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CHAIRMAN, MUMBAI PORT
After the Big Buck

PERSPECTIVE: K MOHANDAS
Major Ports: From Trusts to Authorities

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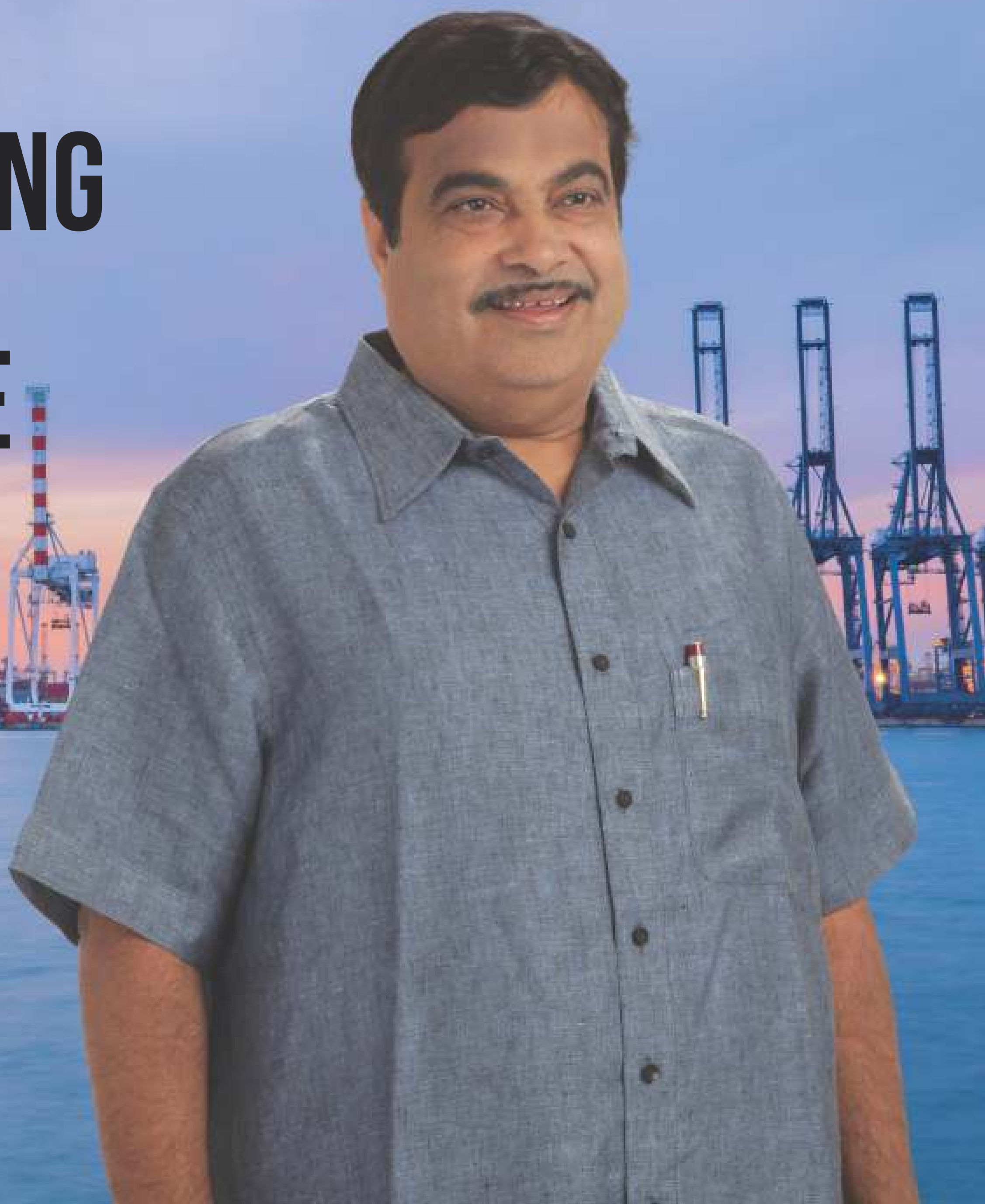
ODISHA: POTENTIAL CONTAINERIZED CARGO WAITING TO BE SERVICED

CHARTING A NEW COURSE



Nitin Gadkari, known to be best performing minister of Modi's government is a man in hurry to revolutionize the way business is conducted in shipping in India. In an exclusive interview he talks to *maritime gateway* about several initiatives his ministry is taking

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Calibrating cash logistics

It's been almost a month now since Prime Minister Modi struck at news hour announcing the boldest move to date to flush out unaccounted, illegal black money in the country. Even as most of us spent a good part of our weeks after the broadcast message waiting for queues hoping for a generous gesture from banks, there was one section of the banking industry other than the banks themselves who had to act almost without any cue. You've gotten it right if you thought of the cash logistics firms.

These firms were suddenly in demand as the bankers started dialing them in to first offload automated teller machines at breakneck speed. Consider this: About 2.2 lakh cash machines in 650 districts had to be filled in a day's time. This means that an ATM was being refilled every 20 minutes. About 8,800 cash vans, which are used to supply money to 25,000 ATMs every day, are now speeding to meet the shortfall at 72,000 ATMs daily. Since only ₹100 notes were legal tender initially, the ATMs would run dry every three hours.

With the number of footfalls at each cash machine having gone up from 100 to 3,000 people per day, these firms were facing an acute shortage of nearly 50,000 trained staff. The Cash Logistics Association of India, the industry body of all such companies, says they could not have taken in any staff because this would require prior approval from the Reserve Bank of India and the banks in addition to briefing the recruited on safety procedures. With complaints and angry customers both surmounting, the cash transporting firms were asked to carry out their tasks as a service to the nation. And as employees and support staff went about doing their duty, their offices became homes and their workstations, dinner tables. Hot paranthas, tea and other quick bites were ordered as drivers and ATM loading staff went for days without visiting their homes.

This has been the single biggest opportunity so far for these firms to move currency through the country at such speed. And thanks to their strong network of offices, security procedures and fraud prevention mechanisms, these firms have been able to pull off a task of this magnitude with gusto. With Modi making an announcement of swooping down on realtors and jewellers next, a tiny bird tells me that private investors are short-listing cash logistics firms to invest in.

Ramprasad

R Ramprasad
Editor and Publisher
ramprasad@gatewaymedia.in

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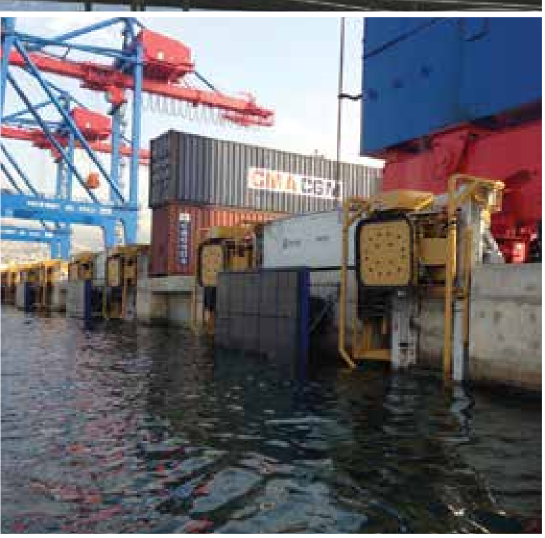
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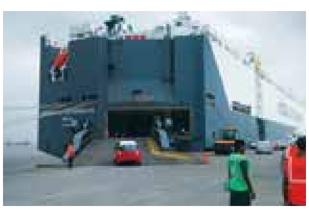


OTHERS

CHARTING A NEW COURSE

INTERVIEWS

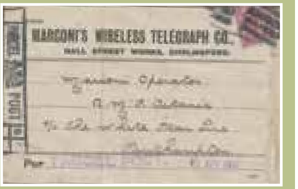
Specially designed tri-modal container for breakbulk and ODC

JAXPORT partner and transportation service provider ATS International has launched what the company calls the next generation in container shipping: A hybrid shipping container specially designed to handle breakbulk and oversized cargo. Known as the Breakbulk Box, the specialty container just completed a successful test shipment from JAXPORT to Puerto Rico. The Breakbulk Box offers shippers the ability to have breakbulk and oversized cargo loaded directly onto a container bed, as the lid and walls lift off in a single top piece. Cargo is secured in place using special lashing hooks inside the container bed. The top is replaced by a stacker or crane, which then allows the unit to be secured and handled just like a standard shipping container. The Breakbulk Box is designed to move seamlessly between trucks, rail and ship.

Korea to venture into Indian cosmetics market

Venturing beyond their existing strongholds in India – electronics and machinery, Korean investors are now keen on foraying into the Indian cosmetics market. While traditionally, Korea has been involved in exports of automobiles, electronics and machinery to India, an expansion into the cosmetics industry would help in strengthening relations between the two countries. The volume of exports from Korea to India stands at $14.5 billion and the imports at $50 billion (includes agricultural products and grains). Further, Korea plans to import raw materials from India including chemicals and natural products.

A rare and historic parcel label for auction



A rare and previously undiscovered parcel label which was set to be delivered on board the infamous ocean liner, the *RMS Titanic*. The label was offered as part of forthcoming Stamps & Postal History auction on November 29-30 with an estimate of AUD$20,000 (£12,000). Bought by a collector in England, who initially had no idea of its remarkable historical significance, the label is addressed to "Marconi Operator/*RMS Titanic*/ co The White Star Line/ Southampton."

Bangladesh open for Lankan investments

Bangladesh Commerce Minister Tofail Ahmed called on Sri Lankan investors to explore opportunities in economically viable sectors in Bangladesh to create greater economic cooperation for mutual benefit. Bangladesh plans to set up 100 special economic zones to attract much-needed FDI into the country. Sri Lankan entrepreneurs can invest in these zones and be a prominent partner in Bangladesh's promising growth story. "If any country decides to take one economic zone, they will be provided with necessary facilities and incentives," announced Tofail. India, Japan, and China have already expressed willingness to invest in these economic zones.

FFFAI 23rd biennial convention at Cochin

The theme of the convention is: "Indian Customs Broker - Trusted Single Entity Logistician - Capable and Dynamic." The convention offers two full day interactive business sessions for all delegates on various topics pertaining to logistics industry and beyond. Over three hundred delegates participate in every session. The speakers are eminent leaders in their own field with rich experience and represent a wide spectrum of logistics industry and government departments. The business sessions should assist you in continually realigning yourself with the multiple changes that will become the norm. The dynamism of this segment and what you need to do in the same is what the Convention would deliberate upon.

Dry port in Nashik

Shipping Minister Nitin Gadkari announced ₹500 crore funding for a dry port in Nashik, which would reduce the cost of transporting fruits from the farm to the market. The government has also announced dry port in Wardha and Jalna as well. Maharashtra leads in grape exports from India and 90 per cent is from Nashik.

GAIL to charter LNG carriers

GAIL is seeking to charter LNG carriers for terms of three to four years, having cancelled its multi-billion-dollar tender to build and time-charter up to 11 new buildings. The tender stipulated that a third of the ships would be built at home, for delivery in 2022-2023 and on charter terms of up to 18 years. GAIL's Make in India clause deterred both the Japanese-led consortia that bid for the tender.

GAIL is contracted to import some 5.8 million tonnes a year (mta) of US LNG from next year, including 3.5 mta from Sabine Pass from March 2018. It issued a tender to build at least nine newbuildings for charter against those US exports.

Kerala government to focus on coastal shipping

Tapping the potential of the state's sprawling coastline, Kerala government is eying to shift 40 per cent of its cargo transport to coastal shipping by 2020. As part of the programme, a number of ports from Vizhinjam to Azhikkal in Kannur district would be developed. The government also plans to launch high-speed passenger vessels connecting Kochi-Thiruvananthapuram and Kochi-Kozhikode sector with private partnership. ₹50 crore had been earmarked for the development of Azhikkal in the state budget.

AP to house India's first CEZ

India's first Coastal Economic Zone (CEZ) will come up in Andhra Pradesh. Visakhapatnam, Machilipatnam, Donakonda, Krishnapatnam or Srikalahasti-Yerpedu are among the places that the state government is scouting for to locate the zone. The proposed CEZ will be much bigger in size than the SEZs present in the country. It will come up on around 450 km of area from the sea and will house big manufacturing and export-oriented units and labour-intensive industries manufacturing clothing, footwear, electronics as well as electrical manufacturing.

Dachser expands in Asia Pacific

Dachser, the global third-party logistics provider has opened a new branch office in Hanoi, Vietnam, as well as new facilities in Hong Kong and Mumbai. The company has relocated its regional India office to Mumbai in an effort to be closer to its brand name customers and increase communication among internal departments. The extensive and increasing coverage assists USA importers and exporters with the intricacies of Indian transportation and provides seamless logistics for USA customers. The office in Hanoi will target at textile, shoe, and electronics industries in and around northern Vietnam.

Kochi Port set to turn into car freight hub

With the third call of the car carrier *Dresden*, Kochi is gearing up to be a hub for coastal movement of automobiles. The car carrier called at Kochi on its way back from Kandla with 606 cars. It is expected that about 30 per cent of the cars would shift to the coastal transport mode. The car carrier, with a total capacity to carry 4,300 vehicles on 13 decks, first called at the port here in the last week of September. The ship will sail to Ennore and will call at Kochi in another week on its voyage back to Kandla. Kochi Port expects to get four to six calls by Dresden a month with 600 to 1,000 cars per call.

Duty drawback facility extended for textiles

The government has extended duty drawback facility for one year on all textile products to boost exports, and has increased rates in some cases for the benefit of Indian exporters. Under the revised norms, home textiles attract drawback of 7.5 per cent now as against 7.3 per cent earlier. Similarly, incorporation of blanket and other cotton products in this category will attract drawback rate of 8 per cent now from 7.2 per cent earlier. The decision might help increase exports of textiles from India especially when textiles exports remained almost stagnant at around $42 billion.

Mid-course correction in foreign trade policy

The Commerce Ministry has started review of the foreign trade policy to carry out mid-course corrections in the export schemes. As part of the review, it would hold stakeholders' consultations to understand the issues faced by exporters. To cut the transaction cost for exporters, the Ministry is also talking to railways and shipping to find ways to reduce the high freight cost.

"The poor global economic situation, as well as the depressing outlook for most of the seaborne shipping sector caused by excess supply of capacity, needs to be countered by a drastic increase in demolishing activity in order to lower merchant fleet growth."

– Peter Sand
Chief Shipping Analyst, BIMCO

"The shipping industry hasn't adjusted to a slowdown in global trade. In spite of this, shipping lines are still investing in new capacity in larger vessels because this is the name of the game to keep costs down. "

– Camille Egloff
Director, BCG

"The Korean government should have done what the Japanese are now doing and made Hanjin and Hyundai merge, because then you would have had a carrier with roughly 6 per cent of global market share, which would have survived.

– Marcus Machin
CEO, Tufton Oceanic Finance Group

"In the aftermath of Hanjin incident, a lot of customers are looking at the more stable shipping lines to contract their cargo with."

