLACE. ANOTHER CONCERN IS THE SERVICE TAX LEVIED ON FREIGHT IF ANY OF THE INTERMEDIARIES ARE INVOLVED. WE WOULD LIKE THE MINISTRY TO HAVE A LOOK AT THIS ISSUE AS WELL."**

## WHAT INDUSTRY EXPECTS FROM THE GOVERNMENT?

### Federation of Ship Agents Association of India

- The shipping ministry's recent circular on cabotage is having certain clause as per which not all ports/ terminals can qualify to enjoy the relaxation. Such clause entirely defeats the very purpose of having competitive ground to have more options for trade.
- Even on running freight train, fifteen non government Container Train Operator(CTOs) cannot deploy their own locomotive where tracks belong to Indian Railways and hence they are not at level playing field with government owned CTO.
- The regulatory framework of the port sector lacks a single independent agency that is responsible for regulating all relevant issues in the sector including competition issues, has a jurisdiction over all major and minor ports and ensures a level playing field to all players in the sector.
- TAMP, in present form, lacks the scope to handle any dispute between port/ terminals and carriers. Hence, it is suggested to have an independent body which can function like Ombudsman on the disputes.
- Due to the Major Port Trust Act, major ports cannot customize solutions and the tariff structures are not sufficient enough to make the services competitive, unlike a non-major port.
- Some federal laws have different regional implementations. Here example like Double Taxation Avoidance Agreement (DTAA) can be cited, as per which if an enterprise has place of effective management outside India with which the Indian government has DTAA, income tax payment can happen only at one side which though is a subject matter of the Finance ministry, where guiding rules of income tax is further facilitated through a board circular from CBDT wherein an NRI/ foreign shipping company enjoys a special status if the origin country has a DTAA treaty with India. To allow such exemption, there are certain basic parameters formulated through certain circular, which unfortunately is defined differently at each commissionerate/regional income tax office, leaving behind a disgruntled foreign shipping company and a potential investor, otherwise eligible to qualify for such a status. If the CBDT circular 732 is not lucid enough for the various income tax offices to understand, it should be rewritten so that no one faces any hassles further on account to have vessel "No Objection" certificate from income tax office, especially when it is known to the department that no ship can sail India without Customs Port Clearance Certificate for which income tax No Objection becomes the primary check.

### National Association of Container Freight Stations

- ICDs/CFSs infrastructure development should fall under the port infrastructure development project. ICDs/CFSs infrastructure project should be included in MSME sector and should be entitled for claiming the MSME benefits.
- One time permission should be granted from waiver of Cost Recovery Charges with retrospective effect from 2006 or before.
- For the officers posted at ICDs till December 2015 from the existing staff strength of the Commissionerate, claiming salary from ICDs shouldn't be acceptable.
- Re right of regulations HCCR 2009 to be introduced as there are many confusions for setting up a Uniform Procedure for setting up ICD/CFS in India.
- Few states like Jharkhand and Bihar are charging over height fine for transportation of containers moving inside their states. This should be stopped.
- A uniform policy for transportation for EXIM containers should be introduced as per the available GWT of trucks and trailers.

### Indian Private Ports and Terminals Association

- Terminal operators wanted restoration of service tax exemption for construction of ports or grandfathering for project before 2015 and allow CENVAT credit. In 2016 budget, government accepted grandfathering for project before 2015. However service tax exemption was not restored. Also no CENVAT credit was given for construction activity
- SEZ units should be completely exempt from MAT and payment of Dividend Distribution Tax. In respect of revenue share or royalty or wharfage or any other revenue payable to the Port Authority, 150 per cent weighted deduction should be permitted to Port operators.
- The government should also give Instruction for correct interpretation of section 80IA for Ports. As per section 80IA, an assessee is entitled to deductions in respect of profits and gains from industrial undertakings or enterprises engaged in infrastructure development, etc. Some IPPTA members have been disallowed the deduction u/s 80IA stating that in case of foreign shareholders the deduction is not available
- Notify appendix 3E of foreign trade policy (FTP). Before FTP 2015-20 became effective port services were entitled to get the benefit under EPCG scheme as per clauses in the main body of FTP.
- After FTP 2015-20, the list of services does not explicitly cover ports services. The list of services, including port services, will be covered under Appendix 3E and it has not yet been notified
- Allowability of depreciation for berth / jetty
- Allowability of CENVAT credit for port service/ canteen service/ rent a cab service/ machine parts
- Exemption of service tax for terminal handling changes on transshipment of containers at SEZ.

**Pramod Kumar Srivastava**
Vice President, National Association of Container Freight Stations.

**THE MINISTRY IS DOING EXTREMELY WELL IN TERMS OF POLICY INTRODUCTION BUT SOME BUREAUCRATIC HURDLES ARE STILL THERE. THE MINISTRY SHOULD COME OUT WITH A EXIM CONTAINER MOVEMENT POLICY.**

## What can we expect in 2016?

- Coastal shipping may sail towards zenith: 2016 could be a landmark year for coastal shipping. Apart the incentives being given by the Union ministry, the state-owned ports have boosted the sector by easing archaic rules, and granting rate discounts
- Port sector shake-up on the cards: India's ports sector will see a shake-up in 2016 with the union government drafting a new legislation to run the 12 ports it own. These 12 ports are currently run as trusts which restrict their expansion and growth. The planned new law will be a prelude to their eventual conversion into corporate entities and bring them on par with the ports owned by the state governments but are given to private ports for development and operations.
- Farewell to TAMP: The Tariff Authority for Major Ports (TAMP), the agency that regulates the rates at the 12 ports owned by the union government, may be scrapped in 2016, capping years of protest by private firms running cargo terminals at these ports and the ports themselves. The winding down of TAMP will level the playing field between major ports (those owned by the union government) and the non-major ports (those owned by the state governments). The latter's freedom to set rates has been attributed to their phenomenal success in recent years.

**Ashok Janakiram**
Chairman of Federation of Ship Agents Association of India.

**"IT IS ENCOURAGING TO NOTE THE VARIOUS STEPS TAKEN BY THE MINISTRY IN LAST ONE YEAR TO ADDRESS THE POLICY ISSUES IN HAND, AND AT THE SAME TIME LOOKING FOR NEW INVESTMENT OPPORTUNITY. HOWEVER THERE ARE VARIOUS HURDLES WHICH NEED TO BE STEERED OUT.**

and the second in Tamil Nadu – in addition to already approved Sagar Port in West Bengal and work on these ports will begin by March2016.

Also on the minister's radar is the development of India's lighthouses and islands. Enthused by a higher tourist footfall at historic lighthouses of Mahabalipuram and Cannanore, an ambitious plan has been drawn to unlock their rich history and heritage. India has 189 lighthouses dotting its 7,517-km vast coastline, including the Andaman and Nicobar Islands in the Bay of Bengal and Lakshadweep Islands in the Arabian Sea. The identified lighthouses are in Gujarat, Maharashtra, Goa, Karnataka, Kerala, Lakshadweep, Tamil Nadu, Puducherry, Andhra Pradesh, Odisha, West Bengal and Andaman and Nicobar. Land adjacent to these lighthouses may have hotels, resorts, viewing galleries, maritime museums and heritage museums, adventure sports facilities, thematic restaurants, souvenir shops, laser shows, spa and rejuvenation centres, amphitheatres and allied tourism facilities to attract tourists.

To focus on improving the last mile connectivity to ports, a new Special Purpose Vehicle (SPV) is being formed with equity contribution from all major ports and Rail Vikas Nigam. Similarly, an SPV to take up strategic port development overseas has been formed under the name Indian Ports Global Limited, and this SPV will take up development of Chabahar Port in Iran to begin with.

In the wake of these developments, industry players hope that some other contentious issues will also be soon resolved and 2016 will see more solid policy support to the shipping and port sector. An announcement on relaxing the cabotage rules is much wanted by many industry players, especially the foreign shipping lines, and also the revamping of TAMP. There is more to the wish list – "It is felt that most of the time the desired and distinctive advantage by having policy change is diluted if other nodal ministries do not recognise the importance or are not in sync with the topic; one such glaring example being the Railways. A good example in this context is the route rationalisation programme of the Railways, as per which trains can run only at the designated route, irrespective of the viability to connect to the gateway ports. Because of this we still cannot connect East Coast Port with North India on competitive rail freight pricing and are heavily dependent on West Coast ports. Therefore, we would appreciate a comprehensive dialogue between these two nodal ministries," says Ashok Janakiram, Chairman of Federation of Ship Agents Association of India. "Expectations are that some of these measures may see the light of the day during the coming months. Indeed, the captains of the industry are pinning many hopes on Gadkari, as they see him as a lifeline who could ease their life in the current challenging global market environment. But while the ministry is preparing the ground to help ease of doing business, the ball is also in the court of fleet-owners, investors and other stake holders to take the next steps towards realising the full potential of the maritime sector." mg

# ACCURATE *and* VIABLE

As the deadline for implementation of SOLAS VGM is fast approaching, Strainstall shares some insights on achieving compliance in a fast, accurate and commercially viable manner

MG Bureau

Only three months still remain for the implementation of SOLAS VGM. Two methods of container VGM determination are permitted – Method one requires that the pre-packed and sealed container is physically weighed using calibrated and certified equipment. Method two allows that all packages and cargo items be weighed separately and the net summation added to the tare weight of the container. However, the estimation of container weights is expressly forbidden.

The shipper has to provide VGM for each container to be used by the ship's master and the terminal representative in preparing the stowage plan. But, most shippers lack the resources to implement container VGM as part of their operations. The implementation of certified and approved container VGM processes within the shipper's operating environment is unlikely to be a practicable proposition for all but a few. Within the port and terminal environment, container VGM determination can be implemented in a cost-effective manner.

**Candidate solutions**

Candidate systems for weighing can be categorised into indirect and direct measurement systems. Indirect systems include weighbridge systems, while direct systems include container handling equipment, from reach stackers, RTGs and straddle carriers, and perhaps in the future even the spreader systems of ship-to-shore cranes.

**Weighbridges**

Weighbridges do not deliver directly the required gross mass of the container. Instead, to arrive at this figure the tare weight of the vehicle plus the mass of fuel in the tank, additional items carried and the driver, must all be subtracted in order to deliver accurate container weight. Two weighing operations will need to be carried out in succession respectively with and without the container loaded onto the vehicle. In addition, where a vehicle is used to convey more than one container, simply dividing the total mass – after subtracting the effective vehicle tare weight – is not acceptable.

In most cases, however, an alternative based on integration of container weighing into equipment already used for container handling within the terminal is likely to be operationally less disruptive and more cost-effective.

**Twist-lock based solutions**

Solutions integrated with spreader twist-locks offer at first sight perhaps the most attractive approach. A key consideration is whether the measurement technology is integrated within the consumable parts – the twist-locks themselves – or instead within their associated collars or other non-consumables. There are two reasons that favour the latter approach: firstly, twist-locks need to be replaced on a regular maintenance cycle, requiring measurement system integrated within them be removed with the obsolete part. Secondly, twist-locks are not ideally designed for load measurement purposes and are susceptible to damage. For customers wishing to implement a twist-lock based container VGM system, Strainstall recommends solutions based on durable and long-lasting strain gauge instrumented twist lock collars.

**Accuracy**

Key aspects of the required accuracy of compliant VGM systems are yet to be fully defined. This puts port and terminal operators in the very difficult position of being unable to select systems in the absence of a full specification of the precise rules that will govern their application. Accuracy requirements are set by the competent state authority for SOLAS regulations within each jurisdiction. Three key parameters need to be defined in order for effective implementation to take place in each SOLAS state:

1. The amount by which the declared mass of a container is allowed to vary from its measured weight, before it is declared non-compliant
2. The accuracy of the equipment required in order to deliver the above VGM.
3. The process to be followed for the equipment suppliers to obtain certification of installed VGM equipment. mg

# CMA CGM: Your end-to-end logistics partner

Having direct representation across the length and breadth of the country, CMA CGM has emerged as a fully integrated logistics service provider

by Deepika Amirapu

**Audrey Dolhen,** *Managing Director, CMA CGM India*

**Q How is the journey in India so far? What were the significant milestones? How do you wish to strengthen your presence in India?**

CMA CGM has achieved a commendable evolution in India in terms of volume and organisational growth over the past decade.

In terms of throughput, we have grown over 100 per cent in the immediate five-year period and we have expanded our organisation in India to having over 500 employees in 26 commercial offices serving 12 direct shipping services covering 12 port and 43 inland locations in India. In terms of coverage, we are amongst the few shipping lines in the country to have a direct representation across the length and breadth of the country.

Apart from our maritime activities, the CMA CGM group has made significant investments across the logistics vertical, including container freight stations and inland container depots in Nhava Sheva, Mundra & Dadri; CMA CGM Logistics and LCL Logistix specializing in third-party logistics services and our upcoming container terminal in Mundra.

CMA CGM is committed to be a key contributor to the economic development in India and our strategic investment is in line with the Government of India's vision for 'Make in India' which envisages increasing trade activities, private participation in ports, infrastructural development and generation of employment.

Thanks to the existing network and local recognition, the CMA CGM


Group pursues its development to be a fully integrated operator by using all Group synergy inside and outside the continent.

**Q Your NEMO service has been the first direct Europe main liner call at India's Kattupalli. What is the rationale behind choosing this port when there are other bigger ports on the east coast?**

CMA CGM is always open to exploring new opportunities for our customers, to offer them solutions which are not available at present. Kattupalli, although a non-major port, offers a competitive access to the Chennai market.

We strongly believe in the potential of new and emerging ports in India and would be ready to position our services in the east coast of India to best serve the interests of our customers and the market in general.

**Q What are your plans for the Indian subcontinent in the coming year given that demand forecast for cargo does not seem too optimistic?**

We are highly bullish on the growth prospects in India and are proud to be a contributor to the economic development of the nation as a service provider and a strategic investor.

Today, India is the world's fastest growing major economy with a forecasted GDP growth rate of 7.6 per cent for the FY 2016-17, which is unmatched globally. The Foreign Trade Policy 2015-2020 issued by the Government of India envisages increasing merchandise and services exports from the country to the tune of $900 billion within FY 2020. All these indicators points towards a very conducive business environment ensuring long-term growth prospects.

Our major milestone this year will be the launch of Adani CMA Mundra Container terminal marking the group's foray into the container terminals vertical in the Indian Sub-Continent. mg

# Vallarpadam: A Dramatic Turnaround

Vallarpadam ICTT is back on the fast lane thanks to its enhanced efficiency with faster turnarounds and several reputed mainline services connecting Europe, US, Middle East and Far east calling the port

by Mohammed Shareef MP

Struggling just for a couple of years after the commencement of its operation, in meeting the expectations put on its shoulders, DP World Operated International Container Transshipment Terminal, ICTT, Cochin is finally on a positive growth track by setting a record fiscal 2015-16 performance. It has crossed as much as 400,000 teu of throughput for the first time ever with a growth rate of almost 15 per cent in the fiscal year which just ended. The positive growth was the result of an efficient product mix coupled with strategic business initiatives which attracted the end users in partnering business with the terminal, told Jibu Kurien Itty, CEO, DP World Cochin.

The private terminal handled 388,231 teu from April 2015 through March 9, 2016 up 14.6 per cent from 331,344 teu during the corresponding period the prior fiscal year and closing the fiscal by the end of March, crossing the 400,000 teu is not an issue at all, according to DP World Cochin. January, 2016 was the most productive month for the ICTT, processing 37,692 teu, a gain of 28 per cent year-over-year.

Ship calls reached 579 during the current fiscal year until now, compared with a total of 474 calls at this point of time last fiscal year. In January, this year alone, as much as 68 vessels called on the terminal, which deemed to be the highest ship calling at the terminal since the commencement of its operation. As a result, the terminal has already surpassed its annual 2014-15 throughput of 366,376 teu and nearing to go past 400,000 teu total throughput with the current fiscal ending.

What brought the changes?

According to Jibu Kurien, by adding number of services which connect far-eastern countries, Europe, US and Middle East, ICTT Cochin has the best mainline services available and with enhanced operational efficiency and technological innovations led to better productivity,

attracting more business.

In terms of container-handling efficiency, ICTT has reported an average of 31 moves per hour. “A high productivity of 31 moves per crane- hour and the state-of-the-art infrastructure and systems at Vallarpadam have contributed to faster vessel turnaround times, enabling the terminal to handle a higher number of vessels,” Said Jibu Kurien.

To put this in perspective, 30 moves per hour is higher than even Colombo, where the average is 27 moves. Chennai’s productivity is 24-25 moves/hour while Nhava Sheva (JNPT) handles 24-25 moves/hour.

On an average it takes only half a day for a vessel to berth and leave the terminal and for the trailers to leave the terminal, it just takes 23 minutes. There is no parking time required for the trailers at the terminal.

**More liners to the itinerary**

The big gain for Vallarpadam came in July last year when the Galex consortium, comprising Emirates Shipping Line, Hanjin Shipping, Korea Marine Transport Co. and Regional Container Lines, added Cochin to its itinerary. The fixed-day, weekly Galex, now providing calls on both directions at Cochin, uses a fleet of seven ships with capacities of around 6,500 teu.

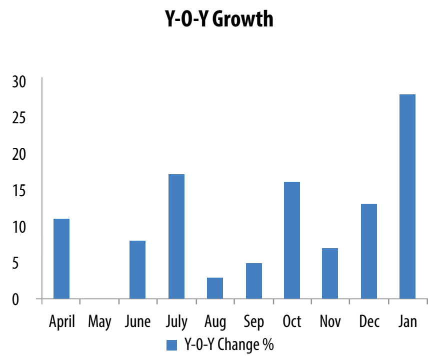
The Vallarpadam terminal also hosts three weekly mainline loops linking the Far East and Southeast Asia; four weekly services to the Middle East and two direct services to Europe and the Mediterranean with onward connections for US East Coast destinations via transshipment at Damietta and Haifa.

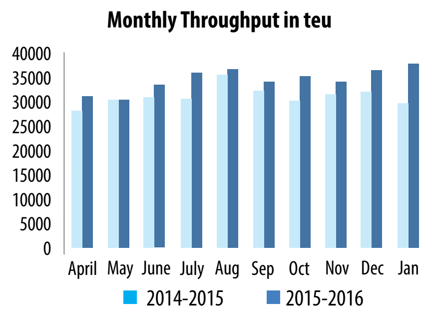
Besides, the terminal has several scheduled feeder departures a week from Cochin to Colombo in Sri Lanka for transshipment traffic.

With more and more vessels coming to Vallarpadam, the connectivity which DP World Cochin offers is by far one of the best in South India. In comparison, the terminals in South India handle way lesser number of vessels, Jibu said, adding that ICTT has been showing steady positive growth over the past ten consecutive months.

**Better flow of cargo from hinterland**

With the vessel calling and the productivity at the berth increased, there is a consequent increase in the inflow of cargo to the port, especially from Cochin Ports Traditional hinterlands of Southern Tamil Nadu and from Bengaluru.




Though the distance to the industrial hubs in Southern Tamil Nadu like Coimbatore, Tirupur, Erode, Salem etc. to the Cochin Port is comparatively less, cargo movement from these regions were very meagre. The main reasons to the bleak business from these regions to Cochin Port used to be the non-availability of direct foreign services from the port and the detention caused at Excise Check Post at Tamil Nadu-Kerala border, Valayar. After port adding more services to its itinerary, the only bottleneck left was the detention issue at the Check Post, now that was also being sorted out, according to authorities.

With the port authorities making representation to Kerala Government, in finding a solution to the glitches at the check post, the state government has now instituted a Green Channel at Walayar Check Post to speed up clearances of containers sealed by Customs/Central Excise and self-sealed containers from shippers pre-approved by the Customs Commissioner. This has resulted in a hassle-free movement of container traffic from Coimbatore to Cochin

Apart from these interventions, Cochin port authorities along with DP World has constantly been in touch with the traders of these industrial hubs by way of conducting road shows and trade meets, explaining the ease of doing business with the ICTT and Cochin Port. The culmination of all these efforts are visible in the growth of the container terminal here, says Jibu Kurien.

Now a scheduled weekly train is plying between Coimbatore and ICTT Cochin. The cargo from this region comprises mainly machineries, garments and fabrics from Coimbatore and Tirupur; Steel, Granite etc. from Salem, Erode. In return, on the import side, raw cotton, machinery parts, FMCGs, tiles etc. goes to this region.

**Cargo from Bengaluru**

A concerted effort from the side of DP World Cochin has resulted in getting more cargo from the state of Karnataka, now a weekly train carrying boxes comes from Bengaluru to Vallarpadam. DP world has its own field offices in places like Coimbatore Bengaluru, sensitizing the exporters in doing business through ICTT, Cochin and their efforts are still on to get varied cargo from the state of Karnataka.

“Though it is not scheduled, we get a weekly train from Bengaluru side too. Our efforts are on to get diverse cargo. Traditionally exporters from this region largely depend on Chennai and JNPT, where we are also trying to get a share. With more foreign direct services in our itinerary and distance to our terminal from these regions are shorter, we expect a lion's share of cargo from these hinterlands,” said Jibu. From Bengaluru at present ICTT gets Gherkins, which go to Europe and US. There are efforts afoot in getting more cargoes like granites from Karnataka. The ICTT also exports garments and IT goods.

Apart from cargo from Tamil Nadu and Karnataka, the terminal retains its business from Kerala, there is a growing reefer container volume with marine products exported to Middle East and Far eastern countries. It also exports spices, polished cashew, rubber, coir etc. According Jibu, services are at play for the transshipment volume to increase and it is just a matter of time for this volume also to go high.

# BACK 2 WORK MAERSK WAY

Companies like Maersk Line India are innovating their HR policies to get skilled women back to work place after a long break, by pulling all the stops to ease their transition

MG Bureau

For the women who are seeking to re-enter the workforce after a long career break, the challenges have always been enormous. Women generally opt out when faced with family, children and social pressure. According to a report released by CII, titled **"Second Innings: Barriers Faced By Indian Women On Re-Entering The Corporate Workforce"**, some of the most common reasons associated with women taking long gaps from work are family related. Another reason identified is that women tend to take time off for educational attainment.

According to the report, more than 90 per cent of the women (who participated in the research) said they were trying to get back into the workforce but the employer policies do not make it easy for them. There is an unspoken, but very real perception that once a woman has been out of work for a sufficient period of time, her skills become outdated. Very few employers see the benefit of rehiring a woman after a long career break.

But this mindset is slowly but surely changing. Many organisations have been working towards helping women join as well as re-join the workforce. Employers are also recognizing the importance of diversity and at the same time, are seeing women who are getting back to work after a break as a viable group when it comes to hiring.

## Highlights of the Back2Work (B2W)

- Maersk Line provides live business projects requiring approximately 600 hours of engagement spread over 6 months on a flexi time basis.
- These assignments are shortterm and aimed at developing alternative talent pools.
- Maersk Line will evaluate the B2W consultants for full-time job opportunities within the Group. There is no placement guarantee at the end of the project.
- All B2W consultants will go through a short induction programme and provided access to mentors and guides on the project and HR support.
- B2W is an on-going program.
- Projects will be added through the year.
- Applicants are encouraged to register with B2W to be part of a database that we will access to find suitable profiles for new projects.

Innovative companies like Maersk Line India are innovating their HR policies to get skilled women back to the work place. A case in the point is the Back2Work (B2W) programme launched by Maersk Line India. Maersk understands the importance of having a gender diverse workforce and its role in improving the organization's performance.

**Back2Work (B2W)** is a career transition programme for women professionals who have taken a break of six months or more and wish to re-enter the professional space. The programme provides opportunities to take on flexi-hour assignments with various Maersk Group companies in India. As part of the programme, Maersk Line companies provide live business projects requiring approximately 600 hours of engagement spread over six months on a flexi time basis. Currently the B2W initiative is for women professionals who have worked for a minimum of four continuous years prior to taking a career break of six months or more.

The popularity of this initiative can be gauged by the number of applications. Since the inception of this program 200 applications have been received.

These assignments are short term and aimed at developing alternative talent pools. Maersk then evaluates the B2W consultants for full-time job opportunities within the Group. The selected candidates undergo a short induction programme and are provided access to mentors and guides on the project and HR support.

Initiatives like B2W just go on to show that organisations are tweaking their HR policies to help women continue their careers.

More than anything else, it could be due to the fact that organisations are gradually coming to terms with the fact that the loss of productivity and costs associated with maternity leaves or retraining the proven talent is far less than the cost of attrition, recruitment and training of the unknown. mg


First historic voyage begins at Chittagong Port

# Short sea shipping – History in the making

## The coastal movement will reduce the burden of cargo movement on the indo-Bangla border, while traders will benefit with reduction in cost and time in movement of goods

by Deepika Amirapu

Two years after India and Bangladesh agreed to allow cargo movement through the Bay of Bengal, the first laden vessel has sailed from India's Krishnapatnam on the east coast to Bangladesh's busiest port, Chittagong. This historic agreement would pave way for enhanced bilateral trade between the two closest neighbours in subcontinent, bringing down cost of transportation of exim cargo and time taken drastically. Besides improving connectivity, this will also provide competitive freight rates.

India and Bangladesh have a Bilateral Protocol on Inland Water Transit and Trade (PIWTT) for operation of inland vessels on the river protocol routes between seven ports in each country, viz. Kolkata, Haldia, Paradip, Visakhapatnam, Kakinada, Krishnapatnam and Chennai on India's east coast and Chittagong. Mongla, Khulna, Chittagong, Paira, Narayanganj, Pangaon and Ashuganj. A standard operating procedure was signed between the countries last November to move commercial cargo between the two countries also stating the provisions and procedures to be followed for such movement. This protocol has also facilitated the movement of EXIM trade as well as cargo bound for the North Eastern states of India.

The coastal movement of vessels between India and Bangladesh is expedient as rapid growth in bilateral trade has led to congestion on the road at Indo-Bangladesh border and at the land custom stations and integrated check posts. The traffic congestion at Petrapole (India) and Benapole (Bangladesh) – the two border points – has emerged as one of the biggest impediments to the movement of exim cargo. Due to such congestion, the exporters and importers on both sides have been facing undue increase in the transportation cost as the present connectivity through sea route with Bangladesh is through ports of Colombo and Singapore where cargo gets transshiped.

**Md Sirajur Rahman, Chief Executive Officer of Neepa Paribahan,** the firm plying the first coastal vessel from Krishnapatnam to Chittagong said, "It would now take just five days for India's goods to reach Bangladesh without any pilferage and wastage compared to 14 days by road." With most of Bangladesh's ports being riverine, Neepa Paribahan would use river-sea vessels, or RSVs to move cargo because these smaller ships require lesser depth and the quantum of cargo between the two countries makes it unviable for mother vessels to call directly at the ports. The SOP stipulates that only two categories of vessels – RSV-IV and RSV- III – can ply between the ports. While category IV of the river-sea vessels can sail during all weather conditions and during the night, class III vessels are navigable only in fair weather. These vessels can sail through a depth of 3.76 metres and can carry 176 teu of cargo at a go.

These vessels will carry raw cotton, textile machinery, fly ash, tyres, food, cars and tractors to Bangladesh and finished textiles into India. India exports about 40,000 tonnes of raw

cotton to Bangladesh each year among other industrial items that makes the export trade balance favour India for exporting $7 billion of cargo compares to $1 billion of imports from Bangladesh.

"This coastal movement of cargo is long overdue. In a short while we expect direct calls to the Pangaon container terminal from where raw cotton, plastic goods and fabric can be exported," said Ahmedul Karim Chowdhury, CEO, Pangaon International Terminal. The advantages of inter-coastal movement between the two countries are many. The opening of this route will enable movement of cargo to the North East through coastal shipping up to Chittagong and thereafter by road or inland waterways. Secondly, the deep draft ports on India's east coast can be 'hub ports' for onward transportation of cargo to Bangladesh through RSVs. Thirdly, the Indian ports will attract enhanced trade and finally, they will serveh as transshipment ports for Bangladesh cargo will derive benefits by way of enhanced throughput as a result of Indo-Bangladesh coastal trade.