– Lars Mikael Jensen
Regional CEO - Asia Pacific, Maersk Line

"There is no question that Trump is going to be positive for shipping. In terms of infrastructure expansion, the US needs a hell lot of infrastrucuture. "

– John Augelicousis
Greek Shipping Magnate

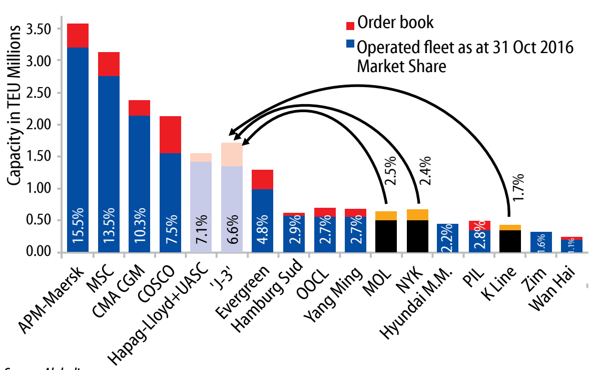
TOP10 SHIP OWNING NATIONS 2016

* All values in USD Millions

	2016	2015	% CHANGE	BULKER	CONTAINER	LNG	LPG	SMALL DRY	TANKER
GREECE	$95,287	$105,605	-11%	$21,142	$11,469	$13,406	$4,724	$246	$44,299
JAPAN	$80,816	$89,745	-11%	$24,713	$12,662	$15,457	$5,060	$2,664	$20,259
CHINA	$67,493	$70,771	-5%	$17,647	$22,424	$2,975	$2,811	$3,232	$18,403
GERMANY	$43,639	$49,703	-14%	$4,922	$26,013	$659	$1,863	$4,584	$5,599
SINGAPORE	$36,940	$38,254	-4%	$6,008	$6,302	$503	$5,388	$1,021	$17,717
USA	$32,145	$34,479	-7%	$3,848	$5,442	$2,097	$106	$315	$20,338
NORWAY	$28,325	$33,202	-17%	$3,312	$1,733	$4,391	$4,254	$496	$14,138
S.KOREA	$23,431	$25,205	-8%	$5,031	$3,871	$3,172	$1,779	$648	$8,929
DENMARK	$22,965	$18,866	18%	$1,011	$12,517	$907	$1,577	$546	$6,407
UK	$18,574	$22,029	-19%	$1,587	$4,460	$5,174	$2,241	$491	$4,621

Source: Vessels value

THERE WILL ONLY BE 14 GLOBAL CARRIERS IN 2018



Source: Alphaliner

AVERAGE DWELL TIME FOR BULK VESSELS, SELECTED COUNTRIES, 2015

	2014				2015			
Row labels	Sample size	Quantity (thousand tons)	Average (waiting time days)	Average (waiting time days)	Sample size	Quantity (thousand tons)	Average (waiting time days)	Average (waiting time days)
Australia	4438	455 907	5.50	10.95	2 461	517 066	4.52	5.55
Brazil	1533	252 707	6.44	12.08	1 537	258 899	5.17	2.04
Canada	151	17 779	5.08	2.58	36	3 327	2.33	2.69
China	599	76 347	3.73	2.74	1 470	183 976	1.81	2.42
Taiwan	-	-	-	-	107	8 856	0.66	3.40
Colombia	48	4 838	1.75	0.82	213	19 304	0.36	1.95
India	2 302	163 729	3.98	10.68	1665	124 192	2.28	3.63
Indonesia	2 609	182 875	2.55	4.06	281	19 430	2.99	4.05
Netherlands	51	7 416	0.12	2.76	72	8 947	1.09	2.59
Republic of Korea	-	-	-	-	167	19 145	2.64	3.75
Southe Africa	"	-	-	-	994	89 376	2.32	2.33
United States	188	13 819	4.74	2.31	55	5 129	1.51	1.63
Grand Total	**11 925**	**1 176 315**	**4.53**	**8.80**	**9258**	**1 257 650**	**3.46**	**3.86**

Source: UNCTAD secretariat calculations, and data provided by Wilhelmsen Ships Service.

GLOBAL GROWTH IN THE CONTAINER-SHIPPING TRADE PROVED DISAPPOINTING IN 2015

2014 SET HIGH EXPECTATIONS...	Share of world trade, 2014 (%)	Change, 2013-2014 (%)	...BUT REALITY HIT HARD IN 2015 Change, 2014-2015 (%)	
Asia-Europe and Intra - Europe	20	5.6	-2.6	• Northern European imports fell; Russia accounted for less than 50%, and Germany, France, and Italy accounted for 10% of losses • Central and Eastern European economies showed resistance; imports remained steady
Transpacific	14	3.9	3.5	• Peak head haul performace (7.1%) hindered by negative backhaul • US economy rebound saved the trade
Intra-Asia	29	0.1	2.4	• China had less than stellar demand • Southeast Asia posted double-digit growth
Indian sub-continent and Middle east	12	6.0	5.1	• UAE and Saudi Arabia led, driven by infrastructure materials and nondurable consumer goods; backhaul was also solid
Latin America	3	0.8	-0.9	• A sharp swing to negative territory was largely due to the economic implosion in Brazil, where demand contracted
Africa	5	5.1	0.1	• There was stagnation across the continent; a commodity crisis resulted in declining imports and exports from major contributors Nigeria and Angola
Global		3.3.	1.9	

Source: IHS World Trade Service; Drewry Shipping Consultants; Clarkson Research Services; BCG analysis.
Note: UAE = United Arab Emirates.

EXIM

Indian onions find their way to Pakistan

Onions from Maharashtra will find their way to Pakistan despite a ban by Islamabad on its export from India as the vegetable will travel to the neighbouring nation via Bangladesh through the West Bengal route. West Bengal market is the biggest exporter of onions, sourced from Maharashtra, to Bangladesh and European nations. Pakistan imports onions from Bangladesh. Maharashtra produced 67.67 lakh metric tonnes of onions during 2015-16 season, a rise of more than 20 lakh MT as compared to the previous year. More than 50 per cent onions exported to West Bengal is from Maharashtra and out of these Nashik contributes 80 per cent.

Traders seek bulk export of groundnut oil

To support the groundnut farmers, the Solvent Extractors Association of India (SEA) has requested the government to allow export of groundnut oil in bulk without MEP (minimum export price). At present, groundnut oil export is permitted only in consumer packs of 5 kg. The government has fixed MSP for groundnut in shell at ₹4,220 per quintal. The trend is similar in other groundnut growing states. Overall, India's groundnut production is seen up by 70 per cent to 54.80 lakh tonnes in 2016-17 Kharif season as compared to 47.08 lakh tonnes last year. The move will help farmers fetch better prices for their produce amid bumper production of the commodity. Around 40,000-50,000 tonnes of groundnut can be exported from India if exports in bulk is allowed.

FFFAI attends the first NCTF meeting

The first meeting of the recently constituted National Committee on Trade Facilitation (NCTF) was called by the Cabinet Secretary, Government of India on October 28, 2016 to design the structure and working pattern of NCTF. The meeting was attended by Secretaries of different departments and ministries. Industry associations were represented by FFFAI and other chambers. FFFAI, Chairman, Samir J Shah and Vice Chairman S Ramakrishna attended the NCTF meet. In the FFFAI Chairman's opinion, while infrastructure would take time to develop there should be a target on proper implementation of all the existing systems and uniform operations across the country. All decisions should be taken after consultations with stakeholders. For instance, Mr Shah opined, the reduction in dwell time should have been done taking into consideration the issues faced by all the participants instead of only those faced by Custodians.

Food quality control mechanisms

To prevent rejections from the importing countries, and to ensure that the food products exported by India is of good quality, the government is planning to set up a quality control mechanism. This is being put in place to check on the certification requirement of the importing country.

The government intends to initiate a study to come up with a set of regulations aimed at preventing rejection of exported goods on foreign soil.

India's thermal coal imports to cease by FY2018

The Union Minister for Coal Anil Swarup wants to stop coal imports by thermal plants by fiscal year 2018. This year coal imports are expected to fall by 15 million tonnes from around 30-40 million tonnes. For the next year, Swarup said that imports will be reduced to zero. Coal India began the current fiscal year with a surplus of 56 million tonnes, and with thermal coal prices rising across the global benchmarks, coal-fired power plants are turning their attention to the domestic market.

Recently, Coal India posted a decrease in coal shipments to utilities during the first six months of fiscal year 2017. Energy companies bought 184.9 million tonnes of thermal coal during that semester compared to 190.6 million tonnes in the same period of the last fiscal year. The company is in talks to export coal to Bangladesh.

DHL strengthens India's ecommerce sector

DHL eCommerce, a division of Deutsche Post DHL Group, is investing €70 million (₹51,184 lakh) to strengthen its operations to meet the fast-growing demand for quality e-commerce logistics services in India. Through its subsidiary Blue Dart Express, this investment will go into the expansion of its air hubs in Delhi and Mumbai which are part of its network of 13 air hubs in India. The latest investment supports the growth of B2C e-commerce in India, and is part of the company's broader plan to aggressively expand across Asia Pacific.

Catering to the increasing shipment volumes by B2C e-commerce consumers in India, the air hubs, measuring 5,761 sqm and 4,274 sqm in Delhi and Mumbai respectively, will be equipped with automation to handle a daily volume of over 500 tonnes. The automation in both air hubs enables Blue Dart to process higher volumes of shipments in a shorter span of time for distribution to consumers across India by air. With the Mumbai air hub located at an airside facility, it will further accelerate the speed of domestic cross-border air shipments.

Titagarh Wagons bags first contract from Indian Navy

Titagarh Wagons Ltd bagged a tender floated by the Indian Navy for manufacture of vessels. The order is for building of two 1,000-tonne oil tankers to be delivered within 21 months from signing of contract, and is worth about ₹75 crore. The Group had acquired the requisite accreditations in shipbuilding through merger of its subsidiaries Titagarh Marine and Corporated Shipyard into itself. Titagarh Firema, the subsidiary of Titagarh in Italy has also secured a new contract for about €70 million for design, supply and installation of new traction system and fire protection system in the existing fleet of Trenitalia. The delivery is to be completed within 55 months.

Maersk's latest EEEs set new records

The latest series of Maersk's mega boxships under construction at Daewoo Shipbuilding & Marine Engineering are record breakers, in excess of 20,000 teu each. The 11 giant ships will deliver between April next year and May 2018 and contain "extensive modifications" compared to the original ground breaking EEE ships DSME delivered between 2013 and 2015.

The ship's bridge has been shifted two bays further forward, while the engine room and funnels have been shifted one bay aft. This will not only increase teu intake under deck but also on deck, due to the revised IMO visibility line. The new series contain a deeper hull than the earlier versions and is able to carry 12 tiers of containers under deck.

Shipping ministry to fund training of recycling workers

Under Sagarmala the shipping ministry will sponsor a ₹30-crore project for training 20,000 workers engaged in ship-recycling activity in Gujarat over three years. As part of its coastal community development programme under Sagarmala, the Ministry has sanctioned ₹10 crore as part of the first instalment to the Gujarat Maritime Board for capacity building and safety training of 20,000 workers at Alang-Sosiya recycling yard.

The safety training programme has been specifically designed and conforms to the common norms for skill development schemes under National Skill Qualification Framework notified by the Ministry of Skill Development & Entrepreneurship.

Ocean Alliance sets out network

Members of the Ocean Alliance, COSCO Container Lines, CMA CGM, Evergreen Line and Orient Overseas Container Line, signed a document entitled the Day One Product, which sets out the proposed Ocean Alliance's network, including port rotation for each service loop.

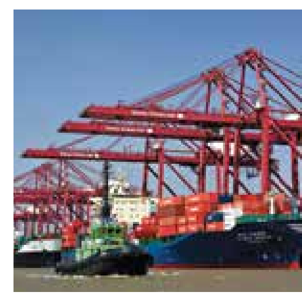
The Day One network intends to deploy around 350 container vessels with an estimated total carrying capacity of 3.5 million teu to provide one of the most comprehensive service coverage in the market on the following trade lanes. The vessel deployment details for each service loop, will be released shortly.

20 Transpacific services (estimated 160 port pairs, with 13 Asia – West Coast North America services, 7 Asia – East Coast North America and U.S. Gulf services); 6 Asia – Europe services (estimated 110 port pairs); 5 Asia – Mediterranean services (estimated 165 port pairs); 3 Transatlantic services (estimated 70 port pairs); 5 Asia – Middle East services (estimated 70 port pairs) and 2 Asia – Red Sea services (estimated 35 port pairs).

Subsidy for coastal shipping of fertilizers

The policy for reimbursement of freight for movement of phosphatic and potassic fertilizers under the Nutrient Based Subsidy Policy and for urea has been extended to movement by coastal shipping and inland water transportation. The subsidy that was earlier only applicable to the movement of fertilizer by rail from the plant or the port to rake points in various districts, will now also apply to the movement of fertilizers through coastal shipping and inland waterways. The total opportunity for coastal movement of fertilizers is 9-10 MTPA by 2025, with an estimated savings of around ₹900 crore to ₹1,000 crore per annum.

Shipping ministry forms committee to hire top level Sagarmala management



Following the Cabinet's approval to set up the Sagarmala Development Co., the ministry of shipping has formed an internal committee to appoint the top level management. Under the approved board structure, the ministry will be appointing a managing director along with two functional directors (finance and projects) for the company which will oversee the programme. The chairman of the company will be the shipping secretary. The company will have an initial authorised share capital of ₹1,000 crore and a subscribed share capital of ₹90 crore.

The company will be responsible for structuring activities, bidding out projects for private sector participation, identifying suitable risk management measures for strategic projects across multiple states or regions, and obtaining requisite approvals and clearances.

Maersk takes over Hanjin ships

Maersk Line continues to pick-off box ships that were formerly in the fleet of Hanjin Shipping. The Danish carrier is understood to have taken a wide-beam containership formerly operated by Hanjin on a rare long-term charter of up to four years. The 4,532-teu *K Marin Aqua* has been fixed by the Danish carrier at a rate in the mid-$9,000 per day.

The rate compares with spot rates of under a year for wide-beam vessels in this segment at about $6,500 per day. Earlier in the month, Maersk took six 13,100-teu neo-panamax vessels formerly in the fleet of Hanjin on long-term charter. Its latest fixture involves the three-year-old, ex-Hanjin *Aqua*, which has been deployed on Maersk's Asia–West Africa services jointly operated by Maersk and CMA CGM. *The Kmarin Aqua* is one of three modern wide-beam vessels originally chartered by Hanjin for seven years from South Korea's Kukje Maritime Investment Corp (Kmarin).

Shipping Alliance plans new routes for 2017

Vessel sharing partnership "The Alliance" plans service offerings for 2017 with 31 routes covering East-West trade lanes. The Alliance comprises member carriers Hapag-Lloyd, "K"Line, Mitsui O.S.K. Lines, Nippon Yusen Kaisha and Yang Ming. The comprehensive network of 31 services would connect more than 75 major ports throughout Asia, North Europe, the Mediterranean, North America, Canada, Mexico, Central America, the Caribbean, Indian subcontinent and the Middle East with fast transit times and a wide range of direct port-to-port connections.