To facilitate easy bilateral trade, many conditions have been waihved by both countries. The vessels of both countries upon entry into India and Bangladesh shall be treated as domestic vessels and not foreign going vessels. This provision will reduce the paper work required at the customs check points and port dues paid at Indian ports too will be on par with Indian vessels. The vessel and cargo will also enjoy complete Protection and Indemnity (P&I) coverage insuring cargo from the point of loading to final destination and till the time the parcel reaches the final consignee. The crew on both vessels are exempted from aligning to international certifications as they are certified as the two countries' provisions stated by the SOP. Both the countries agree to reduce customs documentation and other requirements to the essential minimum for the purpose of easier cargo movement and to have custom stations at or near the points of entry and exit in each country.

Currently, Neepa's vessels will sail from India's ports once a fortnight and gradually make it a weekly call once there is sufficient cargo to support this frequency. This coastal movement of vessels will both decongest Chittagong Port that handles about 92 per cent of the country's export-import trade and draw cargo from western, central and southern India headed to Bangladesh. "I see a lot of cargo getting diverted from road to sea through this initiative and the exporters can benefit from the rate and transit advantage. A lot of yarn from Ludhiana in Punjab can directly go to Krishnapatnam instead of going to Mundra," a senior official from one of India's oldest shipping agencies said. Currently yarn and cotton goes to Mundra in Gujarat from Ludhiana owing to better road and rail connectivity. With the first call being successful, India should now look at improving its rail and road infra to the eastern ports from the hinterland where cargo originates to avoid transit delay. Both major and private ports should facilitate ease of doing business to ensure smooth flow of trade.

## Standard Operating Procedure

### Coastal movement

- SOP designed to promote and facilitate commercial operation of vessels
- Aims to enhance bilateral trade and commerce between two nations
- SOP shall apply to vessels up to 6000 GT
- Minimum draft of vessel to be up to 4M
- Vessels under SOP to comply to RSV III, IV standards
- DG Shipping in both countries shall be focal point for executing SOP
- SOP to be reviewed every year, renewed once a year.


## Direct shipping begins

On March 15, Shajahan Khan, Shipping Minister of Bangladesh inaugurated the direct cargo service to India at the New Mooring Container Terminal of Chittagong Port. The first Bangladesh cargo ship *MV Harbour-1* operated by Neepa Paribahan and laden with cotton and textile items was dispatched on March 17 from Chittagong Port to Krishnapatnam Port.

The vessel will operate between the east coastal Indian ports in Kolkata, Haldia, Paradip, Visakhapatnam, Kakinada, Krishnapatnam and Chennai, and Bangladeshi ports in Chittagong, Narayanganj, Ashuganj, Paira, Khulna, Mongla and Pangaon terminal.

# Transit route in waiting

While a second transit route via Visakhapatnam would be a boon to the Nepal trade with the third world countries, traders in the landlocked state stand desparate for the agreement to be updated from the Indian side

by Mohammed Shareef MP

With India and Nepal signing Letter of Exchange in February, the Nepalese traders in principle would be able to use Visakhapatnam Port also as their second transit route for trade with third countries after Kolkata Port, but the traders are still on the wait as actualisation of the agreement is still waiting for further clearances.

Cargo transit from Indian ports to Nepal by rail are being done as per the Railway Service Agreement (RSA) between the two countries and the new Letter of Exchange for using VP as second transshipment port is yet to be incorporated in the RSA and this is causing delay for Nepali traders to use Vizag Port. Nepali traders are demanding that authorities from Indian side should be proactive in the matter.

**Ball is in the VPT's court?**

Now the Visakhapatnam Port authorities and concerned parties should act fast for actualising the new agreement, said **Rajan Sharma, President, Nepal Freight Forwarders Association.** "Now the ball is in the court of Visakhapatnam Port authorities and the people in Andhra Pradesh to start the business. They need to come to Nepal and do a cost calculation vice versa Kolkata and Visakhapatnam to establish the market and Visakhapatnam as a cheaper or economical, risk-free or port to use for this purpose and there are so many factors other than cost also that would attract the business to the Port from Nepal and that way they need to do marketing in Nepal," says Rajan Sharma.

Talking about the delay in starting the business through Vizag Port, Rajan Sharma said the modalities of the operations are to be happened as per the RSA between two countries and that has been agreed but the new Letter of Exchange and stipulations have to be amended in the already existing RSA, that has been used for the Nepal's trade through Kolkata.

**Complications for Nepali traders**

According to Sharma, there are two complications from his side at present as a trader to do business with Visakhapatnam Port first one, whether the trader can start operation before RSA is being amended, the second one as per the present RSA, there is a requirement of using Consulate General's office Kolkata for documentation related to consignment. So after processing it in Kolkata and bringing to Visakhapatnam again would be time taking and in turn costly an affair. So how this issue is going to be sorted out is also one of the concerns for the traders from Nepal.

"Five years ago when I did a comparative study on cost of doing business, it was found that Visakhapatnam was 12 to 15 per cent cheaper in doing business. The thing is it was five years ago I did a study and that was not been reviewed in the course of time. I have been writing to VPT authorities about the necessity to do a study for the last one year but so far, they haven't done a study," Sharma lamented.

**What Vizag Port has to say?**

When talked about the delay in starting the business with Nepal, officials from Vizag Port said the delay is caused because the railway authorities are yet to amend the existing RSA between two countries and once it is done, rest would fall in line. Sushil Mulchandani, Chief Operating Officer, Visakha Container Terminal, said they are on the job of making the things worked out. "We are pursuing the matter with the Railway and once they amend the RSA, we will have a clarity on the rail freight charges etc. and then we will review the end to end cost in doing the business from Vizag and complete all the required procedures," told Sushil Mulchandani.

# Being 'Non-Stereotypical'


Having proven her mettle time and again holding various positions across the length and breadth of this vastly male dominated industry, Poroma's advice to the women is don't let the gender stereotype limit your thinking

by Reshmi Chakravorty

Born to Wing Commander Anil Chandra Munshi and Sreela Munshi, Poroma Rebello acquired a progressive, diverse, liberal and cosmopolitan outlook from her education and upbringing. Her parents never believed in stereotypical gender roles. "It amazes me till today that educated people actually believe your gender defines who you are, or what you can be," she said. Reigning high despite being amongst the very active 'boys' club' in the industry, she feels there is no point getting upset about it, it's never going to change. "Women are judged more critically than their male counterparts, women have to work harder to be in the race, be smarter, and they have to keep proving themselves again and again, to make a mark for themselves. Having said that, women have it easier now simply because more opportunities are available; there's more acceptance of women in tough field positions and top jobs," Rebello quickly added.

When asked about how she got into the shipping industry, she said, "My first breakthrough was relocation to Dubai. There's no doubt about the importance of being at the right place at the right time." "Before joining APL, I was a journalist for a brief period. Journalism was always a choice. The complexity and dynamism of this industry made journalism seem tame in comparison! In 1990, when I walked into APL India's Regional office for a job interview, the person who interviewed me advised me never to join the shipping industry because of a glass ceiling that never allows women to grow in the workplace. But I'm glad to have proved him wrong!" she added.

Rebello grew in her field perfecting her skills and learning on every job quickly. She managed key portfolios in a huge shipping hub like Dubai at a time when the Middle East was witnessing a major growth trajectory. Consequently she earned the experience of working not just in Dubai but also in Pakistan, Saudi Arabia, Kuwait, Bahrain, Oman, Iran, Jordan, Sudan, Yemen, Qatar, and Egypt. "I had responsibility of managing complex shipping documentation for Middle East. As Regional Director, I have managed India's largest market, North & West Region, which enhanced my knowledge of port operations. I was Director on the Board of NOL/APL's first investment footprint in India and then I was entrusted to build business density in the vast hinterland of India, in synergy with our rail operations. All these professional milestones gave me invaluable insight into the ever changing dynamic world of shipping and multi-modal transportation across different geographies," said Rebello.

Apart from being the pillar of the organisation, she also devotes equal time to her personal life. Her day begins with checking on her family, her dogs, and ensuring daily feeding of about 40+ street dogs. This perhaps embodies the spirit of being a woman, who manages both personal and professional life with equal élan. But Poroma also credits luck for her to enjoy the many strokes of success and happiness. "Even your birth is a matter of luck and luck plays a big role in one's life!" Having said that, there's no substitute for the basics – hard work, integrity, commitment and loyalty to the organisation you work for. These are not mere words; they're integral to what do you, and who you eventually become." Further, she says, adding a few words of advice – "My advice to women in the shipping business is – don't let the gender stereotype limit your thinking. Please don't be afraid to take on a tough assignment, don't hesitate to be counted among the people who take initiative, believe that you can be the leader of a group, and very important – don't be shy of taking credit when you have done a job well!" That's Ms Poroma Rebello for you, a true rebel whose experiences are defined by the opportunities on the 'road less travelled'. mg

# BUNKER SUBSIDY

# Still a sour grape

## While the government has announced excise duty waiver on bunker for coastal shipping, the shipping lines still stand deprived of the benefits

by Ritu Gupta

The government seems to be keen to promote coastal shipping, but ground realities paint a different picture. This is reflected in the fact that the excise duty exemption on bunker is yet to reach companies owning and operating Indian flag coastal container ships on the coast. A few months back, in order to promote movement of cargo through coastal waters, the government has exempted customs and excise duty on the use of bunker by Indian container ships on coastal trade. "One of the issues hindering the growth of coastal shipping has been the levy of customs and central excise duty on bunker fuels which raises cost of transportation," an official statement has stated. This issue was resolved by the Department of Revenue vide Notification No. 31/2014 dated November 11, 2014 by exempting customs and excise duty leviable on bunker fuels, namely IFO 180 CST and IFO 380 CST, used in Indian flag vessels for transportation of EXIM and empty containers between two ports in India. The exemption has further been extended by the Department of Revenue vide Notification No. 46/2015 dated September 17, 2015 to Indian flag ships carrying a mix of EXIM, empty and domestic containers.

Indian ships carrying EXIM and empty containers were freed from customs and excise duty on bunkers in November 2014 also but only few times such waiver was availed by local container lines due to a lack of clarity on the decision and also very few ships could fall under such category. To get this exemption from payment of duty on bunkers, an Indian container ship had to carry either EXIM containers or empty containers between two ports in India. But, there are hardly any Indian ships that carry exclusive EXIM containers or empty containers. The Union finance ministry rectified this situation by issuing the new order that allowed ships carrying domestic containers also to get duty-free bunkers.

This move was made hoping that Indian shipowners and operators play at level field with foreign flagged vessels, which do not have to pay customs duty on bunker fuel when they move export-import containers. However, they have not been able to enjoy the full benefits of the new waiver as yet. According to **Captain Vivek Kumar Singh, Chief Executive Officer, Shreyas Shipping and Logistics Limited,** while customs authorities have been able to extend the customs duty waiver on imported bunkers, but excise duty exemption on the indigenous fuel oil has not been passed on to date, as the public sector oil companies have not been able to come up with adequate procedures that allow them to pass the excise duty waiver to the coastal shipowners. Since the oil companies do not have separate storage space for fuel oil that is meant for coastal shipping and also with coastal container shipping accounting for a very small part of the total bunker fuel, that too at a very few ports, they are unable to implement the waiver. It is imperative that the government moves fast on this issue, as bunker charges account for 40 per cent of the operating cost. As majority fuel oil used on the coastal vessels are indigenous and excisable, the excise duty waiver is most essential for the shipping companies in India which are under pressure to perform and develop coastal shipping despite falling bunker fuel rates. Industry players say that the intentions and actions taken by MOS are indeed favorable, but they also need to be supported by the right SOP at the ground level.

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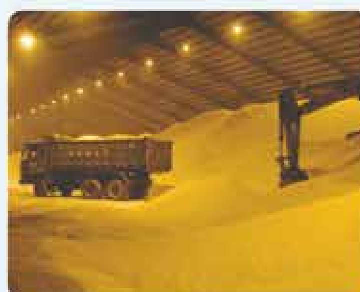


## Gangavaram Port has redefined port operational standards in India

- 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.

# Why FTWZs failed?

When FTWZ initiative was announced under the Free Trade Policy 2004-09 in India, country's maritime and logistics sector rejoiced the move assuming that the measure would bring a fresh change in the way exim trade used to happen in the country. However, the initiative did not take off as it was expected due to several challenges.

by Itishree Samal

While Free Trade Warehousing Zone (FTWZ) has been a successful model across the globe, it failed to create similar buzz in India, even though it was introduced to the country more than a decade ago.

A FTWZ is a 'sanitised zone' designated as foreign territory within a country that is to be used as one of the international trading hub with a bundle of various value added services. The logistics infrastructure provided at a FTWZ is to facilitate the exim trade. The integrated zone contains warehousing infrastructure, CFS and commercial complexes. In India, FTWZ was introduced by the government under the Foreign Trade Policy of 2004-09, governed by the SEZ Act of 2005 and the SEZ rules of 2006.

Considered as a boon for importers, exporters and value adders, the proposal was to enable India to compete in regional hubbing and process cargo in and out of India more efficiently. However, more than a decade has passed, yet the proposals of the mega-trading hubs have not gathered momentum. At present, only three FTWZs – two owned by logistics player Arshiya Limited at Mumbai and Delhi, and one by another logistics player J Matadee Eco Parks Private Limited at Chennai – are operational out of the 21 projects notified and passed through various stages of approval by the government.

Arshiya Limited had opened country's first fully operational FTWZ (spread over 165 acres) at Panvel, strategically located 24 km away from JNPT while its second FTWZ has come up at Khurja near New Delhi. Spread over a sprawling 135 acres, the FTWZ is strategically located at the confluence of the Eastern and Western Dedicated Freight Corridors, close to high-density consumption centers, and just 18 km away from the New Yamuna Expressway.