Eight services will operate in the Asia/Europe trade including three services covering the important Mediterranean market. One dedicated service will cater for customers in the Middle East, connecting the key ports of China, South Korea and South East Asia with Dammam, Jubail and an Arabian Gulf hub port. sixteen joint services will be operated on the Trans Pacific trade. Six loops will serve the North Atlantic trade covering a wide range of North European and Mediterranean ports as well as those in the US, Canada and Mexico.

PORTS

DCI bags contract from Kolkata Port Trust

Dredging Corporation of India (DCI) has bagged maintenance dredging work contract worth ₹1,119 crore for Kolkata Port Trust for five years. DCI has been carrying out the maintenance dredging for Kolkata Port channels for the past 30 years. The contract was normally awarded by the Central Government on nomination basis in the past. In accordance with the new policy, KoPT had called for global competitive tenders for maintenance dredging in the shipping channel leading to Haldia Dock Complex in the Hooghly Estuary for five years beginning January, 2017.

DCI, successful lowest bidder, was the only party to be technically qualified for the tender. Although seven Indian and foreign parties participated in the pre-bid meeting for the tender, only two parties participated in the tender.

Six new mega ports planned under Sagarmala

Six new mega ports have been cleared to be built under the Sagarmala Project. The project is estimated to save up to ₹40,000 crore per year spent on logistics. The greenfield ports are likely to come up at Sagar in West Bengal, Paradip Outer Harbour in Odisha, Enayam in Tamil Nadu and Vadhavan in Maharashtra.

The new Vadhavan Port, estimated to cost around ₹10,000 crore, will help ease the congestion in the present shipping capacity. The new port will be able to handle 40 to 60 million tonnes of cargo every year. The Paradip Outer Harbour project, estimated to cost around ₹8,200 crore, will be developed to facilitate the coastal shipping of thermal coal for power plants in Southern and Western India. The new port will have a capacity of 175.5 million tonnes per year. The Sagar Port proposed to handle the overflow of traffic from Kolkata and Haldia facility, has received an initial grant of ₹515 crore as viability fund from the Centre. A new port, either in Machilipatinam or Vodarevu, in Andhra Pradesh has also been proposed to handle the thermal coal, cement and container cargo in the region. A similar facility, either in Cuddalore or Shikazhi, in Tamil Nadu is also being contemplated to handle the movement of thermal coal.

Cargo traffic at top ports up 6.27 per cent in Apr-Oct

Cargo traffic at India's top 12 ports went up by 6.27 per cent to 370.04 million tonnes during April-October 2016, compared to the same period a year ago. These major ports handled 348.21 million tonnes (MT) of cargo during April-October period of the previous fiscal.

Among the 12 ports, Mormugao Port recorded the highest growth in traffic during the said period with an increase of 60.62 per cent, followed by Paradip - 18.19 per cent, Kandla - 9.99 per cent, Vishakhapatnam - 8.95 per cent, New Mangalore Port - 8.74 per cent, Cochin - 6.63 per cent, V.O. Chidambaranar - 4.09 per cent, and Chennai Port - 0.18 per cent.

Gateway SpotLight, a special feature by *Maritime Gateway*, showcases the unique initiatives of business groups across maritime sectors in their products, services and processes that helps them achieve and sustain better productivity, efficiency, environment conservation and above all judicious business practices. **Gateway SpotLight** provides an opportunity for businesses to bring to light their best practices at work and thereby such a FOCUS.

Presenting CODEX Container Digital Exchange under this feature.

CODEX Container Digital Exchange

Tuticorin Port creates history, makes India's first Container Digital Exchange: CODEX

"This is a path breaking and pioneering initiative in enabling ease of business in conformance with the honourable Prime Minister's initiative of "Digital India". The Container Digital Exchange is the first of its kind initiative at an Indian Port which promises to reduce the current documentation process from 2 hours to almost 1/4th its time."

– Mr S Anantha Chandra Bose
Chairman, Tuticorin Port Trust

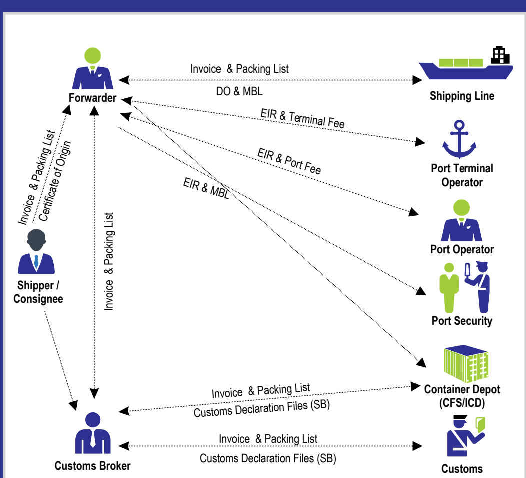
Necessity is the Mother of Innovation - This saying could not be more true. To fulfil their vision of growth and expansion, V.O.C Port Tuticorin embarked upon 'Project CODEX' along with their Technology Partner Kale Logistics Solutions.

The Port, the Customs and all container stakeholders wanted to create seamless movement of container into & out of the Port and hence the project of port gate area expansion was taken up. The expansion helped to overcome several challenges such as Limited Visibility of Container Trailer, Documentation, Inadequate Planning, Multiple stoppage points & resulting Queuing up outside Terminal gate, Chances of Uncleared Goods entering the Port, Lack of Visibility to Customs, Port Congestion with incomplete processes at the CFS being carried out at port such as allowed for shipment, Unavailability of Real time Information, Security risks and increased Dwell time, Custom Agents travel time within the port for multiple clearances / approvals before handing over the shipment to the terminal operator, Lack of real time container visibility resulting in higher wait / dwell times, Increased paper handling and management costs as some documents like TSA cannot be generated and viewed online.

Joint Association to Develop India's first Container Digital Exchange-CODEX

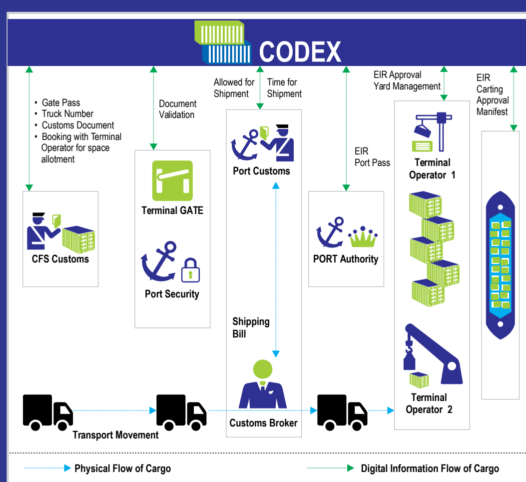
Tuticorin CFS Association (TCFSA), Supported by V.O.C Port and Customs, joined hands with Kale Logistics to deliver India's first Container Digital Exchange (CODEX) designed to automate the container movement and reduce the container dwell times considerably. CODEX offers a Digital Community platform to enable effective management of cargo information & documentation flows such that it eliminates/reduces

Scenario without CODEX



A block diagram depicting current process followed in Container Movement

Scenario with CODEX



A block diagram depicting proposed process after CODEX Implementation

Mr **David Raja**-President TCFSA (extreme right) signing MoU with Mr **Vineet Malhotra**- SVP, Kale Logistics Solutions

CODEX Mobile APP: A first for Indian Container Stakeholders

"With the CODEX Mobile APP, we look forward to making real-time information available to container stakeholders at Tuticorin Port, thereby saving them time & efforts involved in following up for Container Status updates."

– Mr David Raja
President –TCFSA

manual paperwork considerably. This move has improved and contributed to the seamless movement of EXIM containers in and out of the Tuticorin Port from/to CFS/ICDs. CODEX electronically connects CFS/ICDs, Transporters, Port authority, Customs, Port terminal Operators and Security forces operating at Tuticorin Port.

This platform works on the basis of online real-time data getting uploaded on a digital platform which is made accessible to all approved viewers. The Container movement can be tracked as well as authenticated at various points on its way to VOC port by means of unique barcode attached to each container and corresponding shipping document. This ensures faster & more secured movement of export containers as clearance at various gates as well as the movement related data is readily available in system eliminating the need for manual data entry. The CODEX generated Gate Pass is bringing in standardization and uniformity and acts as Customs permission document for export containers movement from VOC Port.

CODEX enables end-to-end automation & electronic movement of Container documentation for all Container stakeholders:

For Terminal Operator at Port

- Endorsement / Approval of EIR
- Manage the Incoming Container Traffic with a real time Dashboard
- Visibility on Terminal Inventory
- Real time Integration with Terminal Operation Management System
- Send Notification status pertaining to Container Loading on to Vessel / Offloading from Vessel to the stakeholders

For Port Authority

- Online Port Pass Registration for Vehicle & Driver
- Approval of Port Pass Registration
- Visibility on Number of Port Visit Pass generated and its Validity (1Day, 1Week, 1Month, 3Month, 6 Month, 1 Year)
- Know Port Statistics with respect to Export and Import Container Movement
- Receive Direct confirmation into Port Management System from CODEX using Integration
- No Manual recording pertaining to EIR In/Out movement
- Get one click reports for Port Statistical data

Container Freight Station & Inland Container Depot

- Online CODEX pass generation (Export- Import)
- Direct Visibility on EIR Status
- Mile-to-Mile tracking on Container Movement
- Port Pass Registration Requests
- Port Pass issuance control

For Customs

- Auto Time Control alert on Container Movement from CFS/ ICD to Port & vice-versa
- Auto confirmation on Import Container Scanning Status
- SB / IGM wise auto confirmation on in/out movement
- Digitization allows for shipment checks

CODEX has been a roaring success by reducing dwell time, providing end to end visibility and ensuring 100% Customs compliance.

The Outcome: CODEX is effectively digitizing the container movement at Tuticorin Port and delivering a multitude of benefits-

- Reduced Dwell Time from earlier 2.5 hours to only 25 minutes.
- One common Information highway connecting all the entities
- Shipment visibility to each participant based on rights authorised
- Improved capacity planning at the port terminal
- Eliminates the possibility of un-cleared shipment moving to the terminal
- All shipment related documents are made available to the required entities for mandatory approvals & processing
- Connects with the existing user system thereby ensuring that there is no disruption for users in their operations mg

Mumbai Port eyes higher bunker sales

Mumbai Port is looking to boost its bunker sales with the development of a new bunkering facility at Jawahar Dweep. Bharat Petroleum Corporation Limited and Hindustan Petroleum Corporation Limited have entered into an agreement with Mumbai Port Trust to set up the ₹500 million ($7.5m) bunkering facility at Jawahar Dweep. The port authority expects the bunkering business in the port areas will grow from 200,000 tonnes to 1.93 million tonnes by 2034. Mumbai Port will be modifying the existing second oil berth at Jawahar Dweep to facilitate berthing of bunkering barges. The tankages at Jawahar Dweep will be refurbished by HPCL and BPCL to create storage facility.

AP to set up commercial port at Kakinada

The AP government is likely to expedite the process of converting the earlier planned captive port into a commercial port at Kakinada. With a petrochemical complex promised by the central government in the Vizag-Kakinada region at an investment of around ₹32,000 crore, the commercial port at Kakinada may also include an LNG terminal. The commercial port is expected to be developed at Kona Village of Thondangi Mandal in East Godavari district. The investment for the development of the commercial port is expected to be around ₹2,000 crore with three berths likely to be developed in the first phase followed by four more berths in the second phase.

New rail options at Pipavav Port power growth

Container volume at APM Terminal operated Gujarat Pipavav Port increased 13 per cent Y-O-Y in the second fiscal quarter as inland volumes by rail jumped 21 per cent Y-O-Y to 127,000 teu. New double stack train services connecting Pipavav with Northern Hinterland points powered the Y-O-Y growth in shipments at the port. The collapse of Hanjin caused quarter-to-quarter volumes drop by 3 per cent. The port handled 166,000 teu units in July to September period, compared with 147,000 teu in the corresponding months last year. Pipavav handled 172,000 teu in the first fiscal quarter, down 11 per cent from 193,000 teu during April to June 2015.

Hooghly Dock to build LNG-fuelled barges

Hooghly Dock is scouting for a partner that will enable it to build LNG-fuelled barges of up to 2,000 dwt to transport cargoes along the inland waterways. Haldia Dock Complex has recently earmarked about 10 acres of land for LNG storage facilities. The construction of proposed LNG barges at HDPEL will be eligible for a 20 per cent subsidy through the shipbuilding subsidy scheme, announced by the shipping ministry earlier this year. Maritime provinces including Goa, Maharastra on the west and West Bengal on the east coast have evinced interest in deploying LNG-fuelled barges for transporting cargoes locally. The construction of the proposed LNG-fuelled barges is expected to be launched in the next two years.

Maersk interested in Colombo's New South Port

Maersk Group is interested in developing a deep water terminal in Colombo's new south port. The group already has stake in a private container terminal and its shipping line makes regular calls at Colombo. Maersk Group was one of the firms that submitted expressions of interest for operating the East Container terminal of the South Harbour, which has been put out for bidding by the Sri Lanka Ports Authority. "Sri Lanka is enormously important as a transshipment hub, not just for services in the Indian Ocean but for the whole of Asia and the Middle East," said Julian Michael Bevis, Senior Director of Group Relations at South Asia, Maersk Group.

Minister calls for use of IT at ports

India's Shipping Minister, Nitin Gadkari has released a report on modernisation of port systems calling for use of IT. India's port authorities need to take more active roles to catch up with new trends in port strategies that are emerging around the world. The report, entitled "Next Generation Port Infrastructure – Technology Transformation for Integrated Port Operations," contains recommendations of a task force appointed by the ministry to prepare a robust IT transformation document.

The team studied the present state of IT adoption levels and suggested measures to reform and modernise the entire ports system. Some of the major recommendations of the task force include creation of an ITS department, development of ITS architecture, standards and protocols.

Ship unloaders delivered from GENMA to Venezuela

Recently, four HSUS400D pneumatic ship unloaders from GENMA had set sail to Venezuela. HSUS400D with the capacity of 400t/h is applicable for various grain, cement and chemical materials. The four machines will be mainly used for grain unloading at Maracaibo and Puerto Cabello ports. HSUS series pneumatic ship unloaders apply multistage turbo blower system which can maximise the suction efficiency for various material with no need of any special feeding device. The airflow and speed are adjusted automatically.

MPT unveils plan for water transport along eastern seafront

The Mumbai Port Trust (MPT) unveiled plans for the Mumbai Eastern water transport system that will provide a network of passenger ships from Mumbai to Navi Mumbai and Alibaug. The government has indicated that Mumbai's new system will reduce travel time considerably, especially between the city and Mandwa and New Mumbai, which will help de-congest road traffic. It will transport both passengers and vehicles across the harbour in quick time and for this purpose Ro-Ro ships will be used. The transport system will connect Baucha Dhakka or Ferry Wharf in Mumbai to Nerul in Navi Mumbai and Mandwa in Alibaug.