The question is, why the projects didn't take off over the years? Many of the players who had received approval to set up FTWZs express concerns over strict policy guidelines, inadequate government support, lack of interest among stakeholders and lack of understanding about the concept, among others. Also, challenges were faced in terms of

getting funding and implementing the proposed FTWZs complying with all the regulatory norms and conditions.

**Issues & Challenges**

"When FTWZs were introduced in India way back in 2004-05, the whole concept was new to Indian logistics players and related stakeholders. Most of the players were not sure about the success and acceptance of FTWZs, in addition to having doubts over RoI," an industry insider echoed.

While others felt the initial regulations were very strict, which stood as hindrance in the project. For instance, as per a senior official of J Matadee Eco Parks, which has set up its first FTWZ at Chennai about 40 km away from the Chennai Port, "There were many issues involved with the FTWZ initiative such as government inefficiency, lack of fund, etc". With India's high bank interest rates, funding for setting up of the FTWZ was a challenge. While infrastructure projects in China get financed below 4 per cent, in India it is in double digits.

"As FTWZ was a new concept to the country, players in logistics services could not market it before it was established. No one was being able to explain it to service providers in the country. Getting the right set of players on board was also another challenge.

The success of a FTWZ depends upon four factors – location, quality and completeness of infrastructure, service levels (people, process and technology) and its relationship with the ecosystem. As per rules, the location should be near a port so cargo can be moved in, stored, value-added, and shipped out at a relatively low transportation cost. If the target client is looking at redistribution, which means import, value-add and selling to the domestic market, then the location must be closer to the consumption centre.

Among other challenges, acquiring the desired large chunk of land parcel at one place was a tough one. As per the rules, the developer of the FTWZ should have a land parcel of more than 100 acres within close proximity to port. The major pain point was to find contiguous land parcel of 100 acres, given the size of land holding in India that caters between 1 to 5 acres. Major challenge was acquisition, aggregation and conversion.

"Initially, the requirement was to built a FTWZ on 40 hectares of land, which was later reduced to 20 hectares after the intervention and request of the industry," According to **Umesh Grover, Advisor (Port Development), Karanja Terminal & Logistics Limited.**

Connectivity was another challenge – to find railway, highway and port connectivity for smooth transportation. Other supporting infrastructure include super flat flooring, racking systems, mechanical handling equipment, drainage system, air circulation, parking, docks, availability of water, etc.

**Projects that did not take off**

Kandla FTWZ, a joint-venture between IL&FS and MMTC, was planned at two places – Kandla and Haldia. "The TMC government was opposed to the entire concept and did not give permission. So, we have dropped the idea at Haldia," said Mohammed Sagheer, CEO of Kandla FTWZ. Instead, we are looking to set up a food processing park and a plastic park over there.

Market forces such as manufacturing sector plays a big role in success of FTWZ initiative. Globally, FTWZ is the most successful model which reduces the logistics and transaction costs anywhere down to 3-4 per cent. Take for instance, if the processing unit is inside the FTWZ, suppose you have imported a certain type of yarn and then modified there and made garments there, then export from the same place, then the logistics cost, transportation of goods, handling, etc, everything happening within the four-walls of FTWZ, then the logistics and transportation cost can be reduced immensely.

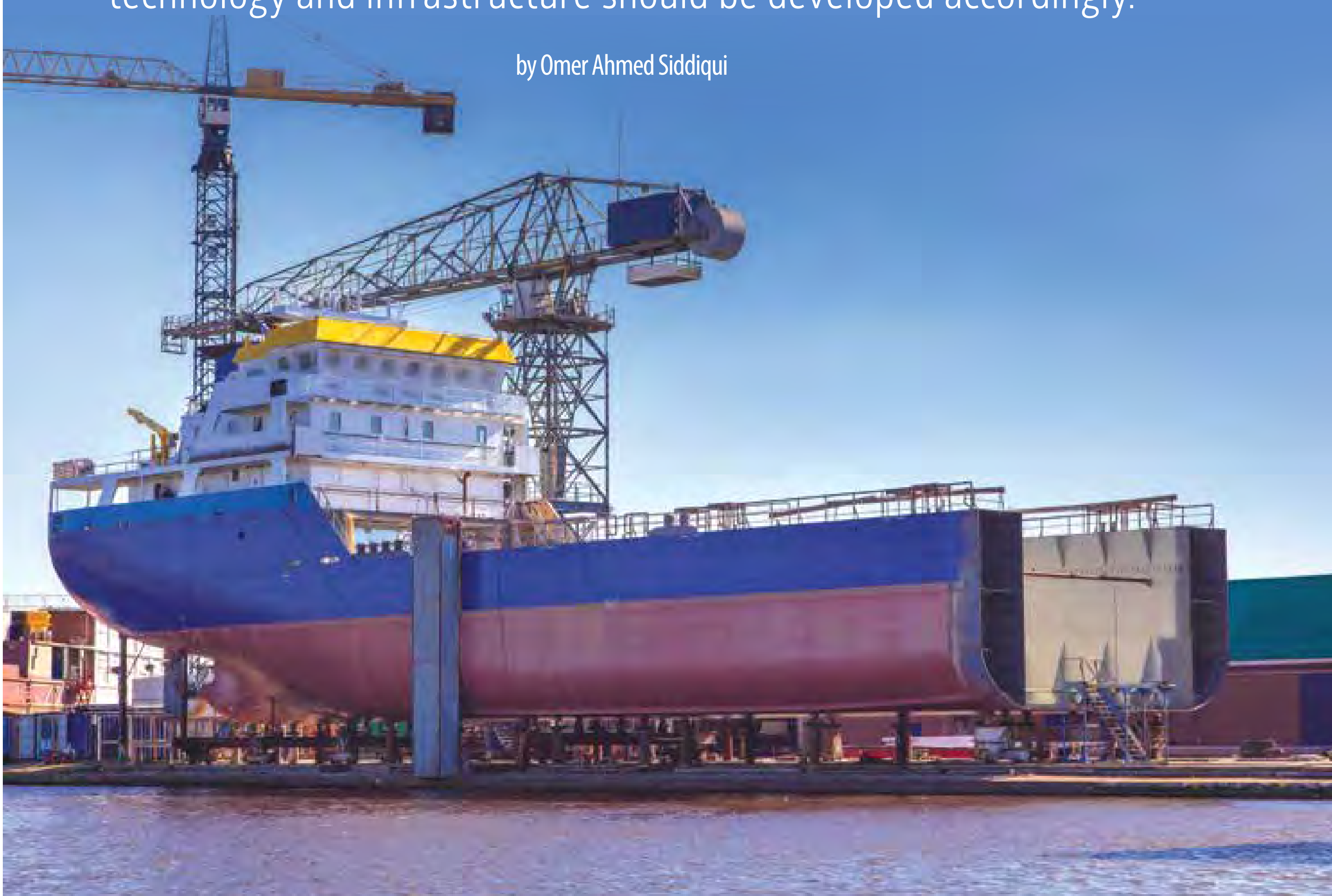
### Some FTWZ projects that were notified initially under the SEZ Act 2005 in India

- J Matadee Eco Parks Private Limited, at Sriperumbudur in Tamil Nadu in 2008
- Balaji Infra Projects Limited (BIPL) at Dighi Port in Maharashtra at 100 Hectares
- Chiplun Infrastructure Private Limited at Mumbai at 40 Hectares
- Jafza Chennai Business Parks Private Limited at Tirvallur District, Tamil Nadu on 136.38 Hectares
- Jhunjhunwala Vanaspati Ltd at Sahupuri in Uttar Pradesh
- Haldia Free Trade Warehousing Private Limited at Haldia in West Bengal on 45.72 Hectares
- LMJ Warehousing Private Limited at Kandla, Gujarat on 40 Hectares
- Shipco Infrastructure Private Limited (SIPL) in Karnataka on 120 Hectares
- Vibrant IL&FS Consortium at Naigaon, Maharashtra on 46.94 Hectares
- DLF Unviersal Limited at Amritsar in Punjab on 40 Hectares
- Greater Noida Integrated Warehousing Pvt. Ltd. at Uttar Pradesh

# Are the Indian yards ready?

Leaving the policy framework aside where the government is going full throttle to revive the ailing sector, there has to be a clear plan for the type of ships that will be manufactured, technology and infrastructure should be developed accordingly.

by Omer Ahmed Siddiqui



The Indian shipbuilding industry is going through one of its worst times due to the recession in global shipping. The crash in oil prices has wiped out whatever little ordering was taking place on the offshore vessel front as well. But, the Indian shipbuilders struggling for new orders finally have a reason to cheer. The shipping ministry has made it mandatory for government departments, agencies and state-run fleet owners to order all their ships from India from 2025 onwards. "The policy has been very strategically framed giving ample time for Indian shipyards to be ready for this opportunity, giving the buyers the required confidence," **opines Antony Prince, President, GTR Campbell Marine Consultants Ltd.**

Meanwhile, a 10-year financial aid scheme to local shipbuilders has been announced. Effective from April 1, 2016, the scheme entitles Indian shipyards to get extra money on each ship they build to neutralise the cost disadvantages they face on account of local taxes and high cost of working capital while competing with global yards to get orders. "Such sops will make the industry more competitive globally. They will go a long way in fostering its growth," says **Dhananjay Datar, Executive Director, ABG Shipyard.**

The financial assistance is scaled down by three percentage points every three years, starting with 20 per cent during the first three years, 17 per cent for the next three years, 14 per cent for the next three years and 11 per cent in the 10th year. However, the disbursement of the aid is linked to a delivery time-frame which is within three years of signing the contract. Specialised ships such as LNG and LPG carriers and high-end offshore oil drilling and production platforms stand exempted from the delivery deadline.

During the 10-year period, local yards will also have the right of first refusal on purchases and repairs of ships owned by government departments,agencies and state-owned firms. This enables local yards to grab state-funded contracts and works if they are not the lowest bidder, by matching the lowest price quoted by overseas entities in public auctions. The entire exercise aims at providing a steady flow of ship orders to Indian yards.

Such policies can help Indian ship yards. While Indian private fleet owners can't be forced to purchase ships from India as they have their business interests to protect. But the government can frame policies and grant incentives so that private shipowners are nudged into building in India, says **Madhu Nair, Chairman and Managing Director of Cochin Shipyard Ltd.**

If the formula of "right of first refusal" has to work then Indian yards need to have the technology and infrastructure in place otherwise they may not gain the confidence of shipping lines floating the tender, avers cmde Jitendran.

In line with the government policy GAIL India Ltd floated a $7-billion tender for hiring nine newly-built ships to ferry LNG from the US, of which three are to be built at Indian yards. But are the Indian yards ready for the game is the question. Cochin Shipyard is moving ahead to grab the deal for which it has acquired the coveted LNG containment technology licence from French firm Gaztransport & Technigaz (GTT) and tied up with South Korea's Samsung Heavy Industries Co. Ltd on technology for building LNG carriers.

"Not all Indian yards I would say are ready because we have many of them highly financially distressed, so in the private and the public sector put together only Cochin shipyard, L&T, Shoft and Chowgule seem to be in a position to deliver ships. Rest of them lacks the financial strength to do shipbuilding," reveals **cmde Jitendran, Former Chairman, Cochin Shipyard.**

Hinting at the need for a more planned and holistic strategy Jitendran says, the government should first have a clear idea as to what type of ships will be built in India. Already there is overcapacity in the global market. Bulk carriers, tankers and gas carriers are available from Korea and China at a much cheaper rate. So there has to be clarity of thought as to which are the ships that are to be built in India and accordingly investments should be made in technology, skill development and ancillary industries.

Another major issue is that ancillary industries are not developed in the maritime sector in India. The owners of the shipping lines order the ancillary equipment at locations where they get the ships repaired or maintained. This industry will only flourish in India if there is huge demand which means the ancillary industry development inturn depends on the growth in the shipbuilding sector and vice versa. Currently 70 per cent of the material that goes into a ship is imported, so it is mostly assembling that happens in India which very much defeats the "make in India" initiative.

Similar is the condition of ship repairs in India. The basic concept in ship repair is that a ship can be repaired only when it is empty. Thus

the destination where entire cargo gets dispatched is the best point to get repairs done. Such locations are in Dubai, Singapore and Colombo, but not in India, reveals cmde Jitendran.

**Ship design**

Another aspect where India lags behind is ship design. Design being the foundation on which successful shipbuilding is based, there should be an all out effort to strengthen existing design capability. Government should promote innovation, research and development, manpower development and model testing facilities should be established. Education and training of ship designers should be promoted, supported and financed by the government.

Marine equipment manufacturing can be encouraged by sharing part of the subsidy for shipbuilding with equipment makers. Another gap to be bridged is India should encourage domestic production of shipbuilding steel. Government should start slowly ordering ships within the country from now so that by the time of compulsory procurement comes in 2025 the shipyards will be ready, suggests Antony Prince.

India has a fleet of 1,246 ships with DWT of 15.37 million (10.45 million gross tonnage, or GT), of which, Shipping Corp. of India (SCI) has the largest share of around 36 per cent. Of this, around 369 ships with 13.65 million DWT (8.94 million GT) cater to overseas trade and the rest exclusively to coastal trade. The Indian fleet is also ageing, with the average age increasing from 15 years in 1999 to 17.89 years as of December 31, 2015 (42.42 per cent of the fleet is over 20 years old and 12.43 per cent is in the 15-19 years group). Therefore, there is an urgent need to increase India's shipping fleet. With asset prices currently at historical lows, the time is right to acquire new-generation ships to replace ageing ones. It has been forecast that the demand for Indian fleet dedicated exclusively to move cargo such as coal, petroleum products, steel, cement, fertilizers and foodgrain on local routes will surge by 2025 as the government takes steps to ship these commodities by sea instead of by rail or road. Thus there will be business for the yards with the right technology, infrastructure, manpower and capital.