IWAI plans to carry LNG to Nepal via Gazipur terminal

The World Bank-aided ₹5,369-crore Jal Marg Vikas project of IWAI, plans to reach LNG to Nepal via Gazipur in UP. IWAI already planned a container terminal at Kalughat, near Patna, in Bihar targeting a slice of the Nepalese import cargo that is currently moved by rail or road from Kolkata Port. With at least two LNG terminals mooted at Contai in West Bengal and Dhamra in West Bengal, gas marketing companies are now keen to tap the opportunities in the region. To promote usage, the Ganga Jalmarg Project will also procure 25 LNG fuelled vessels or barges, fit for river transport of 1,500-2,000 tonne capacity each. The vessels will cost ₹10-15 crore each.

VO Chidambaranar Port created new records in cargo handling

V.O. Chidambaranar Port has handled a commendable traffic of 22.68 million tonnes of cargo during the current financial year up to October 31, 2016, registering a growth of 4.09 per cent over corresponding period last year traffic of 21.79 million tonnes. In terms of containers, the port has handled 3,79,693 teu of containers in the current financial year registering a growth of 6.22 per cent over corresponding period last year container traffic of 3,57,443 teu.

During October 2016, the port created new record by loading 22,228 metric tonnes of Ilmenite sand to the vessel *MV Aiantas* (berthed on October 25, 2016) surpassing the previous record of 18,741 metric tonnes of Ilmenite sand loaded to the vessel *MV Falcon Trader II* (berthed on December 16, 2011) which is the highest quantity of Ilmenite sand so far loaded in the port.

LOGISTICS

Government to increase investments in highways and shipping infrastructure

To overhaul infrastructure, government is lining up ₹25 lakh crore for the highways and shipping sectors in 5 years, Union Minister Nitin Gadkari said. The investment is bound to boost GDP by 3 per cent and this will also create at least 5 crore jobs. So far projects worth ₹4 lakh crore have been awarded, including projects worth ₹3.17 lakh crore in highways and ₹80,000 crore in shipping.

Massive work has led to construction of 22 km of highways per day, whereas the ministry is striving to achieve 42 km a day target and is working hard in that direction. Highway construction target for 2016-17 is 15,000 km and "till October, we constructed 3,591 km", he said. The government so far has constructed 14,594 km of highways while it has awarded projects for construction of another 21,247 km.

Rlys, India Post join hands

With packets and sacks containing apples, motor vehicle parts, agricultural produce, mail vans and baggage of defence personnel jostling for space at parcel booking counters of the Indian Railways, the national transporter is now exploring the potential of using its network to move India Post parcels, too. The Member-Traffic of the Railway Board and the Secretary, Department of Posts are evaluating the potential of carrying parcel cargo on trains. The share of the Railways in India Post's overall traffic is about 1 per cent, while the share of Railways' revenue from parcel traffic is 4 per cent. The Railways is also working on various strategies to increase income from parcel traffic, which has stagnated at ₹1,800-2,000 crore in the past few years. The Railways has also opened the parcel sector to private container operators.

Mhow-Manmad rail line to ease container movement

As many as 12,000 containers are being dispatched from Pithampur to JNPT every month. Out of this Concor alone is engaged in dispatching over 7,000 containers. If Mhow-Manmad new rail line project takes shape then this will help in saving transportation time and costs. Owing to emergence of the region as a major investment zone of the country, a bumper export is likely from here in next few years. Presently around 22 container trains are being dispatched from Ratlam to Mumbai. But after the project they would be able to dispatch containers directly from Pithampur to Maharashtra and JNPT bypassing Ratlam and Gujarat.

FFFAI submits pre-budget memorandum to Government of India

Amit Kamat, Honorary Secretary, FFFAI has presented their recommendations to the Central Board of Excise & Customs and Ministry of Finance to consider the same in the Finance Bill 2017-18, for smooth exim transactions. Major points included in the recommendations are:

- The concept of linkage between Section 15 and Section 31 should be done away with to facilitate faster clearance and promote the process of Advance Noting 30 days prior to arrival of a vessel
- In the case of Section 28, where government authority gets two years whereas exporters/importers get only one year to resolve disputes and to claim refunds, it is recommended that the time frame should be the same for both government and exporters/importers
- Minor amendment or supplement should be allowed electronically by a CHA/Importer as per the requirement of Section 30 (3) and satisfaction of a proper officer
- Filing of Transshipment Permit (as per Section 54) should be allowed electronically
- When the provisions of Section 59 have been complied in any respect of any goods, the proper officer may make an order permitting the deposit of goods in a warehouse. In this case jurisdictional authorities of the warehouse should be able to feed the data of warehousing.

Connecting Haldia Port to Bhutan, Nepal

Drivers from Phuentsholing border in Bhutan, Hilli border in northern Bangladesh and Kakarvitta border in Nepal may soon bypass greater Kolkata region and save more than seven hours to pick up international cargo from Haldia Port. A new Bengal Highway that has recently got the requisite amount from Asian Development Bank and approvals from central government agencies, will open up the Haldia Port to neighbouring countries Bangladesh, Nepal and Bhutan besides benefitting the north east. Tenders for commencing the work of the highway is slated to be called soon.

Dubbed the 'North south corridor of Bengal,' the 270 km long expressway connecting Morgram in Murshidabad district with Mechogram in Purba Medinipur district, will enable freight to bypass the congested Howrah suburbs and saving more than 300 km.

DFCs stumble over land acquisition

The dedicated railway freight corridor has finally managed to award all contracts for the Dadri-Mumbai link over 11 years after the flagship infrastructure project was announced. But on the eastern front – that will connect Ludhiana with Dankuni in West Bengal – nearly 10 per cent of the land, which is close to 450 hectare, is yet to be acquired even as funding has now been tied up.

For the ₹81,450-crore project, land acquisition and clearances have been the biggest headache so far. The project needed around 11,600 hectare – 6,000 hectare for the western and 4,587 hectare for the eastern stretch. While it was battling court cases and arbitration, a third blow came by the way of the new land acquisition cost, which pushed up the average price from around ₹1.3 crore a hectare to around ₹2 crore – an increase of around 54 per cent.

Bharat Petroleum expanding petcoke refinery capacity

The Indian government has issued an order granting a nod for Kerala Industrial Infrastructure Development (Kinfra) to set up a petrochemical park in the Kochi region. Kinfra is currently looking for 600 acres of land at Ambalamugal in Kochi in order to set up the project, which is still pending a decision from the Union cabinet. The project will cost an estimated ₹1,864 crore, including cost of the land and internal infrastructure, to be provided by Kerala Infrastructure Investment Fund Board (KIFB) in loan.

The needed infrastructure includes internal roads, drainages, water treatment plants, internal water supply system, internal electrification, common sewage treatment plants, common effluent treatment plants, rain water harvesting and solid waste management. Kochi already has a large refinery from Bharat Petroleum, which produces petcoke, bitumen, LPG and Kerosene,

Sanjam Gupta re-elected on WISTA International Board

Sanjam Gupta, President of WISTA India and Director Sitara Shipping Ltd. was re elected to the WISTA International Board where more 225 shipping and trading executives from 30 countries joined the Women's International Shipping & Trading Association (WISTA) aboard the *ms Koningsdam*, Holland America Line's newest vessel, on November 9 for the WISTA 2016 International Conference and Annual General Meeting. This is her second term and she looks after the Asia Pacific and Middle East region.

The Conference, hosted by WISTA USA under the leadership of its President, Alexandra Anagnostis-Irons of Total Marine Solutions, featured the Annual General Meeting (AGM), a robust Conference program agenda, and a variety of workshops designed to transfer knowledge on the industry, leadership, and growth.

New wine in old bottle?

The government's intent to make business easier for new port operators is appreciated. Equally, the government should also adopt a sympathetic approach towards the existing operators

by Deepika Amirapu

The Ministry of Shipping has proposed a new Model Concession Agreement (MCA) for the ports sector replacing the older agreement that has been in existence since 2008. The old compliance document was revised and as many as 11 new recommendations from the industry have been incorporated after consulting the Planning Commission, the Indian Ports Association, the Kelkar Committee Reports and inputs from the industry.

The key objectives of the revised MCA include more equitable allocation of project risks, provisions to handle unforeseen circumstances, removing ambiguity in existing provisions and to attract more private sector investment. The changes to existing guidelines have been long overdue and an oft brought up plea before the ministry by the industry. The change in guidelines to a large extent will benefit the private terminal operators in major ports who have cried foul over being put at a disadvantage because of the overbearing norms of the concession agreement.

There is still a degree of ambiguity on these recommendations being implemented. And so the million dollar question being asked is, "Will the existing players be allowed to migrate to the new policy or will certain provisions be rolled back to make way for the new ones?" **Captain Dinesh Gautama, President, Navkar Corporation** says "A few of the recommendations are really needed and timely. The early exit option will benefit the private operators tremendously as they can exit the project in case they do not want to run the terminal after it breaks even." Currently, the existing operators can only alter their share holding pattern by transferring their stake from one subsidiary to another. The approval of discounts on ceiling rates is another provision that will benefit not just operators but also cargo owners, Capt. Gautama says. "This will allow the ports to give discounts to their customers because the concessionaire can approach the port to consider and approve discounts on ceiling tariff and revenue share shall be paid only on the approved discounted tariff of the approved revenue share as against the gross revenue collected presently."

The approval of discounts on ceiling rates will benefit operators and cargo owners.

The MCA's inclusion of utilising more equipment to increase productivity is another welcome relief for operators as it allows them to deploy more workforce and equipment to increase its productivity. But what's not clear if the concessionaire will be taxed for any increase in volume of cargo handled as is the practice now. Many international terminal operators who function in India are withholding any increase in cargo handled in spite of capacity available for fear of having to cough up a greater share of their revenue to the government.

Another shot in the arm is the inclusion of cost and time escalation in projects undertaken as the estimated outlay for a project could go up significantly if government approvals do not come in time.

The government's intent to allow greater operational room for private players by changing the MCA is a welcome move. But it is not *acche din* for the terminal operators yet as the new rules will not be applicable for the existing operators. For the current terminals to ramp up cargo handled, a kinder law and some revised amendments will be a nice Christamas gift from Nitin Gadkari whose turn it is to play the real Santa. mg

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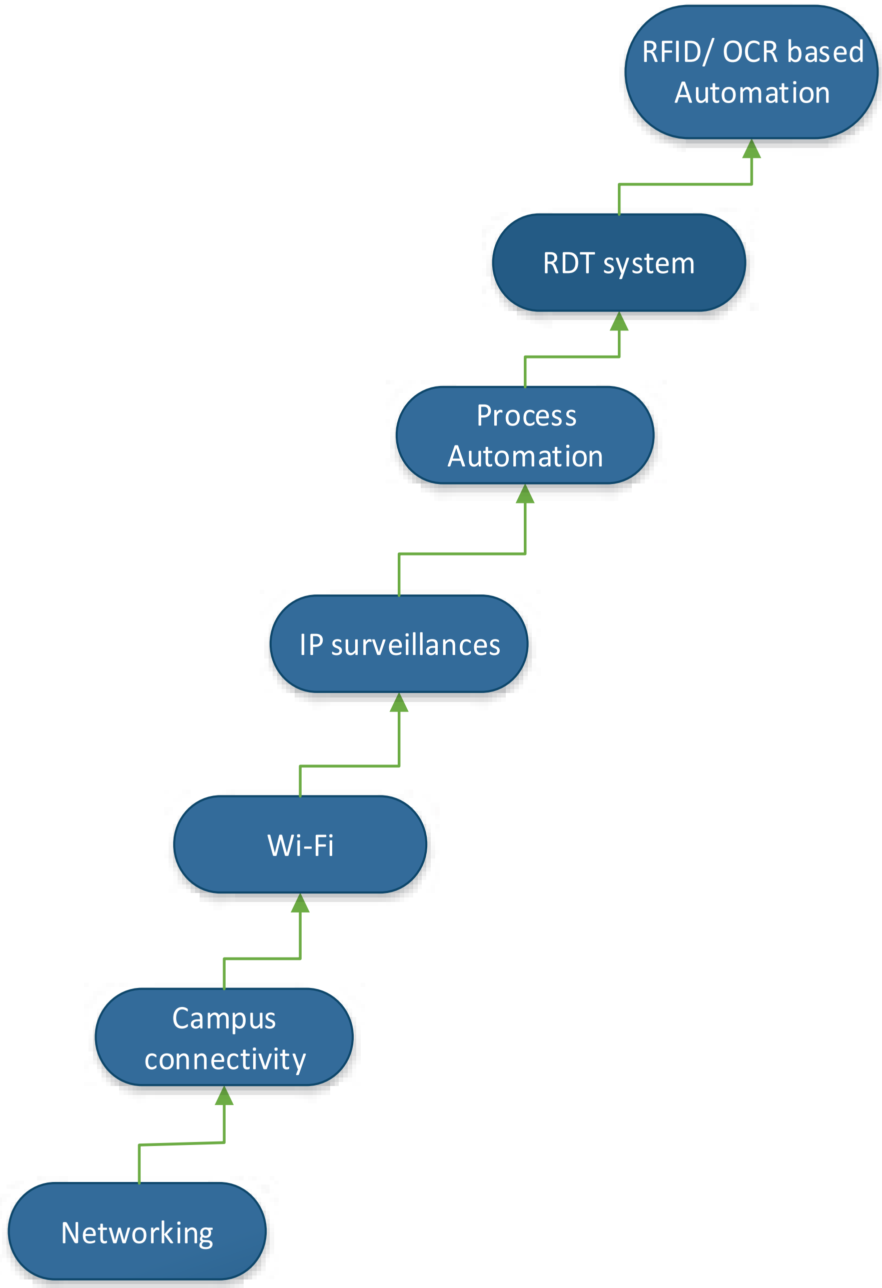

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CHARTING A NEW COURSE

Nitin Gadkari, known to be best performing minister of Modi's government is a man in hurry to revolutionize the way business is conducted in shipping in India. In an exclusive interview he talks to *maritime gateway* about several initiatives his ministry is taking

by Sisir Pradhan and Deepika Amirapu

The year 2016 has been one to be earmarked as one of the most remarkable years for the Indian shipping and ports industry. A slew of reforms were initiated for ensuring a better policy environment conducive to business. The Minister for Shipping Nitin Gadkari and his bale team have attempted to smoothen many cracks in the system since assuming office in 2014. The changes suggested in the system included tweaks both in the administration of ports and at the policy level.

The modernisation of all the 12 major ports was one of the first reforms that was initiated. Boston Consulting Group was appointed to survey all the 12 ports and suggest reforms that need to be undertaken on both the land side and sea side. About 102 recommendations were made and once implemented, these ports will be ready to compete with the private ports. Simultaneously, a bill was passed to start work on the 101 waterways to transport cargo through these riverine systems and reduce the carbon footprint and logistics cost. Cabotage rules were partially relaxed too for Indian and foreign flagged vessels to carry exim cargo and empties between ports in India. Alongside, the ship licensing system was simplified which granted Indian ships a one-time life long licence coterminous with the registration of the vessel.

But some of the major reforms came by in 2016. The rewriting of the Major Port Trust Act began and the model concessionnaire agreement was modified to allow enough room for private operators to exit PPP projects after three or six years. Another new law to deal with the shipping sector will shortly replace the ancient Merchant Shipping Act 1958. Yet, the biggest win of all of these reforms and perhaps the mother of them is the Sagarmala Project that envisages connecting all ports in the country through roads and ensure seamless movement of cargo within the country to bring down the logistics cost to a single digit from 18 per cent currently.

And there are more to come, the Minister for Shipping says. In a free-wheeling interview with ***Maritime Gateway***, the first ever comprehensive one with a publication, Nitin Gadkari speaks of all the reforms he has up his sleeve. Read excerpts from the interview:

ON CABOTAGE RELAXATION

"WE HAVE ALREADY TAKEN SOME DECISIONS WITH REGARD TO CABOTAGE LAW IN THE PAST. HOWEVER, FUTURE COURSE OF ACTION WILL BE DECIDED AFTER STUDYING THE IMPLICATIONS OF EXISTING CABOTAGE LAW. BUT PRINCIPALLY, I AM OPEN TO COMPLETE ABOLITION OF CABOTAGE LAW. WE HAVE GIVEN SOME SPECIAL INCENTIVE AND SUPPORT TO THE INDIAN FLAGGED SHIPS BUT IN THE PRESENT SITUATION OF LIBERAL ECONOMY WE HAVE TO THINK ABOUT IT BECAUSE WE HAVE TO ENCOURAGE THE MOST IN THE INTEREST OF THE COUNTRY, SINCE WE HAVE TO BE VERY CAUTIOUS ABOUT LOGISTICS COST. UNLESS AND UNTIL THE LOGISTICS COST IS BROUGHT DOWN WE CAN'T FULFILL OUR PRIME MINISTER'S VISION FOR THE COUNTRY."

Q Ministry of shipping has put up a great show through India Maritime Summit 2016. In your view what is the visible impact of the summit on the Indian port and shipping sector?

We are expecting an investment to the tune of ₹12 lakh crore in the Indian port and shipping sector. Out of which ₹3 lakh crore is expected in port rail and road connectivity. We have already formed Indian Port Rail Corporation to improve rail connectivity to ports, and ₹22,000 crore have been allocated for the project. Some of the major rail linkages taken up so far are Talcher-Paradip Port, and Indore-Manmad-Dhule. There are lot of intra-port railway projects which are to be developed. We are expecting ₹1 lakh crore of capital investment in port rail connectivity projects alone.

We have also mandated National Highways Authority of India (NHAI) to upgrade road connectivity to port to four-and six-lane roads, for which ₹2.80 lakh crore has been allocated. Furthermore, ₹1 lakh crore has been earmarked for mechanisation of cargo handling operation and modernisation of ports. Boston Consulting Group has already recommended 104 key areas for improvement of major ports, and we have started work on 60 recommendations, for which projects worth ₹90,000 crore has been initiated.

Q Tell us about the Port rail connectivity projects and how they are being funded?

Presently Indian Port Rail Corporation is implementing the port rail connectivity projects, but depending on requirement we might consider to form joint ventures. We will raise funds for the Indian Port Rail Corporation through external commercial borrowings (ECB) mode in USD terms for every $4,000 crore, and there will be no requirement for hedge for an ECB upto $50,000 crore.

JN Port was the first port to raise fund through ECB mode for its infrastructure development, and similarly all major ports will have to raise funds through ECB, and some part of which will be spent on port connectivity projects. We are making a joint venture between Indian Railway, Indian Port Rail Corporation and Odisha Government for the Talcher-Paradip Port rail project. Similarly, Indian Railways is funding 50 per cent of the project cost for the Indore-Manmad-Dhule rail linkage, and remaining 50 per cent funding is supposed to be funded by the state governments of Maharashtra and Madhya Pradesh, which is now funded by JN Port since 47,000 containers are coming from Indore to JN Port. Currently, due to congestion in Ahmadabad and Mumbai rail corridor, it takes 12-15 days for container rails to cover the distance. Hence, we are contemplating Indore-Manmad-Dhule rail linkage as an alternate rail route for container rails coming from northern regions like Punjab, Haryana, Uttar Pradesh and Delhi.

Q When state ports, which handle around 45 per cent of the country's cargo, enjoy a market determined tariff, why is the Ministry of Shipping still continuing with tariff regulation?

We have already decided to abolish TAMP, and we are going to present a new Port Trust Act in the Parliament to culminate the present tariff structure.

Q So, in the new tariff model, will the Port authority fix the rates or will it be a market determined tariff structure?

In the modern management system, we are going to change the existing laws because we are not going to accept the Corporate Act in the new Port Act. We are changing some legal terms of existing law. The port trusts will continue as independent entities, but by changing the existing law it will give them more autonomy to take professional decisions in the interest of the port.

Q Will the new Port Act mean that the ports will not have to depend on the approval of the Shipping Ministry for projects worth ₹500 crore or more?

This is not the case! But we have already made study on this and essential changes have been taken into the new Act. It will go to the cabinet first and subsequently to the Parliament for approval. At this point in time it is not appropriate to disclose all the details about the new Port Act.

Q Modern day maritime trade is much more demanding compared to the pre-globalisation era. Do you think it is time that the major ports should be allowed to be run by professionals from maritime sector? What is the status of corporatisation of major ports governance?

We need a professional management to run major ports. We have 12 major ports now and we have decided to develop six more major ports, hence we need people with good managerial skill and rich experience in international maritime sector. We are stressing a lot on imparting training and port officials are now visiting ports in Europe and other parts of the world. In recent times the efficiency of some major ports has improved as compared to private ports.

Q Government has declared many waterways that are yet to be

Maritime Gateway Team with Shipping Minister

THE RATIONALE FOR SIX NEW MAJOR PORTS

> **OUR BUSINESS IS CONSTANTLY INCREASING. FOR EXAMPLE, JN PORT HAS FULLY UTILISED ITS CAPACITY. IN THE CURRENT SCENARIO, IT IS A HERCULEAN TASK TO MOVE MORE THAN 1 CRORE CONTAINERS BY ROAD AND RAIL AND OUR PORTS ARE ABLE TO HANDLE THAT CAPACITY. FROM LOGISTICS POINT OF VIEW IF COAL CAN BE MOVED FROM ODISHA TO DAHANU BY SEA, IT CAN FULFILL THE REQUIREMENT OF POWER PLANTS IN MAHARASHTRA AND GUJARAT AND IT WILL REDUCE THE LOGISTICS COST. THE MOST IMPORTANT OBJECTIVE FOR MY MINISTRY IS TO REDUCE LOGISTICS COST. MY TARGET IS TO DEVELOP 112 RIVERINE PORTS AND MULTI-MODAL HUBS AND INCREASE COASTAL TRAFFIC. THIS YEAR WE HAVE MADE AGREEMENT TO START 60 CRUISE LINES, AND WE ARE DEVELOPING PASSENGER TERMINALS AT SIX PORTS. WE PLAN TO INCREASE WATER TRANSPORT THROUGH HOVERCRAFTS AND SEAPLANES, AMONG OTHERS.**

operationalised fully. What are your plans to operationalise them?

We have allocated 36 waterways to IWAI. World Bank has funded the waterways for River Ganga. Similarly, Goa Port will develop the waterways in River Mandovi and Zuari, and about 7-8 rivers in Maharashtra will be developed by JN Port. The ports will raise the funds to develop the waterways connecting the respective ports as it will ultimately benefit their business. Various internal and external funding models have been identified for these projects and there is no dearth of funds.

Q The Government has announced a transshipment hub near Colachel which makes it the third hub. Will these be able to gain back the cargo we are losing to neighboring hubs?

Our economy has changed and we are expecting a considerable growth in GDP. Through various innovative methods cargo can be generated. For example, the coastal movement of RO-RO that was recently started has moved 3,000 cars from Chennai to Cochin and Kandla. For us the highest priority for transportation is: first, waterways; second, rail; and third, road.

Q You have been driving modal shift in cargo movement and coastal shipping. Lack of return cargo is making coastal shipping expensive. How do you intend to make this attractive to the service provider and user?

We are in discussion with all the stakeholders to encourage coastal movement. We are ready to solve difficulties and support the trade. As far as the return cargo is concerned, when a new initiative is started it has some challenges but over a period of time more and more cargo like cement, steel and other commodities will be moved by coastal shipping.

Q You have set a target of India reaching a share of 5 per cent and 10 per cent respectively in global shipbuilding and ship repair markets. What policy measures are being taken up to achieve this target?

We are extending subsidies to the shipbuilding industry but still the condition of Indian shipbuilding has not improved much and they require more support to grow. They need more orders and we have discussed with the defence ministry to give more shipsbuilding orders to Indian shipbuilders. The defence ministry has plans to buy new vessels worth ₹70,000-80,000 crore and we have suggested them to buy from Indian vessel makers.

Q In a bid to promote the 14 CEZs, are there any plans to incentivize the industries along with shippers?

We are planning industrial clusters near ports like edible oil refineries, petrochemical industries, leather and food processing units. A project has already started near JN Port and these projects need clearances from various departments. We may consider to give concessions to industries.

Q What will be the ministry's strategy to improve profits for Shipping Corporation of India and Dredging Corporation of India?

We have taken many decision with regard to these two organisations. We are also going to convert debt by SCI into long-term foreign currency loans, and we are also trying to get more business from Ministry of Petroleum. We are also planning to bring about some administrative reforms.

Q What steps are being taken by the ministry to curb cartelisation?

Cartelisation is very bad for the industry, and wherever it is prevalent we will take strict action against it. mg

TIME TO END MAFIA IN MARITIME

Crime in stevedoring at Paradip dates back to 1984. The fight to control workers and cargo operation had led to death of many. Local cargo handling agents formed a pool of workers, which sowed the seed of cartelisation at the port.

by Sisir Pradhan

Mahimananda Mishra

Paradip , a small sleepy town on the east coast woke up to a horrifying Wednesday morning on 26 October when a senior executive of a logistics company was shot dead. On that unfateful day, Seaways GM Mahendra Swain's vehicle was first bombed and then he was shot to death at Paradip Port's residential colony. The shooters were caught on 17 November which revealed the dark side of stevedoring operation at the bulging port.

At Paradip Port except for thermal coal, all other cargo handling is done manually, it led to dependency on labour and hired machinery. And here comes the murky role of handful of well connected influential people who formed a cartel to control labour and stevedoring operation, hence arm-twisted shippers to use the service of a handpicked few. Crime in stevedoring and control of cargo handling workers at Paradip dates back to 1984, when fight to control workers and cargo operation had led to death of many, including police personnel on the night of April 14, 1984, and reports said then local cargo handling agents formed a pool of workers, which sowed the seed of cartelisation in cargo handling.

Tension between Mahimananda Mishra, President of the Paradip Port Stevedores Association and Seaways started a year back over handling of cargo from Jindal Steel and Power, and while Seaways got the mandate by virtue of being lowest bidder but its cargo operation was disturbed.

The slain official of Seaways in an earlier interaction had said only a stevedoring license is required at all ports to handle cargo inside port, but at Paradip another license called CFH license is also required, which was issued to a few. For which handful of stevedores force users to cough off extra money to handle their cargo.

Notably in a letter to the Shipping Ministry then JSW had raised objection against the concept of management committee and claimed that it is not allowing competition at the port and only old stevedores are controlling the operation. Later, the port authorities opened the membership to all, after which six stevedores, led by Seaways formed a new association Utkal Stevedores Association (USA) in September 2015. Mahimananda Mishra and his associates which had a strangling control over the majority of cargo handling operation were reportedly unhappy with the development. When Jindal awarded cargo handling contract to USA, Mishra engineered a week-long shutdown of the port. "If any stevedoring company tried to defy Mishra, he would ensure that his works comes to a standstill. His goons kept everybody terrorized," said a senior shipping executive of a cargo company in Odisha.

So far, police have arrested six men – including local Congress leader and head of a workers' union Bapi Sarkhal – for allegedly harboring and providing support to the killers. Even as 63-year-old Mahimananda Mishra continued to elude the police, he has filed an application before Odisha High Court seeking quash of the lookout circular issued against him. "Mishra's involvement in the murder is crystal clear. He hired the criminals, and there is clinching evidence to prove that," said inspector general of police Soumendra Priyadarshi, who has been supervising the investigation. However, one should not look at the murky stevedoring operations at Paradip in isolation. A senior employee of Haldia Dock and general secretary, Haldia Dock Officer's Forum Ramakant Burman had claimed in 2014 that a company owned by a former Trinamool Congress MP had duped the port several thousand crores as the port allowed the company to handle cargo by just paying nominal amount per year.

AFTER THE BIG BUCK

Sanjay Bhatia the Chairman of the Mumbai Port Trust launched a full-fledged strategy to maximise the port's revenues. The focus is on capitalising the port's real estate, enhancing ship repair facilities, improving bunkering operations and growing Ro-Ro and bulk cargo business

by Deepika Amirapu

When he took over from his predecessor in March this year, Sanjay Bhatia, Chairman of the Mumbai Port Trust, or MbPT, had two options. Sit behind his resolute desk and administer the port customarily or step forth and take some radical measures to put the port in a position of reckoning among its peers. For an officer with a record like his, he incontestably chose the latter and entered the port with full sail.

Within six months, he drew up a strategy to maximise the port's revenues from expanding the scope of its operations to usage of its pretty penny estate in upscale Mumbai. About 1,700 acres that the port owns shall be outsourced for estate management to international consulting firms Boston Consulting

Group and Mc Kinsey. These firms will survey the entire area under the port's grip to carefully draft a strategy for reclaiming land in a hassle-free manner from occupants and litigants.

"We are creating a department on township planning for which a planner has been appointed for developing a waterfront among other facilities at the harbor and other designated places within the port complex," said Sanjay Bhatia, Chairman, Mumbai Port Trust. Monetisation of the land is expected to fetch the port close to ₹1,500 crore in revenue and new lease agreements are in the making to help the port garner some earnings to settle its pension bills. The port has about 8,000 employees on its records after it allowed for employees to opt for a voluntary retirement scheme it offered a few years ago that close to 3,000 employees decided to go for. A former officer with the port said, "The Bombay Port has more legacy issues than any of its peers and contemporaries such as Kandla or Kolkata. The city being a stakeholder in its estate and legacy has asked for careful consideration of development policies before they are made implemented," he said, not wanting to be identified as he still serves the government in other capacities. But the chairman remains hopeful of effecting a number of policies on land utilisation once the Ministry of Shipping approves its New Land Policy. "Once we get the approval, we will get cracking," Bhatia says. With this shift stratagem, he made moving files and acting quickly a rare chairmanship decision.