Within the next nine years our country can develop itself a lot of shipbuilding technology as this is within the capability of Indians. Apart from some limited ship types like LNG carriers the country can develop its own capability. Yards can seek and locate those skills and processes they think is not available from foreign sources. Government can stipulate technology transfer for those ships the government orders abroad like the GAIL project for LNG carriers. mg

## GAIL India postpones LNG tender

GAIL India Ltd has again postponed its $7-billion tender for hiring nine newly-built ships to ferry LNG from the US. Bids for the tender, which was re-floated in September, were to close on February 29, but the last date of bidding was postponed to March 31. Bids were originally to close on December 17 last year, but were postponed to February 29 to allow Indian shipyards to tie up technology for building the specialised vessels. According to B C Tripathi, Chairman and Managing Director, GAIL, "The postponement has been done at the request of bidders to allow them time to finalise their bids." The ships will have a cargo capacity of 1,50,000-1,80,000 cubic metres. GAIL is seeking quotes in three lots of three ships each. One ship in each lot is to be built at an Indian shipyard.

Negotiations that followed saw Cochin Shipyard strike a deal with Samsung Heavy Industries to cooperate in construction of the vessels. It has also been licensed by GTT of France to build LNG carriers with the Mark III membrane containment system. However, L&T Shipbuilding, which had a deal with Hyundai Heavy Industries, has pulled out of the bidding as it turns its focus to defence projects. Pipavav Defence and Offshore Engineering has teamed up with Daewoo Shipbuilding & Marine Engineering of South Korea for ship-building.

GAIL has a right to take up to 10 per cent equity stake in any or all of the nine ships. The Shipping Corporation of India, which is to operate the carriers, will have a right to 26 per cent interest.

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# Land of minerals

Blessed with rich mineral deposits, Jharkhand is all set to join the league of major industrial states on the eastern part of India. The state government is surging ahead with a mix of industrial and infrastructure projects backed by favourable regulatory environment

by Omer Ahmed Siddiqui


Famous for its rich mineral deposits, land and water resources, Jharkhand ranks third in India in terms of ease of doing business. The state is said to be home for 40 per cent of India's mineral wealth and is a leading producer of steel, coal, iron, mica and copper. The World Bank has also given top ranking to the state in implementation of labour reforms, which reflects in the fact that the state boasts of having highly skilled cheap labour resources. During the 2004-05 to 2014-15 period the state has posted a GSDP of 10.5 per cent which is second fastest in eastern India. To promote industrial development the state government has drafted the Jharkhand Industrial and Investment Promotion Policy 2016 that ensures raw material security, simplified procedures for mine leasing as per MMDR Act 1957, encourages modern exploration techniques, encourages joint venture projects with the State Mineral Development Corporation, encourages private sector participation in mining activities, raw material linkage/ FSA through central and state mining PSUs.

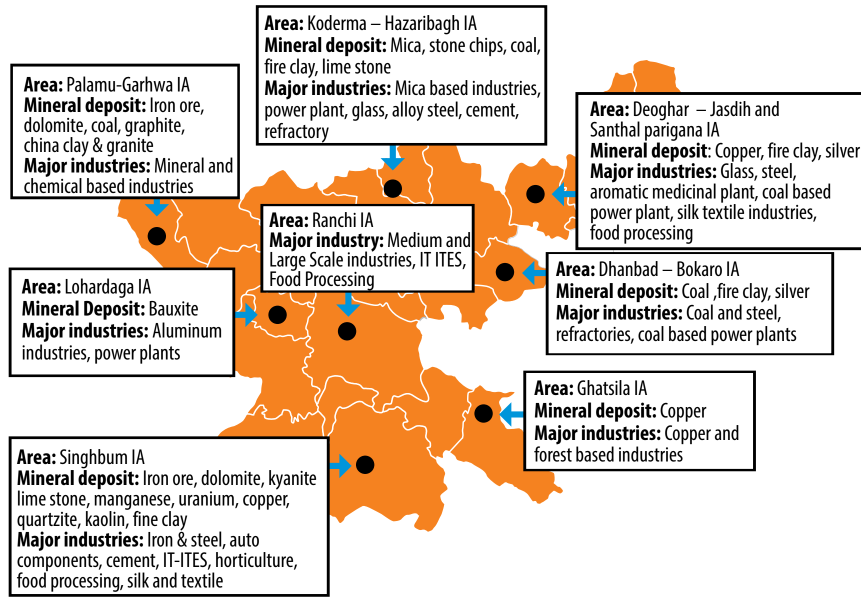
**Minerals**

More than 30 types of minerals are mined in Jharkhand and the state leads in production of coal (20 per cent of Indian output), iron ore (10.55 per cent), bauxite (12 per cent), copper (8 per cent), graphite (20 per cent) and is the sole producer of uranium and coking coal.

"To promote large scale mining the government has recently started taking initiatives, as a result the mines that were earlier non-functional due to minor reasons are re-opening. Many new mines have been alloted to private parties through auction," says **Mahesh Poddar, past Chairman, FICCI – Jharkhand.** The state government is in the process of drafting the Jharkhand Mineral Policy. As of now the Mines and Mineral development and regulation (MMDR) Amendment Act 2015 prevails. Jharkhand Integrated Mines and Minerals Management System (JIMMS) has been introduced to maintain transparency in mines

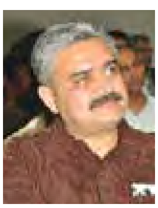
and mineral management through e-Governance, e-Payment and e-Challan. Mineral blocks are being auctioned online.

**INDUSTRIAL MAPPING**




**Industries**

"The state government has initiated single-window clearance mechanism to promote industrial development and there is cheap and skilled labour available. The labour reforms in the state are excellent with any labour disputes mostly unheard of. As far as logistics is concerned movement of air cargo mostly happens through capital city Ranchi. The state has got good road network, infact better than many other states, which moves cargo to and from all the industrial clusters and forms a predominant mode of logistics," says **Chandrakant Raipat, Vice President, Association of small industries in Jharkhand.**



There are various clusters of industries in Jharkhand – Automotive industries are located in Jamshedpur; engineering industries were predominant in Ranchi earlier, but the capital city has now got a mix of mining and steel industries as well; iron and steel production and coal mining mostly happens in Giridih and Bokaro; refractories are mostly concentrated in Ramgarh and Hazaribagh. Jharkhand is the pioneer in steel making and one of the leading producers' of crude steel in India. The state has 38 mega industries, 123 large and medium industries, and 43,517 micro and small industries already functional.

"Heavy Engineering Corporation in Ranchi has huge facility for making machines and foundary and is one of the biggest such facilities in India. Major commodity exported from Jharkhand is steel, but last year has not seen much exports happening because Indian steel prices were high and due to cheap steel imports from China," reveals Mahesh Poddar.

Two industrial corridors – Koderma–Bahragora and Ranchi-Patratu-Ramgarh Road are in progress. An important node of the Amritsar Kolkata Industrial Corridor is at Barhi where a 2,336 acre land parcel is under development with modern infrastructural facilities for rapid industrialisation. To promote industrial development, single-window clearance system has been introduced for faster and one-point clearance of industrial projects under the Single Window Clearance Act 2015.

**Proposed projects:**

- Aluminum Park at Muri and Latehar
- Gems and Jewellery Park at Ranchi
- Ceramic Park at Dhanbad, Sahebganj, Deoghar and Madhupur
- Steel Park at Kharsawan and Jamshedpur
- Apparel Park at Chaibasa
- Software Technology Park at Ranchi / Jamshedpur
- Special Economic Zone along Ranchi-Jamshedpur highway
- Export Promotion Industrial Park at Kandra near Dhanbad
- Biotech & Herbal Park at Khunti near Ranchi
- Chemical Park at Giridih
- Electronic Park at Ranchi
- Air cargo complex at Ranchi
- Inland Container Depot at Jamshedpur
- Plastic Park at Devipur, Deoghar

**Adityapur Industrial Area Development Authority (AIADA):** Located in Jamshedpur AIADA has an area of 1,392 acres and is at a distance of about 8 km from Tatanagar railway station and 8 km from Jamshedpur Airport. Ranchi Airport, which is about 130 km from Adityapur/Jamshedpur, is linked with metropolitan cities by regular flights. It also has direct train linkage with metropolitan cities like Delhi, Mumbai, Kolkata and Chennai. Exports and imports happen through Haldia and Paradip Ports. Total investment in this industrial area is to the tune of ₹3,000 crore, which is increasing every year with large number of units being set up. Average annual turn over is ₹3,500 crore. Five software technology parks and an electronics manufacturing cluster are being developed at Adityapur.

**Bokaro Industrial Area Development Authority (BIADA):** Located in Bokaro, the industrial area has received fresh investment proposals of ₹12,000 crore at the recent 'Make in India' event organised in Mumbai. Chief Minister Raghubar Das has announced a food processing park, while Bharat Petroleum is installing an LPG bottling plant with an investment of ₹100 crore. The district has about 21,000 acres of land bank with major chunk available in Jaridih, Petarwar, Kasmar blocks. Investment proposals are welcome for establishing industries including steel, chemical, IT and hospitals. Bokaro is at a distance of 772 km through rail from Gopalpur Port. It is well connected to other cities through NH-32 and NH-23.

**Ranchi Industrial Area Development Authority (RIADA):** The industrial authority has 1,471 acres available for allotment. So far it has allotted land/sheds to 775 units out of which 589 units have been established and rest are under various stages of commissioning. Most of them relate to general engineering, steel casting & foundry, electrical and electronics, chemicals, refractories and minerals, rubber, leather, plastic, garments, handicrafts and food processing. RIADA provides complete assistance to entrepreneurs, be it in selection of the project, location, providing developed land/ sheds, arranging term loans and bank finance, power and water supply, technical knowhow, market tie-up and disbursement of incentives. Paradip Port connects to Ranchi via NH-75 covering a distance of 470 km. The 1,205 km Ranchi-Vijayawada national highway is expected to be complete by March 2017, providing better connectivity across the country.

**Santhal Pargana Industrial Area Development Authority (SPIADA):** It has over 1,044 acres of prime industrial plots and sheds to its disposal, the body seeks to promote industrialization in the districts of Deoghar, Dumka, Jamtara, Godda, Pakur and Sahebgunj. Predominantly an agricultural zone, the area is blessed with huge reserves of minerals, precious and semi-precious stones. It has excellent road and rail connectivity and is connected to the Golden Quadrilateral highway project.

**Incentives for development of industrial areas/estates**

- Provision for minimum 50 acres for general industrial park and 10 acre for sector specific industrial park.
- State government will support infrastructural facilities for the estate.
- 50 per cent of development cost on infrastructure with a maximum limit of ₹10 crore to be borne by the government.
- PPP mode/ individual entrepreneurs/ companies/ cooperatives will be encouraged with supportive package.

**ENABLING INFRASTRUCTURE**

| AIADA | RIADA | BIADA | SPIADA |
|---|---|---|---|
| No. of industrial areas functioning: 17 | No. of industrial areas functioning: 4 | No. of industrial areas functioning: 1 | No. of industrial areas functioning: 6 |
| Area: 1392 acres | Area: 1471 acres | Area: 2955 acres | Area: 1045 acres |
| No. of working units: 398 | No. of working units: 517 | No. of working units: 1135 | No. of working units: 35 |

- State government will provide 50 per cent concession on registration cost of land.

**Automotives**

Leading automotive giants like the Tata are operating in the state since 1950s. More than 800 auto ancillary and auto component units have been setup at Jamshedpur and Adityapur. Expansion of steel plants in Jamshedpur and Bokaro give impetus to the sector as steel is a major raw material for auto industry.

**Infrastructure**

Road: 15 National Highways (NH) pass through the state and industrial activity of the state is primarily concentrated in areas south of NH-2, which connects Kolkata with Delhi via Jharkhand. In early 2014, the Union Rural Development Ministry approved 483 new road projects covering 15,623 km length under the Pradhan Mantri Gram Sadak Yojna.

Rail: 2,182 km of railway lines crisscross the state connecting it across the country. Extensive goods-handling facilities are located at Ranchi, Bokaro, Dhanbad and Jamshedpur. Ore-loading facilities are located at Kiriburu, Lohardaga and all Central Coalfields Ltd (CCL) coal mines; dedicated eastern freight corridor will pass through the state and is expected to complete by 2018.

"Movement of cargo mainly happens through Haldia, Paradip and Dhamra Ports as they are geographically very close to Jharkhand. There is a tremendous opportunity in developing the logistics infrastructure of the state. For instance, there are very few options for rake loading and the state also lacks the availability of ICDs and cold storage facilities for storage and movement of perishables to the market. Movement of cargo is mostly through road and this particularly impacts the movement of minerals and steel. Movement of goods by road is economical for short distances, but for long distance rail is a better option. Even though road is the major mode of transport it is highly competitive, which prevents exploitation of shippers," opines Mahesh Poddar.

**Energy**

Jharkhand is the first state to sign Ujwal Discom Assurance Yojna (UDAY) MoU and is amongst the first to unveil "24X7 power for all" roadmap. The state energy policy aims to transform Jharkhand into "power hub" of the nation. Upcoming power projects are listed below:

- Two 4000 MW ultra mega power projects are coming up at Tialiya and Deoghar
- One 4000 MW power plant of NTPC at Patratu to be commissioned by 2020.
- Nearly ₹9,000 crore of investments proposed for building transmission network and ₹9600 crore for building distribution infrastructure.
- 1200 MW of solar energy project is under bidding stage.
- NTPC North Karanpura – 3X660 MW to be commissioned by 2018
- Tenughat Stage II – 2X660MW presently under development
- Karnapura Energy Ltd – 2X660MW, presently under development
- MoUs with seven IPPs with aggregate capacity of 8,485 MW, under various stages of development
- Firm central allocation of 1,280 MW and additional 1,000 MW from Banka UMPP, Bihar mg

# Tides turn in favour of Alang

After a lull in business throughout the year 2015, ship breakers at Alang could finally see some light at the end of the tunnel in December, as the government announced anti-dumping measures and more ships started coming in for demolition

by Omer Ahmed Siddiqui

The graveyard was silent and one could clearly hear the noise of waves lashing the shore. Something was missing! It was not the "regular day" for workers at Alang where the beach used to be buzzing with activity and the air was filled with noise as the workers armed with blow torches raided the ships that were decommissioned. Business was not good last year, as the number of ships that came to India for recycling was very less and this was due to a lot of macro factors like the domestic steel prices, the high value of dollar (Indian rupee traded above ₹63 against the dollar) and cheap steel imports from China – not only in terms of scrap but also in terms of semi-finished goods like billets and finished products like TMT bars, etc. This impacted not only the ship recycling industry but also the domestic steel industry. While the dollar marked a steady increase, there was very less demand for domestic steel, which reflected in the number of rolling mills and induction furnaces that operated last year.