Sanjay Bhatia
Chairman, Mumbai Port Trust

"WE ARE CREATING A DEPARTMENT ON TOWNSHIP PLANNING FOR WHICH A PLANNER HAS BEEN APPOINTED FOR DEVELOPING A WATERFRONT AMONG OTHER FACILITIES AT THE HARBOUR AND OTHER DESIGNATED PLACES WITHIN THE PORT COMPLEX."

Other land side drives include enhancing the ship repair facilities and improving bunkering operations. Both the Hughes Dock and Indira Dock will be readied to provide all major repair and maintenance services to ships in addition to the current services offered now. The port also says it expects the bunkering business will grow from 200,000 tonnes to 1.925 million tonnes by 2034. The second oil berth at Jawahar Dweep is currently being modified to facilitate the berthing of bunkering barges, while Jawahar Dweep's tanks will be refurbished to enhance storage – a project that is estimated to cost a total of ₹50 crore. The bunkering facilities in Mumbai Port will come under single window and the bunker fuel shall be supplied by different oil companies. The facility will bring additional business potential in the form of services such as bunker supply barge operations, maintenance and repairs. The oil marketing firms Bharat Petroleum Company Limited and Hindustan Petroleum Company Limited have entered into an agreement with Mumbai Port Trust for setting up of bunkering facility at Jawahar Dweep and constructing storage facilities as well.

"This move, along with modernising the liquid cargo terminals would be one of the boldest and biggest for major ports" says, an industry analyst who said Mumbai would perhaps be the first port to carry our bunker operations on such a large scale. Large scale bunker operations will be supported by bigger vessels that will call the port for offloading oil in to storage tanks. After it received clearance from the coastal zone, MbPT is constructing its fifth oil berth that will cater to fully loaded Suezmax tankers and partially loaded VLCCs. The ₹0.80-crore project is scheduled to be operative from end-March 2019. The planned jetty will help oil companies to reduce oil processing costs by two to three dollars per barrel. Jawahar Dweep, also known as Butcher Island sits on the eastern coast of Mumbai and handles oil ship traffic for the entire western India. The crude oil brought by ships to the terminals J1, J2, J3 and J4 is piped directly to refineries of HPCL and BPCL.

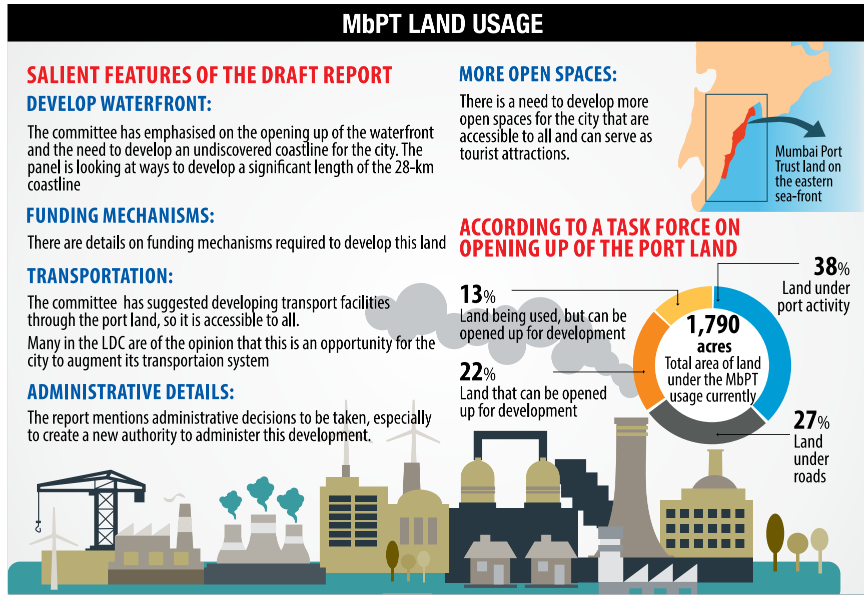
The former officer involved with the port said, "MbPT can cement its position as one of the largest handlers of liquid cargo along the western coast if it continues to stay invested in this space and add more capacity in the coming years." Currently, Kandla Port is the largest handler of crude and petroleum cargo. Efficiency in handling liquid cargo, building adequate storage tank farms and constructing pipelines is crucial to the port stepping out of JNPT's shadow and carving a niche for itself. With JNPT constantly upgrading its container terminal infrastructure, almost all of the box cargo has moved away to the big port. To compensate this loss of box cargo, Bombay has upped its handling of bulk and Ro-Ro cargo that have together shown a steady increase in their revenue to the port. "Ro-Ro cargo, steel and POL have occupied the top three among the list of cargos imported at the port.

Sensing an opportunity in the Ro-Ro segment earlier than other most major ports, it slashed its wharfage charges by 60 per cent and shipping charges by 10 per cent to welcome more four wheelers. The port aims to handle about three lakh units by next year

With unoccupied wharf conducive to berthing of vessel and wide space adjacent to the berth permitting hassle-free loading of vehicles on board, alternate use of OCT to handle car carriers would provide quality services to the automobile manufacturers. This alternate use of OCT to handle car carriers would decongest Port's deeper berths at Harbour Wall, BPS and BPX which then will be available for handling other general cargo. "Over time, Ro-Ro cargo will be the best bet for the port as dry bulk cargo or dusty cargo will need to be slowly phased out given that the port is enveloped by the city," the former executive says.

Any drop in these volumes could perhaps be made good by revenue from the cruise terminals under construction. The ₹225 crore will involve building a modern passenger terminal that can cater to cruise ships. Work on the terminal, which will resemble an airport and have the capacity to handle thousands of passengers will be over in next two years, Sanjay Bhatia said. Every ship will have at least 2,000 passengers on board making their voyage to scenic far off lands. The port is also giving a slew of incentives to cruise operators, such as doing away with hosting charges, concession in cruise charges and standard operating protocols for customs and immigration checks.

To make workflow easier, the Business Process Reengineering systems and Enterprise Resource Planning systems are being enforced to even out flow of operations. The location of the port in the financial, commercial capital and manufacturing hub is one of its biggest strengths. But both its workforce and the city overwhelm the port. If the port chairman is able to address these two concerns, the port can easily raise to be counted among the top three ports in India – an ambition Sanjay Bhatia nurtures with hope and zeal.



Direct delivery of auto related consignments from the two container terminals in Chennai resulting in cost and time savings

Customs has released a new circular for the facilitation of Direct Port Delivery to RMS Bills of Entry of Automobile Industry from CCTL / CITPL container terminals in Chennai Port. The main objective is to encourage ease of doing business and reduce the transaction cost by increasing the direct port delivery from the terminals. The Facility Circular No 23/ 2016 dated November 25, 2016, was born from the concerns highlighted by the automobile industry. The industry players under the RMS scheme were required to transfer the containers from the port to the CFSs/O Yard before they could be transported to the respective factories. Import consignments were not immediately available to the consignees for the Just- In-Time production which often led to extended lead times.

This circular address these above concerns and by allowing these import consignments to be cleared directly inside the Chennai container terminals (CITPL & CCTL) by Customs and be allowed for direct delivery to the factories, the importer enjoys savings in time and reduction in the transaction cost. Auto majors who are presently handling their containers at Kattupalli, can now enjoy the same facilities provided in the two container terminals at Chennai Port. This circular will also benefit the shipping lines who spend additional costs to call at two different ports: Chennai and Kattupalli.

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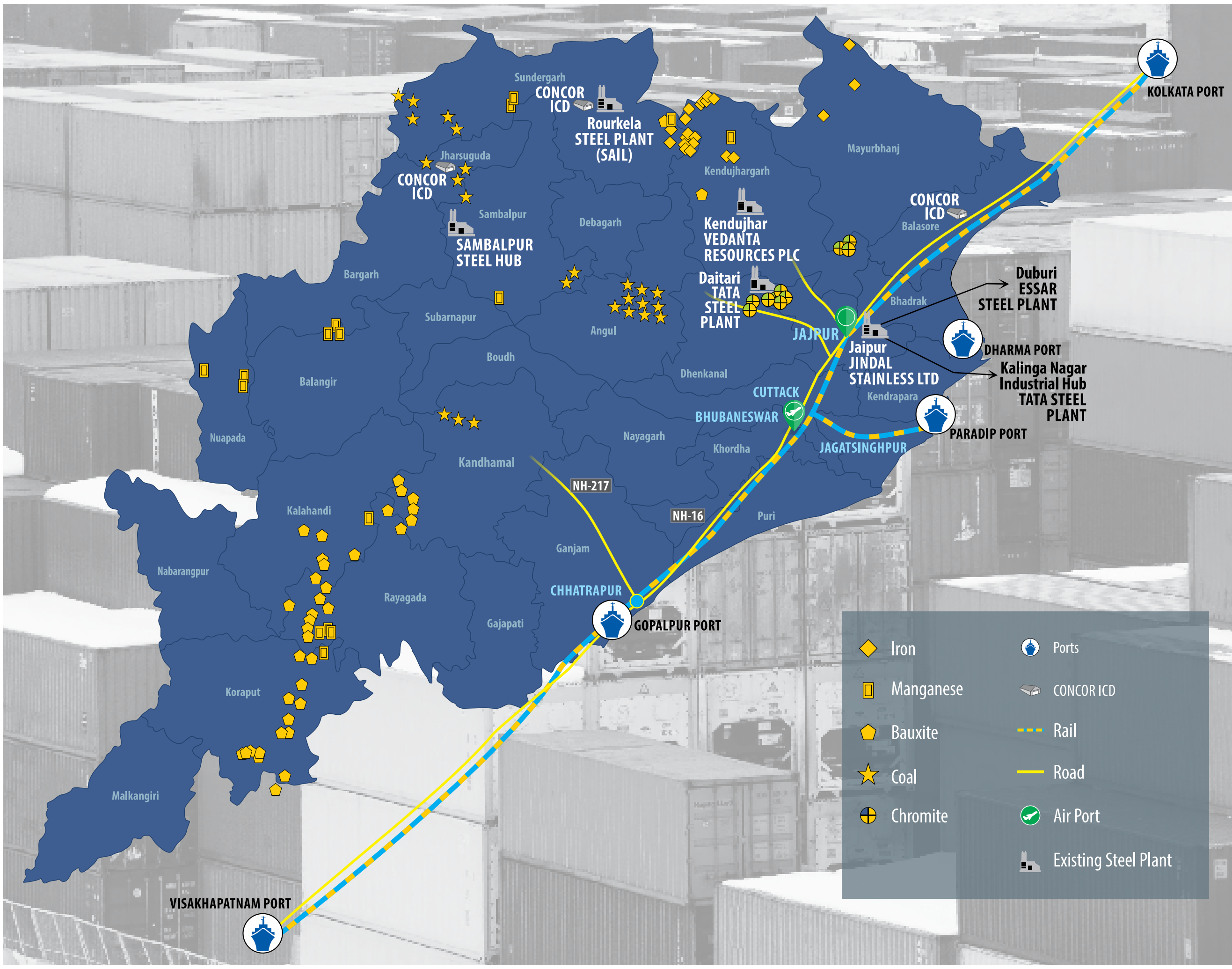


POTENTIAL CONTAINERISED CARGO WAITING TO BE SERVICED

There is no dearth of containerised bulk cargo in Odisha, however, the logistics infrastructure is underdeveloped, mainly plagued by issues, such as, lack of rail connectivity to hinterland, shortage of rakes, scarcity of ICDs, unorganised nature of the logistics sector, overdependence on road transport, and high transportation cost

by Sisir Pradhan

With a coastline of 485 kilometers, and one of the largest concentration of multi-mineral reserves in the country, bulk cargo has been the cash cow for Odisha's lone public sector Port Paradip and handful of private ports. But a careful look at the bustling bulk cargo freight in the state reveals the ghastly unorganised and messy logistics sector in the state. Hence, the absence of a state-level association representing the freight forwarding sector is a matter de facto. In recent times the state government has been trying hard to sell the Odisha growth story and following the announcement of a multi-modal logistics park by Container Corporation of India (Concor) at Jharsuguda, we could not hold ourselves long but to make a journey to find what it takes to win over the business community in the region and why investors are not going all out to tap the containerised cargo if it exists!

The answer lies somewhere at Visakha Container Terminal (VCT). **Capt. Debabrata Nayak, Associate Vice President, Seaways Shipping and Logistics** said that around 40 per cent of cargo handled by VCT is served from Odisha, of which a major volume is generated from Kalinganagar. While export items include coils and finished goods, import commodities are quick lime, dolomite and project cargo. A majority of box movements that take place to and from Odisha are through Visakha Container Terminal followed by Kolkata and Haldia ports. Apart from industrial goods, Odisha also generates significant volume of reefer containers largely by the marine food industries in the state. Major containerised cargo movers from the state are Jindal Steel and Power Ltd, Jindal Stainless, JK Paper, Tata Steel and Indian Metal & Ferro Alloys. Some of the major throughput of boxed cargo for the state constitute of ferro alloy, steel, aluminum, coils, marine food, refractory items, scrap metal, engineering and project cargo. Currently, apart from Kalinaganagar, other major industrial containerised cargo movement takes from Angul, Jharsuguda, Balasore and Choudwar.

Existing container handling facility

Way back in 2012, Concor had envisioned to set up nine logistics parks at major industrial hubs Jharsuguda, Angul, Paradeep, Dhamara, Kalinganagar, Gopalpur, Rayagada, Balasore and Rourkela. However, till date the company has only two operational container handling facilities in the state, a domestic container terminal at steel city Rourkela, which largely handles sponge iron. The terminal serves industries in Rourkela, Kulunga, and Rajgangpur and it is connected to the hinterland through National Highway-143 and State Highway-10 and South Eastern railway via Rourkela railway station. The other container terminal by Concor is located at Balasore, a major trade centre in north Odisha and Howrah-Chennai mainline and National Highway 16 (previously NH-5) passes through this city. Pig iron and paper are the major commodities handled at the ICD. This is the only rail-linked ICD for industries in Bhadrak, Balasore, Dhamara, Kalinganagar, Cuttack, Bhubaneswar. However, the ICD is more closer to Kolkata and Haldia but the industries in Dhamara, Kalinganagar, Cuttack, and Bhubaneswar prefer Visakhapatnam for their container shipment largely due to better infrastructure and lower congestion at the port. Interestingly, while Balasore, Bhadrak, and Jagatsinghpur are major marine food production centers but ICD Balasore has no reefer train service.

The lone privately operated ICD is located at Kalinganagar Industrial Complex. Though Kalinganagar has some major steel and Ferro Alloy industries including Neelachal Ispat Nagam, VISA Steel, Jindal Stainless, Maitan Ispat, Rohit Ferro Tech, Tata Steel, BRPL but lack of rail siding at Kalinganagar ICD has failed to attract huge volumes of cargo to the facility.