Presenting a month-by-month account of the state of affairs that prevailed at Alang last year, **Rohit Aggarwal, Sustainable Ship Recycling Manager at Priya Blue Industries Private Limited** said, the cash buyers were left with no option than taking the hits and selling at lows, it was an accepted reality for dry units selling around $400 per light displacement tonnage (LDT) with containers and tankers at $25-$30 higher. Only 19 ships were beached with 1,65,000 light weight in January 2015, compared to 29 ships with 3,50,000 lightweight in January 2014.

Vessels arriving with bunkers were receiving fewer premia due to the sliding fuel prices. With rupee making impressive gain from ₹63 to ₹61.50 against dollar, sale began with impressive numbers, but the domestic steel prices were on a roller coaster ride causing severe damages. With the dwindling number of ships at Alang a blessing in disguise was the rise in local steel plate prices in March, which in turn increased competition amongst ship breakers hunting for desirable candidates.

In May, 23 ships beached at Alang constituting 1,95,000 metric tonnes, Indian ship breakers suffered an unexpected sharp depreciation in rupee, periliously close to ₹64 against dollar, and also the local steel plates prices declined by as much as ₹1500 per metric tonne.

Following the sharp drop in prices, the ship breakers adopted a wait and watch strategy in July and were unwilling to quote any price on the small number of vessels available for sale. Prices of local steel plates saw another decline and the price fell from ₹24,000 per metric tonne to ₹20,500 per metric tonne in July which continued in August.

In August only nine ships arrived with 80,000 metric tonnes, while the sentiment remained cautious; however both shipowners and ship breakers appeared to slowly come to terms with the new market realities.

In September, a collapse in commodity prices saw many ship breakers withdraw from the offering on available tonnages. It was once again a nervy time for those cashbuyers with unsold inventory in hand seeing prices pulled down into the $300/LDT, which was a prevailing reality across the Indian subcontinent. The only positive was marginal strengthening of rupee, having traded above ₹66 mark, it reached to levels below ₹65.

In October imported Chinese billets plagued the industry and continued to remain a prevalent factor. Only about 30 yards were operational following the foreclosure of yards. Only four ships beached in total with 32,500 lightship.

By the year end, the tide changed in favour of the shipbreakers. Announcement of anti-dumping duty and additional duty on Chinese steel helped the domestic steel plate prices raise by ₹2,000 per metric tonne, and thus a dozen ships were concluded for buying at Alang.

But the joy was short lived as the steel plate prices reversed back by ₹1,500 in January 2016. At the same time due to dire freight rates

| Year | No of Ships | MT |
|---|---|---|
| 2014 | 286 | 33,74,320 |
| 2015 | 196 | 17,61,520 |
| 2016 | | |
| Jan | 36 | 4,06,444 |
| Feb | 50 | 4,78,774 |

the prices of the ships also dwindled, thereby flooding them into demolition market and this encouraged many ship breaking yards in Alang to reopen after having been closed for a long period in 2015. The buying spree continued for the whole of January 2016 riding on lower ship prices.

Due to the slump in business, new mega ships joining the fleet and the overcapacity in the industry, even vessels that were built in the year 2000 are also being scrapped. Majority (about 75 per cent) of the vessles last year were either bulkers or container carriers and they came from Japan, Korea, Greece and Germany, says **Viral Shah, Commercial Manager, Priya Blue Industries Pvt Ltd.**

**Eco-friendly recycling**

India, Pakistan, Bangladesh, Turkey and China are the major shipbreaking destinations in Asia. China was out of the market for a long time and has recently started shipbreaking operations with a few vessels. The Japanese shipping lines and Federation of Asian Shipowners have a lot of trust in Indian recycling yards. The Danish and German Shipowners Associations visited and appreciated the operations at Alang. So, slowly and steadily global shipping lines are visiting the Indian yards and are gaining confidence in our operations, reveals Rohit.

"Maersk has released a sustainability report in which it is mentioned that they have visited Alang thrice. They are currently analysing the operations at Alang to get an understanding of the shortcomings where Maersk can help to upgrade. So far, no formal agreements have been entered into with any of the recycler," says Rohit.

The process of Indian shiprecyclers' adopting ecofriendly procedures started in 2013, wherein four yards namely Priya Blue Industries Pvt Ltd, R L Kalthia Ship breaking Pvt Ltd, Leela Shipbreaking and Shree Ram Shipbreaking started the Class NK project for compliance with Hong Kong Convention. By January 2016 all the four yards became compliant with the Hong Kong Convention.

**Asia vs. Europe**

"India has about 140 yards and Pakistan, Bangladesh have huge capacity as well when compared to Turkey and China. Further Indian buyers offer a premium price compared to China and Turkey, which is a major factor for beaching more ships to our country," says Viral Shah. A number of factors come into picture while deciding the price of a ship these include international scrap price, Baltic Index, flag of the ship, the kind of ballast it carries and the bunker.

In Europe ship breaking yards are very few and the ships that cannot travel long distance to Asia are brought down in European yards. "Of course, shipping lines do get a better price at Indian yards which is mainly because of the recycling and reuse that happens in India. In the western yards everything out of a ship might go for scrap, the entire steel is converted to billets and reprocessed to any other form, but in India we have rerolling mills where major chunks of steel plates are re-rolled, while the scrap is sent to the induction furnace and every other machinery and equipment that is resuable is resold and reused. So there is a value attached to every item recovered from a ship and the shipping line benefits from this as well," reveals Rohit.

# DEPENDENT ON IMPORTS

With changing international trade dynamics, falling aluminium prices, cheaper imports from China, inadequate port facilities and high logistics costs, the aluminium industry in India is suffering from many bottlenecks

by Itishree Samal

High logistics cost is a major concern for the aluminium industry, which constitutes about 20 per cent of the overall production cost. For many aluminium producers in the country, sourcing raw material to manufacturing units becomes an expensive affair given the poor connectivity and inadequate port infrastructure.

For instance, aluminium producer Vedanta, which imports its raw material from Australia, Brazil, Africa and China, expresses concern over connectivity and high shipping freights. Coal, bauxite and alumina – the key raw materials for aluminium production – constitute more than 95 per cent of Vedanta's total raw material requirement of 45 million tonnes per annum.

"Of which, we meet 50 per cent of our coal, 20 per cent bauxite and 20 per cent alumina requirement through imports," said Mangipudi V Sai, Vice President (logistics), Vedanta Aluminium Limited. Vedanta Aluminium Limited, which has two smelter plants in Jharsuguda in Odisha and Korba in Chhattisgarh, and a refinery plant in Lanjigarh in Odisha, imports about 4 million tonnes of coal, 1.5 million tonnes of bauxite and 1.5 million tonnes of alumina every year to meet its demand across the three plants.

"As the nature of the industry is commodity-driven, the costs of logistics tend to be very high compared to other industries," he said. For every tonnes of metal, we need to move about 20 tonne of raw material. "That's the reason the logistics cost is very critical to us. Our biggest logistics challenge is rail network. More than 97 per cent of our cargo goes through railway," said another industry player.

Vedanta uses most of the ports on the east coast starting from Kolkata, Paradip, Haldia, Gangavaram, VCTPL and Kakinada. "Though our plants are situated in close proximity to Pardaip and Kolkata ports, we consider factors such as infrastructure at port, cargo handling capacity, berthing position when we choose a port apart from proximity," he said. Vedanta has developed its own jetty for coal at Vizag and has its facility for alumina at Kakinada.

**Other challenges**

Imports are accounting for more than 56 per cent of the country's total demand which now stands at around 2.5 MT. Import surge has been a steep 159 per cent to 15.63 lakh tonnes in 2015 from 8.81 lakh tonnes in 2011, mainly from China and Middle East. Meanwhile, bauxite exports to China have surged 52 per cent in the past one year. There, value addition takes place and finished aluminium is exported back to India.

The steep rise in cheap exports from China is putting a lot of pressure on the domestic aluminium industry. In addition to it, higher taxes on coal which accounts for big input costs and inverted duty structure that allows China to import bauxite from India and sell back finished goods is also affecting the industry.

Though, in the recent Budget 2016-17, Finance Minister Arun Jaitley has increased imports duty on aluminium to 7.5 per cent from the previous 5 per cent, the industry is not happy with the minor change. According to industry insiders, the aluminium producing community wants further raising of import duty on aluminium finished products up to 15 per cent, in addition to reducing import duty on raw materials from 7.5 per cent to 2.5 per cent, increasing export duty on bauxite from 20 per cent to 50 per cent and increasing duty drawback.

The industry is also facing issues with the steep decline in aluminium prices. Global aluminium prices have fallen 44 per cent to $1500 a tonne in January this year from $2662 per tonne in April 2011.

Hindalco reported a 33 per cent decline in operating margin in the July-September quarter while Vedanta reported a loss in its aluminium business – which contributes 18 per cent to overall revenues – in the October-December 2015 period. Hindalco has shut 42 per cent of capacity at the Hirakud plant since it was highly inefficient and could have been a cost burden.

In the past few years, the share of domestic aluminium industry production in domestic consumption has reduced to 44 per cent in FY'15 from 66 per cent seven years back.

**Global scenario**

The fluctuating downward dip of aluminium prices still continues and supply is still in excess of the demand. Along with India, major markets across the world including the United States are flooded with Chinese semi-fabricated aluminium products being shipped at subsidized rates.

China, the largest producer of the metal, is not even slowing down in production. With its adopted strategy to sell the finished product at a much lower price than its production cost, China is playing a crucial role in determining the market fluctuations. In 2014, global primary aluminum production reached 54 million metric tonne, representing an eight percent rise over 2013. The world's ten largest aluminum producers (by output) accounted for over 27 million tonnes, or half of all production. Most of this came from Asia, which was the source of some 36.6 million tonnes, or about two-thirds of total global production.

**Market opportunities:**

India, the world's second-largest aluminium producer, produced 3.96 million tonnes (MT) in 2014-15, which was lower than **China's 21.48 MT**. India is the third-largest aluminium consuming country with a consumption of 3.5 MT in 2014-15, lower only to that of China's 22.09 MT and the **US' 5.5 MT**.

Despite the several challenges faced by the Indian and global aluminium industry, the sector has huge potential for growth in near future with the growing application of the metal in sectors such as building and infrastructure, automotive, packaging, industrial and engineering sectors, etc.

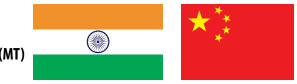
According to a recently published report "Building and infrastructure By 2020", the construction sector in India is projected to emerge as the largest end use sector for aluminium; the overall consumption by the sector is estimated to grow at a CAGR of 18-20 per cent to around 1700 kt by 2020. Whereas, the transport sector (automotive) in India is expected to grow 4-5 times from $34 billion to $150 billion by 2016. Similarly, the power sector in India – the highest user of aluminium than the rest of the world – will continue to use the metal predominantly.

Globally, transportation sector is the biggest end-user of aluminum metal. According to a 2014 report, sector-wise as an end-user of the metal, transportation contributed 27.35 per cent, construction 25.32 per cent, electrical 13.17 per cent and packaging 8.10 per cent including other segments contributed 5.6 per cent.

The usage of the metal is also slowly taking shape in the packaging industry in India as well given the growing can consumption. Other applications of the metal include usage in rigid food containers, cans for chemicals and insecticides, and new markets are found in consumer durables, railway wagons and rail coaches, aviation, solar panels, electronics and new types of material for construction. The metal is fast replacing heavier metals including steel in applications and usability.

Seeing the wide-spread applications of the metal, the aluminium industry has urged the Union government to declare the sector as a "core industry" similar to steel and cement.

**TK Chand, Chairman & Managing Director of Nalco,** who was elected as the President of the Aluminium Association of India (AAI) said, "As we are in an important phase of growth for the sector, we will emphasize on development of downstream industries to go along with primary metal producers." He further said, "We will approach the Ministry of Mines, for the revival of Aluminium Development and Promotion Council and Development Committee on Aluminium Utilization, which will perhaps greatly help in accomplishing the desired goals." mg



| 2014-15 million tonnes (MT) | India | China |
| --- | --- | --- |
| Production | 3.96 | 21.48 |
| Consumption | 3.5 | 22.09 |

Installed capacity for Aluminium production in india is around **4.5** MTPA. By **2020**, the construction sector in India is projected to emerge as the largest end use sector for aluminium; the overall consumption by the sector is estimated to grow at a CAGR of **18-20** per cent to around **1700** kt. Whereas, the transport sector (automotive) in India is expected to grow **4-5** times from **$34** billion to **$150** billion by **2016**.

## Major Aluminium producers

- HINDALCO – part of Aditya Birla Group has a market share of 39 per cent and four production units in Uttar Pradesh.
- Sterlite, Nalco – a government of India enterprise having production units at Damanjodi, Odisha, with a capacity of 460,000 tonnes.
- Bharat Aluminium Company
- Madras Aluminium Company – a subsidiary of Vedanta Resources with production plant in Tamil Nadu.
- Kennametal India
- Sujana Metal Products

# No more bagging

## Linered containers are a neat method of handling dry bulk cargo as it restricts cargo loss and reduces end-to-end logistics cost by 30 per cent. While it is still new to India, the technology has already become the norm in most of the developed world

by Itishree Samal

Linered containers have huge potential to carry dry bulk.

In India, movement of most of the dry bulk cargo from origin to destination is commonly done in trucks or containers by bagging the cargo at ports. The logistics process involves filling, transportation and handling of the bags. Most of the developed countries have started using technologies such as 'linered container system' that eliminates the bagging in the transportation process and handles all dry materials in bulk, with the use of special plastic liners that are attached to containers.

The linered containers concept works on silo to silo concept – bulk storage silos are available at suppliers and users end. For instance, a standard 20-feet container is inserted with a fabricated plastic liner, having a bulkhead at the rear of the container for bulk material. The liner prevents the bulk material from contacting the inner sides of the container and enables a fully sealed atmosphere for the bulk material during transport. Once filled and closed, the containers are transported to destinations where it is placed on hydraulic tilting platforms. The doors are opened at the discharge port of the linered container and the bottom of the liner bulkhead is connected to a conveying system. The container is tilted by the hydraulic platform and the cargo flows through the conveying system into the silos.

The technology is hugely prevalent in western countries, while it is still new in India. "It has huge potential in containerized domestic transportation," said **B Velan, MD of Scorpio Engineering Pvt Ltd.**

Scorpio Technology supplies the total system on turnkey basis from manufacturer to user end that includes setting up of silos, filling system, liners for containers, hydraulic tilting platform, conveying system, etc. It has developed an app that will give real-time info about container availability across the country. All containers and truck will be GPS enabled and barcoded, while the empty containers will be available for hire in real-time on return leg.

At present, the company is in advanced talks with Unilever, Reliance, EID Parry, Brittannia, Hindalco among others to implement this technology. The company eyes around 3 million tonnes of dry bulk transportation in India.

The technology (Linered containers) has huge potential in the transportation of common dry bulk materials. In India, the projection for soda ash production is 2.4 mtpa, while alumina production at 3 mtpa, barley production 1.5 mtpa, flour production 2.5 mtpa, if you assume 20 per cent migration (of the total 9.5 mtpa) to linered containers (15T per container), total tonnage will be 1.9 mtpa, said vellan, adding that the projections do not take into account the rest of the 28 dry bulk materials that can be handled in linered containers.

For a typical company like Unilever making soaps, 100,000 tonne per month of dry bulk consumption translates to 500 containers being deployed at one factory. "If you multiply this with the 40 factories the company has pan-India, the potential of a single company is enormous," he said. Also, the same container can be used for multiple cargoes. For instance, soda ash can come in bulk via container from Gujarat to a glass factory in Tamil Nadu, and the same container can take back automotive cables from the state to Gujarat, he added. This process can save around 30 per cent of the end-to-end logistics cost, that includes cost of warehousing, bagging, transportation, labour, etc. Among its advantages, it restricts cargo loss, is fully automatic. Further, an algorithm can calculate the optimum combination of road, rail, coastal shipping and inland waterway movement for a particular route and work out freight costs considering the handling between modes. mg

# Making business safe

## While staying off the screen, the marine safety and survival equipment plays a vital role in the maritime trade – be it ports, dry ports or shipping lines, by ensuring safety of infrastructure, cargo and workforce

by Omer Ahmed Siddiqui

**Aliasgar Hajee**, *Managing Partner, SHM Shipcare*

**Q How is the market for marine safety and survival equipment in Asia-Pacific region?**

The market for marine safety & survival equipment in the Asia Pacific region is very good in general, but a little subdued due to the fall in global oil prices. The reasons are as follows:

Since the manufacturing activity in the marine & offshore industry has been very high in the Asia-Pacific region, the demand for marine safety and survival equipment has been strong as well. For instance, Singapore is one of the largest manufacturers of rigs and platforms to the oil & gas industry. In fact, combining its shipyards and rig yards namely Keppel, Sembawang, and Jurong, they produce the largest number of the world's jack up rigs (commanding 70 per cent of the global market). Similarly, China, Japan, and Korea are some of the major ship building countries in the world today due their technological advancements and economical labour force.

The volume of tonnage being shipped out of the Asia Pacific region is very high because a large number of vessels ply in this region. Therefore, there is a great demand for marine safety and survival equipment in the region. Since the requirement and maintenance of most safety equipment and systems used onboard vessels are legislated by local governments or the IMO, the demand remains fairly steady, as long as the vessels remain in the region.

Thirdly, the Middle East region and South East Asia region are oil rich which attracts large amount of investment, trade, and maritime transportation further boosting the industry.

Even though the Asia Pacific region enjoys all the above benefits, the market has been subdued due to the crash in the global oil prices.

India is a small fish in a big pond. There are fewer companies in India dealing in marine safety and survival equipment as compared to Dubai, Singapore, Kaohsiung etc.

**Q The government is planning new ports along the east and west coast. What business opportunities do you see here?**

There are various marine services required to run a port, namely pilot operations, security operations, bunkering operations and oil spill operations along with other logistic operations like crane and lifting equipment's etc. These are the new services required by the ports. As per the ISPS code which is the safety code, mandatory security has to be maintained for every port. Hence, these boats will surely be required and that is the new business. This new business will create new employment to manage the boats. This will be the business opportunity which falls in our scope of doing business as we are today operating five boats in JNPT port, out of which one is a security boat and four are pilot boats for pilot operations.

**Q How well are the Indian ports equipped to deal with accidents of Tianjin blast magnitude?**

The Tianjin blast has got all the ports in India thinking if they are well equipped to deal with major disasters in case it ever happens. In my opinion, the ports are not well equipped to handle a disaster of such magnitude. Firstly, wherever chemicals and inflammatory products are being stored, the sheds should have a fixed firefighting system. Examples include $CO_2$ system or DCP dry chemical powder system. The people who are operating those systems should be trained to know for which type of fire requires the appropriate kind of fire suppression system. Moreover, if you have sheds which are demarcated for chemicals then they should have a special type of extinguishing system too. This should be the first line of defense.

Second would be firefighting

protection ships or external firefighting tugs which have got huge applicators for spraying water foam and other kinds of fire suppressants from a distance, in case primary firefighting fails.

Furthermore, I'd like to add that accidents are not only in terms of fire, accidents can also be an oil spill or poor infrastructure where the workers do not have adequate safety like proper railing etc. They are all contributing factors for working in a safe environment. Having said that, in the year 2010, there was an oil spill in Mumbai Nava Shiva port by *MSC Chitra* wherein almost 200 cargo containers were thrown into the Arabian Sea. About 2,900 barrels, that is almost 400-800 tonnes of oil was spilled. At that point of time, ports didn't have sufficient oil spill equipment, oil spill dispersants and primary and secondary measures of containing the oil spill.

**Q Tell us about your association with the Indian Navy and the significance of defense orders for shipyards in the current market scenario?**

Our association with the Indian Navy goes back almost 5-8 years. Initially we were just a supplier to the Navy and now we have slowly risen to the growing demand of ships and fast interceptor boats and have moved into the shipbuilding sector. The government is acquiring more boats and undertaking security measures around the coastal harbor. The Indian navy is modernising their fleet with a lot of acquisitions in the course of next 15 years. Around $100 billion will be spent to acquire new warships, covets, destroyers, Kolkata class ships, Delhi class ships, air craft carriers etc. These are the major warships which are under acquisitions. The Indian Navy is currently building six scorpian submarines.

In shipping lines, the merchant navy scenario is not very conducive at the moment. Oil & Gas is also not a very lucrative market. This results in shipyards being keen on undertaking projects for the government. Having said that, in the next 5-10 years, there will definitely be a boom in the shipbuilding sector and all the Indian shipyards will slowly see an increase in demand in building of warships. Fast Interceptor Crafts, Rigid Inflatable

**IN SHIPPING LINES, THE MERCHANT NAVY SCENARIO IS NOT VERY CONDUCIVE AT THE MOMENT. OIL & GAS IS ALSO NOT A VERY LUCRATIVE MARKET. THIS RESULTS IN SHIPYARDS BEING KEEN ON UNDERTAKING PROJECTS FOR THE GOVERNMENT.**

Boats, Mine Sweepers and more ISVs will have an increase in demand. We, at SHM Shipcare, are one of the lead manufacturers of FRP boats in India having delivered 14 ISVs which are 25-metre FRP crafts-largest FRP boats to be built in India so far. These are the only FRP boats to be commissioned by the Indian Navy so far.

**Q What is the scenario of ship repair sector in India? What are the short comings and how can the industry be developed further?**

The ship repair sector in India is deteriorating at a very rapid rate; the infrastructure available with ship repairers' today is far from satisfactory. The essence of shipbuilding is availability of dry docks and infrastructure facilities to turn around the ships in less time. In the west coast, in Mumbai particularly, we only have one port that is Bombay port trust; floating dry docks are not having approvals for bringing ships into the harbor and carry out repair. Goa has got few docks but they are tide dependent and do not have proper docking facilities as well. So a proper dry dock is only owned by naval dockyard and Bombay port trust in Mumbai at least. The Bombay port trust docks are open for commercial as well as naval ships, but the waiting time is huge. Earlier when they had the Princess Dock the Merrywether Dock, the traffic of dry docking was always divided. On the east coast, Vishkapatnam Port Trust has got one dry dock, Calcutta has Khidarpur but most of them are occupied either by corporations like ONGC, SCI or Indian navy. 20 years ago there was a huge traffic of foreign ships in Bombay Port Trust before the JNPT Port was built, which was one of the most coveted business for the ship repairers. Alas, because of the long waiting time they prefer to carry out repairs either in Colombo, Dubai or in Oman. Moreover, they have the equipment to turn around a ship faster.

The industry is largely dependent on defense and coast guard. We have acquired a company HOMA ENGINEERING WORKS who is doing ship repair business and is registered with the Indian navy and coast guard, on an annual basis we do refits of about 3-4 ships which are major refits, that is 6 monthly, 4 monthly and maintain the fleets. We are a registered vendor with the director general of shipping and with the Indian navy and coast guard.

**Q Tell us about your operations in the oil and gas sector?**

We have been associated in the oil and gas sector for over 15 years and predominantly to take care of all safety aspects of all the oil rigs and platform installations. We have been minting security systems on all the platforms, namely the life rafts, lifeboats and firefighting systems. There is annual servicing, 6 monthly and 5 yearly servicing and certifications of these lifeboats and annual servicing of life rafts and these are maintained as per the IMO guidelines. Recently, we have ventured in to the crew boat business wherein we are now giving two crew boats, ocean cruiser 1 and ocean cruiser 2 for transporting of men and material to the platforms. High speed crew boats and fast crew boats are now the market trend and widely used in other offshore and oil installations in places like Nigeria and other African nations. We developed the ships which are under charter by ONGC for transporting men and material. We are also supplying a lot of logistic equipment's like transfer baskets personal descend devices, pyrotechnics and personal protective equipment for the offshore installation. mg

# The next level in maritime logistics

## iPortman is an enterprise class state-of-the-art technology with best industry practices to fulfill automation across sectors in the maritime domain

MG Bureau

The industry has a unique business process and procedures that are complex in nature and also to adhere to regulatory thus needing to comply to the legacy of paper work and the large number of documents required to be filed. The EXIM community in India has often longed for movement of cargo to happen at the click of a mouse, which is often the scenario at some of the global ports. Addressing this crucial need is iPortman, a technology solution developed by Envision. The application features are designed keeping in view all the stakeholders like sponsors, agents, port, CFS, ICD, PFT, inland logistics users, internal operations team and government authorities.

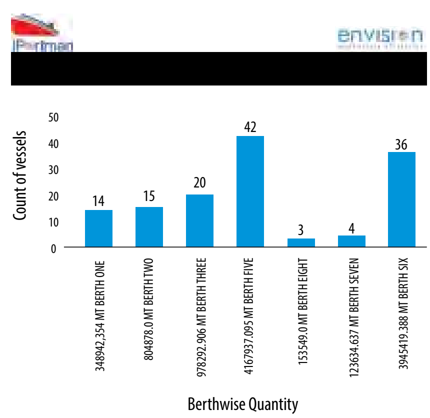
iPortman is a true fit technology that fits to the maritime logistics. This is a modular based solution, easily configurable which caters to seaports business of general cargo, bulk, breakbulk, containers terminals, CFS, ICD, private freight terminals, inland logistics like fleet management, transporters, and rail operators.

The solution was embraced at a few ports in India and outside notably JSW Multiple Ports, Gangavaram Port Limited, Dighi Port, Kakinada SeaPort Private Ltd and Karaikal Sea Port Ltd, Port of Fujairah and others. Visakha Container Terminal – CFS and Mariegold Logistics Pvt. Ltd are a few of CFS using the technology.

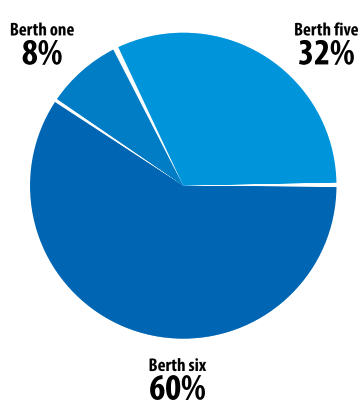
iPortman has ability for integration to external applications like weigh bridges, SAP, conveyor system, gate management and mobile devices for realtime monitoring and dash boards etc.

**Business benefits**

- Efficient planning of jobs with seamless integration between all operations.




**Vessel Handled Berth wise (Current Month)**




- Revenue management with advance calculation, advance receipt, invoice process, payment receipt, services billing and reconciliation of customer billing account.
- Streamlined operations across all functions of the port for both import and export operations at marine, berth, yard and gate.
- Reducing maintenance costs for internal and external resources.
- Improving operational service levels for internal and external resources.
- Improving operations control and reporting.
- Realtime Dashboards and MIS Reports for quick decision making

**Benefits as a Sponsor:**

- Uses all open source technologies.
- Works on multiple technologies.
- Low investment and quick returns.
- No high maintenance or high technical skill person required.
- If there are any existing technologies available like Oracle / MSSQL then the application will fit on it directly; no need of additional software
- Real time data for decision making
- Customer satisfaction

iPortman does not require a separate team to be trained for keying in the data. Existing team can easily handle, both the regular operations and also in application. Keeping this in view the application is being designed in three ways:

- As soon as the operation is completed the data can be keyed into the application. Seamless business mapping and work flow control
- When the operation is in progress the same can be entered through mobile application (which is being enhanced based on the market demand)
- The data may be available in another application, like PLC, weighbridges; the same is being captured through integration, which enables availability of data with faster throughput.