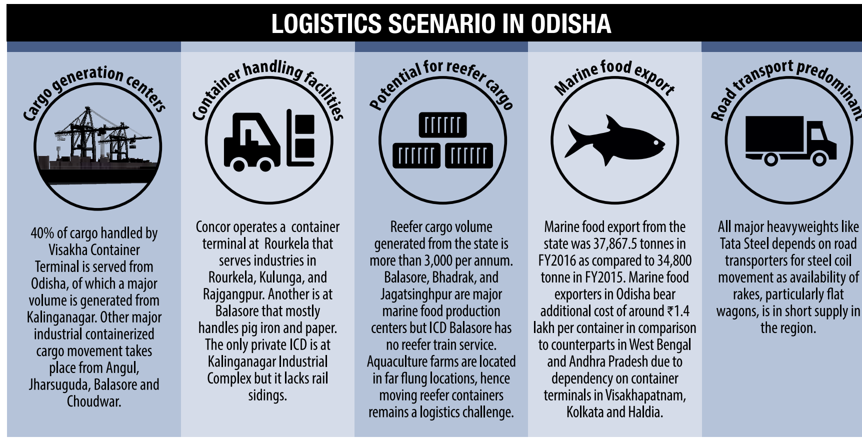
An unexplored market for containerised cargo

At one point in time the state had attracted the attention of domestic and foreign investors and at the peak of steel demand in the global market, in excess of 49 MoUs were signed to set up steel and ancillary industries. **Ajaya Kumar Sarangi, Senior Manager (Operations), Apeejay Infralogistics**, has been tracking container movement in the region for last couple of years. Sarangi said that Tata Steel imports 2,000-3,000 boxes per month. Similarly, Tata Steel exports 1,000 containers per month, Visa Steel moves 200 boxes and Rohit Ferro Tech generates 200-300 export containers.

> "TRAILERS PLYING LARGE VOLUMES OF STEEL COILS CAN BE SEEN EN-ROUTE TO KALINGANAGAR. EVEN TATA STEEL WHICH HAS RAIL HEADS INSIDE ITS STEEL PLANTS AT THE INDUSTRIAL COMPLEX, DEPENDS ON ROAD TRANSPORTERS FOR STEEL COIL MOVEMENT."

Trailers plying large volumes of steel coils can be seen en-route to Kalinganagar. Even heavy weight like Tata Steel which has rail heads inside its steel plants at the industrial complex, depends on road transporters for steel coil movement as availability of rakes, particularly flat wagons, is in short supply in the region.

Ashok Mod, AVP Logistics, Jindal Stainless said, "Some steel plants like Bhushan Steel and Vedanta are located at about 500 km away from Visakhapatnam to ship their containerised cargo. Kalinaganagar is a strategic location to serve the entire eastern parts of the state. There are few more steel and ancillary units are going to set up units followed by Tata Steel, hence Kalinganagar can serve are a container hub. Currently, Jindal Stainless, which is designed to manufacture 1.6 million stainless steel per annum, alone is moving around 2,000 (import) boxes per month for its Kalinganagar unit, and there are 1,000 export boxes carrying stainless steel per month. The company has 50:50 ratio of rail and road cargo movement." Kalinganagar is well connected to other industrial regions like Rourkela, Jharsuguda, Angul, Keonjhar, Balasore, Sambalpur, Joda, Koira, where industries are



interested to move cargo in boxes. Hence, Kalinganagar could serve as a container hub. Nilachala Ispat Nigam Ltd (NINL) also exports pig iron in containers and mostly the order comes through Concor. Officials from NINL said it dispatches around 5,000-6,000 tonne of pig iron in containers per month for Industries in north India. If we take a conservative estimate, about 5,000-6,000 movement of containers per month from Kalinganagar is an achievable number if freight forwarding companies can provide time bound delivery assurance.

Mod said that imports boxes to Kalinganagar largely carry raw material used in heavy metal industries like steel and stainless steel making process, and Ferro Chrome. Jindal Stainless has chalked out an effective plan for even use of import and export boxes. Mod said, "We don't allow our import cargo carrying boxes to go empty." The company also allows use of empty boxes to other industries in the region. In fact, Jindal Stainless plans to set up a multi-client ICD in early 2017.

Indian Metals & Ferro Alloys produces 2,00,000 tonnes of ferro alloy per annum, out of which 80,000-90,000 tonnes are moved by break bulk and remaining 1,10,000-1,20,000 tonnes are moved in containers from Therubali and Choudwar in Odisha by road through Visakhapatnam Port for Japan and China. While explaining reason for delay in getting container handling facilities in Odisha, **Ashok Kumar Behera, Vice President, IMFA** said that there is a mismatch in container import and export volume. The company has been able to negotiate low container freight cost because liners carrying import cargo scout for return cargo. Even though Paradip is located at a distance of about 90 km from IMFA's plant at Choudwar, the logistic cost is higher as compared to Visakhapatnam (about 480 km), due to higher freight cost. The freight rate to move a 40" costs around ₹1,000 from Choudwar or Therubali to Visakhapatnam. But the ferro alloy industry is hopeful to use Paradip Port after the commissioning of container terminal as it will help them to save transit time.

Apart from infrastructure, industries in Odisha prefer Visakhapatnam because of higher number of vessel calls. While steel industry is keen to adopt coastal shipping for domestic movement of coils, the stainless steel industry however has its concerns about coastal shipping. Even a minor damage or scratch can get stainless steel and other high value steel coils rejected by buyers. Hence most of these products are carefully packed inside the factory and directly sent by rail or road to the buyers' warehouse with no or very limited off-loading of cargo during transit. Furthermore, a minimum of 3,000-4,000 boxes are required for a single shipment to make coastal shipping a viable mode of transport whereas smaller consignment of boxes can be moved by road or rail.

Lucrative Reefers

The state also generates lucrative reefer containers by around 25 marine food exporters. **Ajay Dash, Regional President (Odisha), Seafood Exporters Association of India (SEAI)** said that while vessel lines charge ₹2.4 lakh per reefer container but marine food exporters in Odisha bear additional cost of around ₹1.4 lakh per container in comparison to counterparts in West Bengal and Andhra Pradesh due to dependency on container terminals in Visakhapatnam, Kolkata and Haldia. Reefer cargo volume generated from the state is more than 3,000 per annum.

Marine food export from the state was 37,867.5 tonnes in FY2016 as compared to 34,800 tonne in FY2015. Tara Ranjan Patnaik, Chairman, Falcon Marine Exports Ltd said, "Our factory has a capacity to pack shrimps of around 100 tonnes/day. I pack almost 12,000 tonnes of shrimps per year, and all are exported."

A major concern for marine food exporters is that a majority of their production comes for aquaculture farms, which are located in far flung locations, hence moving reefer containers to these locations is a challenge. Vessel calls to New York, Los Angeles, Osaka, Tokyo and ports in the EU from Paradip could be a lucrative proposition for exporters.

Gora Chand Mohanty, MD and CEO, Seagold Overseas and Former President of SEAI-Odisha said that there is always a delay factor and some times, our boxes reach in the morning and wait to be loaded in the night. We have to totally depend on agents. If there is a problem, we have to stock our products in public cold storage in Vizag or Kolkata. The overseas buyers also prefer the exporters whose ports are nearer to factory. "We will save minimum ₹50,000 on transport on a 40ft container if we ship it from Paradip instead of Vizag." Around 30-35 per cent of total marine foods are exported to the US, 30-35 per cent to South East Asian countries, majorly to Vietnam, 15-16 per cent to the EU, and remaining to Japan and Middle East.

Potential unlimited

Odisha's logistics market is controlled by unorganised operators and there are not much option available for end-to-end logistics support which increase transport cost, time and risk of pilferage. It is high time industry body like FFFAI takes initiative to bring freight forwarders in the state under one umbrella organisation and control the growing number of trade associations which act as a stumbling block. mg

STRUGGLING TO MOVE CONTAINERISED CARGO

The seafood industry in Odisha is looking forward to better logistics for containerised cargo as ports in the state are gearing up to handle boxes. Exporters have for long been bearing the brunt of high logistics costs due to lack of container terminals and rail services

by Sisir Pradhan

Ajay Dash, Regional President (Odisha), Seafood Exporters Association of India (SEAI)

Q Please tell us briefly about the logistics scene for reefer containers in Odisha?

We don't have container handling terminal in Odisha, hence we are dependent on container terminals in Visakhapatnam and Kolkata. Recently, J.M.Baxi Group promoted Paradip International Container Terminal has started developing a container handling facility at Paradip Port. The company officials already have started meeting importers and exporters to explore existing and new sources of containerised cargo in the state. We have to bear the cost of moving empty boxes from the port to our factory and from there back to the port. While shipping lines charge ₹2.3-2.4 lakh per reefer container, marine food exporters in the region have to bear additional cost of about ₹1.3-1.4 lakh as compared to counterparts in neighboring states due to long-haul of reefer containers from marine food production centers to the port. Due to this, we struggle to remain competitive and it also puts pressure on our operating expense, and also affects our expansion plan. Annually more than 3,000 reefer containers are moved by marine food exporters in the state.

While Paradip Port ranks as the top major port in terms of handling bulk cargo, but it is probably the last major port without a container handling terminal. However, suddenly all the ports in the state have become active to start container service. Adani Group promoted Dhamra Port is planning to introduce container handling facility in 2017, and Gopalpur Port also claims to sign an MoU with Maersk Line to start container vessel service at the port. Nevertheless it is good for the EXIM trade in the state as we will save on logistics expense. Even neighboring landlocked states like Chhattisgarh, Jharkhand and Bihar will also find container handling ports in Odisha convenient for their business due to geographical proximity. Even traders in Kolkata and nearby region would prefer container handling terminals in Odisha as the port is reeling under congestion and infrastructure issues.

Q Is there any import by Odisha marine products industry? Do you move containers by rail or road?

Imports are almost negligible, but we do import a limited number of engineering and plant machineries from China and some chemicals used for product processing. All the export reefer containers and empties are transported by road.

Q What kind of volume growth are you expecting in the next couple of years?

Currently, 22 registered marine food processing units are operational in the state, and three new plants are under construction. State government is developing a Sea Food Park spread over 100 acre at Deras and it is expected that 30 new units will be set up there.

Q What are the major export destinations for marine food from the state? What is the future outlook for the marine food from the region?

The US is a major market for us, and China, Vietnam, UK, Canada are some of the other major buyers of our products. Slowdown in European economy has affected our business earlier. Furthermore, EU has also put up some stringent quality norms and on the pretext of traces of anti-biotic substances in marine food, they have rejected lot of consignment from India. The UK used to be a major market for Indian marine food but that was slowed down after UK became a part of EU in the early 1990s. We are hopeful that after Brexit, demand for Indian marine food export will grow in UK. China was earlier a major exporter of marine food, but economic growth and better earning capacity has made China a major consumption market. Aquaculture centers are located in interior parts of eastern Odisha, hence logistics support to move the produce in a vehicle with controlled temperature is a challenge.

"Providing more hinterland connectivity is our focus"

India will be key to AP Moller Maersk, the Danish business conglomerate that controls the terminal and line operations. Rizwan Soomar, Head of APM Terminals - South Asia, talks of his plans for the Indian subcontinent but stops short of saying that any big ticket investment will be contingent on resolving the current tariff structures at ports

by Deepika Amirapu

Rizwan Soomar, Head, APM Terminals - South Asia

Q Is APMT looking at investing in fresh terminals in the Indian subcontinent or ramping up capacity in the existing ones? How would you rate the performance of both your terminals in India vis-à-vis in Sri Lanka?

We are constantly investing in India to improve our offerings. Early this year, APM Terminals Pipavav ramped up its container handling capacity to 1.35 million teu from existing 850,000 teu. As part of its expansion plans, APM Terminals Pipavav invested approx. ₹360 crore. The investment included buying new STS cranes, strengthening the existing berth, dredging, and the expansion of the container yard and internal roads at the port.

The terminals in Sri Lanka are largely transshipment facilities whereas those in India are predominantly for final destination traffic. Therefore it is difficult to compare these.

Q What kind of growth are you expecting from the Indian container market? Do you see any new commodities being containerised? How do you see South Asian markets supporting container market growth?

There is a significant untapped potential for containerised growth in the Indian market waiting to happen. In most of the advanced economies, over 70 per cent of trade is carried out in containers when compared to less than 60 per cent in India. Containerised transportation needs economies of scale such as existence of large distribution centers. Advent of GST will increase containerisation of products and advances in refrigeration technology will drive containerisation in perishable products.

India's major public ports registered a 6.32 per cent year-over-year growth in container volumes in H1, 2016 through September. The Indian Subcontinent market has seen a throughput gain of 5.3 per cent in the first quarter of 2016, the highest growth attained by any region in the quarter, primarily due to the development of port infrastructure. With big investment in port infrastructure we feel the importance of South Asia's container market will continue to grow. However, the trade focus should go beyond intra-Asia trade.

Q Thus far, we have seen mergers and alliances between shipping lines. Is there a case for terminals in South Asia to enter into agreements with each other to handle vessels, cargo? Is this a plausible option? (SAGT Terminals head mentioned earlier about their terminal wanting to work closely with ports on India's east coast)

While issues of shareholding and ownership may sometimes make cooperation between terminals difficult and one has to be careful of the strictures of competition legislation, it is perfectly reasonable to have an appropriate cooperation between terminals to better serve their customers especially coastal business.

Q With efficiency and higher productivity being the constant buzz words at ports across the world, in which areas do you think Indian terminals (across ports) need a spruce up?

Indian ports and terminals are capable of delivering efficiencies and higher productivity. However, certain areas that need improvement are congestion- free last mile connectivity to ports for both rail and road; port user community systems; simplified customs procedures to facilitate quick clearance of cargo from the ports and the simplification of the overall regulatory environment for investors and cargo interests

Q As a big brother among the other South Asian economies, what role do you see India playing among the other countries in holding up and increasing sea trade?

India is one of the largest and fastest growing economies in the world, but the extent of sea trade as a proportion to overall trade in India has to improve. It is critical to first focus within, in order to be able to contribute to global sea trade in a major way. Enhanced hinterland connectivity and coastal trade are some of the focus areas.

Q What are your current revenues from both your operational terminals in India? What is India's share (as a percentage) in the total revenue among the other SA nations? Which quarters do you see growth coming from in India in the near term?

APM Terminals Pipavav's revenue in Q2 2016-17 is ₹1722 millions. Both APM Terminals Pipavav and APM Terminals Mumbai have been growing consistently since inception.

Q Could you please share with us your plans about the fresh crop of investments on the land side in India? (Pl specify quantum of investment) ICD and CFSs to be specific. How many do you currently operate?

At present, we operate our CFSs, ICDs and container services facilities in Dadri, Chennai Nhava Sheva and Pipavav. We are setting up an ICD in Pune to cater to the market in the region, a CFS in Tuticorin, and a dedicated reefer container services facility in Digodhe near Panvel to offer more strategic services to customers. We do not disclose our financials. We are constantly looking for opportunities to provide more effective hinterland connectivity, get closer to the consumption or manufacturing locations and thereby contribute to the growth of trade in India.

At APM Terminals Pipavav we have additional land side and marine sides available for scaling up further based on business requirements.

Q What is the rationale behind investing in landside infrastructure? How are these investments positioned to help your terminal operations?