The unique identity of this application is that it drives the operations rather than the people driving them. It has the process and controls incorporated and will tell what the next operation is to be performed. Alerts are also incorporated based on the other department activities completion. This coordination increases the operational efficiency.

# Strengthen the supply chain

## The fest was a clarion call for strengthening the supply chain and fostering cross-border investments in the sector

MG Bureau


**Mahesh Sharda,** President, Indian Cotton Association Ltd, **Md Badsha Mia,** President, Bangladesh Cotton Association, **Tapan Chowdhury**, President, Bangladesh Textile Mills Association, **Tofail Ahmed**, Bangladesh Commerce Minister, **Harsh Vardhan Shringla**, Indian High Commissioner, **Mehdi Ali,** General Secretary, Bangladesh Cotton Association

Organised for the first time in Bangladesh, The Bangladesh India Cotton Fest 2016 saw cotton buyers, sellers and trade bodies from both the countries come together to discuss opportunities and challenges in fostering trade. With Bangladesh aiming to double its apparel exports over the next five years, the importance of maintaining secure and quality cotton imports from its top supplier India has been underlined at the event.

Organised jointly by Bangladesh Cotton Association and Indian Cotton Association on March 12, the fest promotes and protects the interest of cotton agents, traders, growers etc. Inaugurating the festival, Commerce Minister of Bangladesh Tofail Ahmad noted that with Bangladesh already being the second largest garment exporter in the world, for the country to reach the target of $50 billion apparel exports by 2021 set by its government, the country would need more reliable cotton supplies and much of this will have to come from India. Tofail added, certainly revenues are being generated that benefit Bangladesh manufacturers and their Indian suppliers. Ready-made garment exports from Bangladesh earned $25.5 billion in 2014-15 fiscal year. Such sales are fueling demand for imported cotton, Bangladesh raw cottom imports have more than doubled in the past decade. Last year the country imported 6.1 million bales of fibre worth $2.2 billion for its around 400 spinning mills, almost half of which came from India.

Addressing the inauguration progamme, High Commissioner of India Harsh Vardhan Shringla, the guest of honour drew attention to the fact that India was the largest supplier of cotton and cotton yarn to Bangladesh. Cotton and cotton yarn/thread and cotton fabric was the single largest commodity export from India and it accounted for about 22.5 per cent of India's total exports to Bangladesh. Despite the global economy downturn the trade between Bangladesh and India were on the rise. "It is a good sign that Bangladesh achieved 22 per cent export growth from India in the first six months of the current financial year. I hope that bilateral trade relations between both the countries grow further in the days to come," Shringla remarked.

The event brought to the fore challenges faced by cotton producers and exports/importers, while focusing on port facilities in Bangladesh; sea ports and land ports infrastructure in the country. Speaking on the occasion, Bangladesh Textiles Mills Association President, Tapan Chowdhury said sometimes Indian cotton supplies put Bangladeshi spinners at an adverse situation by withholding their supplies and on some occasions supplying goods fluctuating in quality. Tapan emphasised on building long-lasting and strong relationship between cotton traders of Bangladesh and India for avoiding such kind of impediments.

**Md Badsha Mia, President, Bangladesh Cotton Association** said, "For the past few years cotton imports from India have been increasing gradually but our challenge is to procure goods at competitive price." Speakers at the event called for Bangladesh and India to establish joint ventures and foster cross border investments in the garments sector to strengthen this critically important supply chain.

# New way to dispose stale cargo

Disposal of stale perishable cargo in long standing containers has just become faster, efficient, simple and economical

MG Bureau

The logistics industry, especially container freight stations and inland container depots, witness frequent cases of abandonment of containers carrying perishable cargo like chocolates, fruits, vegetables, nuts, spices, meat and beverages. In continuation of its commitment to trade and environment, APM Terminals Inland Services, South Asia has collaborated with Bhabha Atomic Research Centre (BARC) to address the long standing need of a safer, more efficient and environment-friendly in-situ biodegradation technique for treating perishable cargo.

In-situ biodegradation enables natural decomposition of stale perishable cargo within the container right inside the container freight station as against the requirement of transporting the container to a specially approved facility with special incineration machine. This in situ biodegradation technique significantly restricts the carbon dioxide emissions in the environment.

**Dr Sharad Kale, Head - Nuclear, Agriculture and Biotechnology Division at BARC,** Mumbai has developed an inoculum. An inoculum is a culture composed of multiple kinds of bacteria which when introduced in existing biodegradable material enables natural decomposition of the cargo with organic manure as the end product.

Through this method, the entire process of addressing stale perishable cargo in long standing containers is much faster, efficient, simple and comes at minimal cost and effort.

This process, through bio-assimilation doesn't just prevent carbon dioxide emissions but more importantly helps retain micronutrients and trace elements (e.g. B,Cu,Zn,Mg,Fe etc.) in the active eco-system."With government's enhanced focus on cold chain, and impetus to trade of perishable cargo in India, such cases of long standing cargo are bound to increase. APM Terminals Inland Services has shown great initiative and commitment towards introducing the in-situ biodegradation technique and making it possible. If the entire industry adapts this practice, it will hugely impact the environment and make a key contribution to retaining the nature's cycle and balance." says Dr Sharad Kale.

Having pursued this initiative and seen the benefits of the in-situ biodegradation process first hand, APM Terminals Inland Services has been making a committed effort to propagate this technology to the business fraternity. With support from the Customs Department, a seminar on the technology was conducted during the Container Freight Stations Association of India meetings and Customs Task Force Meetings in Mumbai. As a result, some of the neighboring Container Freight Stations have already successfully converted the cargo in their long standing containers to organic manure.

Commenting on the initiative, **Ajit Venkataraman, Managing Director, APM Terminals India Pvt. Ltd.** said, "Innovating to deliver better ways of working and caring for the environment while addressing safety and customer satisfaction have been the cornerstones of APM Terminals Inland Services' operations globally. This is a classic example of wonders that collaboration between the government and private organisations can do. This initiative has the potential to make a remarkable difference to the environment and we are glad to be able to make a positive difference. This wouldn't have been possible without the support from Dr. Kale from BARC and we are extremely thankful to him and his team.

# Life on Triple E

Lena Göthberg, from shippingpodcast.com, had the privilege to interview the captain of *MAERSK MC-KINNEY MOLLER,* carrying more than 18,000 teu from Asia to Europe while it was calling Port of Gothenburg. Captain Niels V Pedersen shared his views on how it feels to break all records

MG Bureau

**Q How long have you been on board this time?**

As of now it's been for about 6 weeks which will extend to 11 weeks which is a round trip from far east to Europe and again. And my off schedule is also for 11 weeks, where my colleague takes over the reins.

**Q You were part of the maiden trip. How was the experience for the maiden voyage when it was delivered?**

When we reached Port of Gothenburg, we were welcomed by lot of people, visitors and media alike. It was a unique experience, both funny and interesting.

**Q You have been working with Maersk since a long time. What's the difference between all the ships you have captained and this huge giant?**

There are lots of differences. At first it is the size which overwhelms you; it's huge and for that the ship has been showcased around the world.

**Q Being a TripleE vessel, how does the ship react to the rough sea?**

Sometimes we do face strong wind or storm while we are at mid-sea. The ship at times fails to sail in full speed due to heavy winds. These kinds of vessels are wind sensitive. But we try to stick to our schedule and reach on time.

**Q The ship has got a new design, I could see. The bridge is not at the end of the ship, it's more on the front?**

The accomodation is placed more forward in order to load a higher load of containers aft off the accomodation.

Captain Niels V Pedersen

## What is Maersk MC-Kinney Moller?

*MAERSK MC-KINNEY MOLLER* is the lead ship of Maersk's TripleE vessels. At the time of its entry into service in 2013, it had the largest cargo capacity and was the longest container ship in service worldwide. Constructed by Daewoo Shipbuilding for $190 million, its maiden voyage was from Singapore to Port of Gothenberg, Sweden. The ship is the first of a class of 20 identical vessels. The ship is 400 m long and 60 m wide, with a sailing draft of 14.5 meters.

**Q How does it feel to maneuver this giant?**

It feels really good, the maneuvering is very smooth; the engineers have done a fantastic job with perfect calculations. It actually rolls through rough weather and jumps up and down in big ocean. Before joining I was excited but after handling it, I can say the two engines and rudders it has are very powerful.

**Q What is the size of the crew?**

Usually it's about 22-24. We have 8-10 international crews, Filipinos, Romanians and even Indians.

**Q When it docks at Port of Gothenburg you have to turn the vessel. How many tug boats you require?**

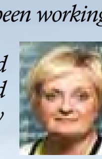
We generally require two tugs for berthing, and one for pulling out.

**Q You spend quite a lot of time on board. How is it being away from family for such a long time?**

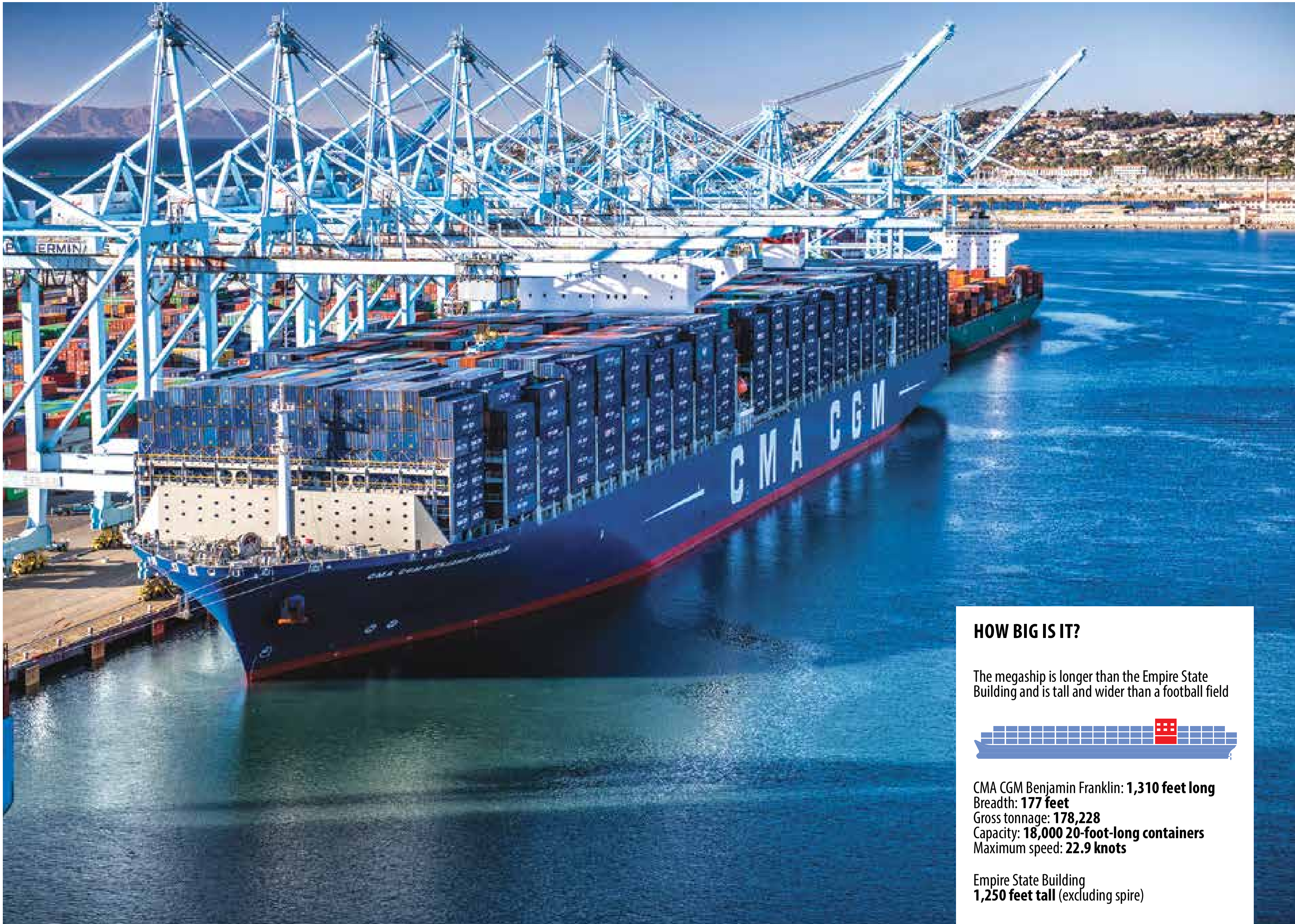
I love my work and it's a special job. Yes, I do miss my children and wife and as usual they miss me too. In a year, I will be at home for 180 days and we feel it as a great privilege. When I am at home I drop my kids at school and help my wife in daily house hold work as she has a fulltime job to attend. While I am on ship, I miss every second summer and Christmas to be at home. Missing Christmas is very difficult when you have young kids at home. My son is of 7 years and my daughter is of 14 years of age.

**Q If you have to tell the younger generation about your job as the best job on offer, what would you tell them?**

According to me, the young generation is more into technology and at the ship there is everything. One can visit different ports. Sometimes we dock for 3 days or even one and half days. During this time, one can explore the city around. We have a multinational crew and it's really interesting to work with them all. mg



*Lena Gothberg from Sweden has been working in the industry for more than 25 years. Inspired by her shipping and digital friends she decided to spread the word about the coolest industry on the planet and help raising the profile through podcasts. hello@shippingpodcast.com*




## HOW BIG IS IT?

The megaship is longer than the Empire State Building and is tall and wider than a football field

CMA CGM Benjamin Franklin: **1,310 feet long**
Breadth: **177 feet**
Gross tonnage: **178,228**
Capacity: **18,000 20-foot-long containers**
Maximum speed: **22.9 knots**

Empire State Building
**1,250 feet tall** (excluding spire)