Investing in landside infrastructure helps providing specialised consolidation/deconsolidation services closer to the customer's manufacturing or consumption locations in India. With new facilities in key growth centers like Pune and Tuticorin, our endeavor has been to come closer to where our customers need us and provide logistics solutions backed by world-class infrastructure and highest safety standards. In doing so our intention is to be an enabler for trade growth.

Q Will you allow any special concessions for customers that use your ICDs/CFs and terminals?

This is a bilateral discussion between our customers and is based on the value that we provide them and our ability to charge for that value.

Q What regulations in India in your opinion need instant revision or repealing and why?

The government push for port-led development is a strategic move to put India ahead of other countries in the world. Ports need to become facilitators to this development. The need of the hour is for the government to assure private investors a steady policy regime so they know what to expect both in terms of expected financial returns and the requisite support towards operational efficiency.

A good starting point is for the authorities to build trust and gain the confidence of investors by creating a level-playing field in the port sector which will facilitate healthy competition amongst port/terminal operators to the benefit of the Indian customer. For instance, multiple tariff policies operating simultaneously undermine healthy competition. While it appears that the government is making attempts to create a level playing field, the delays in delivering this to port and terminal operators could result in the lack of due benefits reaching the end customer.

We would also like to see the enforcement of Essential Services Maintenance Act (ESMA) at Indian ports as disruption of critical operations due to various issues affects EXIM trade and hampers India's image as a business-friendly nation. mg

Eyeing new cargoes

Inland Container Depot (ICD) Whitefield in Bengaluru, which successfully runs direct train services connecting Chennai and Krishnapatnam Port, is optimistic and looking for a higher share in the cargo movement in Bengaluru in the coming years. It pins hope on increased frequency of train services as well as bringing newer cargo in its kitty. Dr. Anup Dayanand Sadhu, GGM, CONCOR, talks in length about the opportunities that lie ahead

by Itishree Samal

Dr Anup Dayanand Sadhu, GGM, CONCOR

Q How has the year so far for ICD Whitefield?

While the total exports are declining nationally, we are seeing a good growth. We are above the country's growth when it comes to exports. Up to July this financial year (March-July), our total export throughput grew 8.6 per cent and exports were at 20,053 teu. While imports grew 3.04 per cent and was at 20, 927 teu. Last year, imports were at 20,300 teu during the period. We have seen 20 per cent growth in domestic outward and 25 per cent growth in domestic inward movement.

Q Bengaluru is emerging as a key EXIM hub in the country. What's ICD's share in cargo movement in the city?

Despite the huge potential, we're getting stiff competition from road-based transporters. Around 50 per cent of the city's cargo is moved by road-based transport operators. With increasing number of multi-axle trucks on road in last three-four years, on-road leads have increased. Earlier, trucks were transporting cargo within 400 km, but now it is covering distance of more than 2,300 km. Though there's no scientific data available, we guess around 2,000 container trucks travel every month to north India. Adding to their benefit is reduced diesel prices.

Q What initiatives have you taken to attract the trade to rail transportation?

We have taken several initiatives. We have started our first train service to north India. The cargo express (80-teu train) from Whitefield to Okhla in Delhi started service in July this year and running once a week at present. We may increase the frequency to twice a week if demand increases. The scheduled train service reduces the lead time by 20 hours. It takes around 80 hours for a container truck to reach Delhi, while the cargo express is taking less than 60 hours.

In another initiative, we are offering ₹5,000 incentive per container to divert the cargo movement to rail.

Q What could be the major stumbling block for ICD Whitefield?

One major factor is cost as road transporters offer flexible rates.

Q What targets have you set for yourself?

> IT TAKES AROUND 80 HOURS FOR A CONTAINER TRUCK TO REACH DELHI, WHILE THE CARGO EXPRESS IS TAKING LESS THAN 60 HOURS. WE ARE OFFERING ₹5,000 INCENTIVE PER CONTAINER TO DIVERT THE CARGO MOVEMENT TO RAIL.

We aim to increase our market share in EXIM cargo movement as well as domestic traffic. We are now running a special train service for Salala for Maersk Line in a joint-venture with KPCT. We hope to take up similar initiative in partnership with DP World from Whitefield to Vallarpadam in Kochi.

Q What are your other plans?

CONCOR is planning to set up a new ICD at Kadakola, 16 km away from Mysore. The major purpose behind setting up the ICD is to capture the coffee traffic from Mysore, Chikamangalur and nearby places, apart from capturing the traffic of spare parts, paints and tyre industry in and around Mysore. Industry majors Asian Paints and JK Tyre have manufacturing units there.

CONCOR is also planning to set up an ICD at Mangalore Port. KADP has earmarked 55 acres of land for the ICD and the land has been allotted to CONCOR. The ICD would come up in a year.

Putting the best foot forward

Aiming to be among the top three logistics players for warehousing in India in the next three to five years, FM Logistics has planned it all right from marking its presence into the Indian market to growing and expanding services across industry verticals

FM Logistic of France has drawn up aggressive warehousing plans for India as part of its Ambition 2022 global vision statement. The company acquired a majority stake in Pune-based Spear Logistics earlier this year and will leverage the partnership to take the growth story forward. "It is an important time to enter India. We had decided to come here nearly three years ago after a careful study," said **Stephane Descarpentries, Director, Strategic Projects and Director, Operations Asia, FM Logistic**.

Sectors such as fast moving consumer goods and retail will become key ingredients of the script where the company has earmarked €50 million to be spent over the next four years in India. "Within the next three to five years, we want to be among the top three logistics players for warehousing. Along with Spear, we want to continue developing the core business of automotive, engineering and telecom while building FMCG and retail," said Descarpentries.

Some of the French company's prized global clientele, including Nestle and L'Oreal, could become part of the India story. The idea is to offer top-class services in warehousing, distribution and e-commerce.

FM Logistic is talking to Renault-Nissan for operations in Brazil and, like L'Oreal, could be a "natural customer for India." As Descarpentries reiterated, it will be FM Logistic's endeavour to bring its corporate customers to India from Europe, China and Brazil.

Bigger warehousing facilities in Mumbai and Delhi will be ready in early 2017 as the first part of a longer journey with Spear Logistics. These will be leased multi-client facilities that are scalable from 200,000 square feet to 400,000 square feet.

FM Logistic will then open similar facilities in Bengaluru and Chennai. The next plan, three years down the line, will be to build owned facilities (termed 'platforms').

Each of these will be close to a million square feet though not as large as the company's biggest global platform in Russia, which is nearly 1.3 million sq ft. "We will set the platform up in national markets and close to main consumption centres such as Delhi, Mumbai, Bengaluru and Chennai," said Descarpentries.

According to **Gautam Dembla, MD, Spear Logistics**, there will be fewer warehouses once the GST is in place. The leased warehouse model, that has stood Spear Logistics in good stead, will continue for user industries such as automotive and engineering. "They do not need a proliferation of warehouses unlike FMCG and retail, which will do better with platforms," said Dembla. In his view, the opportunities are endless going forward. "When we started Spear Logistics 14 years ago, we were doing 10,000 square feet of warehousing which has since grown to 3 million square feet in India alone. Globally, FM manages 3 million square metres, which gives you an idea of scale," said Dembla. mg

MAJOR PORTS FROM 'TRUSTS' TO 'AUTHORITIES'

The transition from port trust to port authority will shift the decision-making power from those with direct business interest in the port to professionals

by K Mohandas, IAS
Former Shipping Secretary

The Ministry of Shipping has again published a draft Bill for reforming the ports sector. The new Major Port Authorities Bill, when enacted, will replace the Major Port Trusts Act, 1963 (MPT Act). The existing law is more than half a century old, and in spite of occasional amendments, the framework is outdated. The MPT Act, when enacted in 1963, had repealed most provisions of some very old statutes like the Bombay Port Trust Act, 1879, the Calcutta Port Trust Act, 1890 and the Madras Port Trust Act, 1905.

The major structural change envisaged in the present proposal is to replace the 'Trust' model with an 'Authority' model. The existing Trust model bestows the administrative responsibility on the stakeholders – the Act provides for 17 to 19 members in the Board of Trustees, of which seven are officials (Chairman, Deputy Chairman and nominees from Customs, Mercantile Marine, Defence and Railways and the State Government) and the rest represent various interests including labour employed in the port. The new Bill proposes a 10-11 member Port Authority Board which will have six officials (Chairman, Deputy Chairman, Heads of three Departments in the port and a government nominee), 3 to 4 Independent Members and one labour nominee. Clearly, the thinking is in favour of shifting the decision-making from those with direct business interest in the port to professionals.

Globally, there is no uniformity in the legal structuring of government-owned ports. The Port Authority of

New York and New Jersey is an inter-State agency formed by the two States in 1921, with the approval of the US Congress, for overseeing the entire transportation in the area including airports, bridges and tunnels; the Authority was also the owner of the World Trade Centre buildings attacked by plane-borne terrorists in 2001. The Port of Rotterdam Authority is an unlisted public company in which the Rotterdam Municipality holds 70 per cent and the Dutch government holds 30 per cent. The Shanghai International Port is a public listed company in which the Shanghai Municipality holds about 45 per cent; the company replaced the Port Authority in 2003, when 'government functions were separated from enterprise management'. The Port of Tokyo was converted from a foundation to a joint stock company in 2008. The Maritime and Port Authority of Singapore is responsible for the overall development and growth of the port of Singapore, which includes the terminal operators. Sri Lanka has a statutory Ports Authority which manages the major ports including Colombo.

In India, private ports have emerged as strong challengers to the Central Government's ports. The only distinguishing feature of government ports is that many of them are located in highly developed urban areas because of historical reasons; as such, some like Mumbai Port own huge chunks of prime urban land. Land ownership and workers' entitlements are perhaps the two main reasons for the failure of the Government's attempts to corporatize the Major Ports. The suitability of the public sector company model for the ports sector has been proved through the success of the Ennore Port. In the current era of liberal permission for investment in the sector, promotional efforts from the State Governments and the Centre's own preference for the Public Private Partnership (PPP) model for the development of port terminals, the ports need a dynamic structure for competitive success. The Central Government's decision to go in for a statutory Authority model is based only on pragmatism and expediency; it is not the best decision in public interest. The company model is well established and well regulated in the country; it could have provided a competitive edge to several ports.

The key issue is the extent of autonomy proposed for the Ports. The most highlighted reform is the abolition of the Tariff Authority for Major Ports. The consequent empowerment of the ports to fix tariffs would help them compete in a dynamic market. The Bill contemplates the establishment of a Review Board to handle the complex issues arising out of the existing Tariff fixation orders, to resolve disputes between the Ports and the PPP concessionaires, to review stressed PPP projects and to look into complaints from the port users. The Board of the Port Authority has the freedom to take most decisions as per law, but the Government nominee is given the power to veto any decision taken by the Board at meetings with short notice. Such power for the Government nominees is part of a conventional approach where the other Members of the Board including the Chairman are considered incompetent or undependable. There may be occasional malpractices, but then there are or should be enough safeguards in the system to hold them responsible and accountable for their actions (or inactions). The Bill also proposes liberal financial powers for the Authorities to raise resources.

Autonomy should be accompanied by robust systems for oversight. One of the most effective measures for oversight in the Companies Act, 2013 is the formation of an Audit Committee headed by an independent Director. It would be prudent to incorporate a similar provision in the new law. Further, it would be desirable to constitute a statutory Consultative Committee consisting of officers of all concerned government departments and representatives of all port-related business like shippers, terminal operators, stevedores, custom house agents, freight forwarders, Container freight stations, logistics service providers etc. In a sense, the membership would be for the members of the Board in the present Trust model; it is necessary to provide for mandatory consultation with all these players in the field.

Perhaps a major reform is warranted in the name of the proposed enactment. The word 'Major' means more important, bigger or more serious than others of the same type. The Central Government Ports were the big and important ones when they were established; they were also big and important when the Constitution of India was drafted seventy years back. The Seventh Schedule to the Constitution puts 'Ports declared by or under law made by Parliament or existing law to be major ports, including their delimitation, and the constitution and powers of port authorities therein' in List 1, earmarking the item for the Central Government. However, the old 'Major' is no longer major; the biggest port in the country is not a Major port and there are several private ports that are growing fast and overtaking the Major Ports. Nomenclature may not have material significance, and a port by any other name can handle ships; but it is always desirable to respect the literal sense of words.

AUTONOMY FOR MAJOR PORTS

The most highlighted reform is the abolition of the Tariff Authority for Major Ports. The consequent empowerment of the ports to fix tariffs would help them compete in a dynamic market. The Bill contemplates the establishment of a Review Board to handle the complex issues arising out of the existing Tariff fixation orders, to resolve disputes between the Ports and the PPP concessionaires, to review stressed PPP projects and to look into complaints from the port users. The Board of the Port Authority has the freedom to take most decisions as per law, but the Government nominee is given the power to veto any decision taken by the Board at meetings with short notice.

"THE CENTRAL GOVERNMENT'S DECISION TO GO IN FOR A STATUTORY AUTHORITY MODEL IS BASED ONLY ON PRAGMATISM AND EXPEDIENCY; IT IS NOT THE BEST DECISION IN PUBLIC INTEREST."

Surviving the odds

India has abundance of livestock and bovine meat exports have improved significantly in recent times. Apart from currency fluctuations that dampen the demand, sourcing cattle and high cost of reefer logistics are major challenges confronting the export community

by Sisir Pradhan

Bovine meat is one of the major food products traded across the globe. However, in India bovine meat mostly consists of buffalo meat. Buffalo meat trade in last couple of years has been hit by a series of global and domestic factors. Some religious and political outfits have been discontent about meat trade, and it is this confusion about the status quo of meat processing in the last couple of years which has affected the trade of India's largest agro product in terms of volume and value. While the government has been stressing a lot on growth of EXIM trade, sourcing and logistics continues to be a major hurdle for buffalo meat exporters. Share of animal products in India's total export basket of agricultural and food commodities has gone up significantly, and in FY2015-16, animal products accounted for 28.43 per cent, of which buffalo meat export was a staggering 1,314,161.00 MT, or 25.28 per cent of the total export of animal product from India.

In India due to quality requirements of international markets, bovine meat is processed at Agricultural & Processed Food Products Export Development Authority (APEDA) approved abattoirs and processing centers. The demand for Indian buffalo in the international market can be gauged from the fact that the number of meat processing centers has gone up from 50 in FY2015-16 to 64 in FY2016-17, and most of the meat production centers are located in Uttar Pradesh, Maharashtra, Andhra Pradesh, Telangana and Punjab. Indian buffalo meat exporters largely compete with beef exporters from Brazil and Australia. Hence, the demand for Indian buffalo depends a lot on valuation of currency, and the price of meat fixed by Brazil and Australia. Indian bovine meat exporters have been able to undercut competition and registered a double digit growth of 12.25 per cent and 31 per cent in volume terms in FY2012-13 and FY2013-14, respectively. However, in recent times a negative sentiment has been created against meat trading in the country largely due to cultural and religious reasons, and more due to ignorance in general about varieties of meat processed and exported from India. Furthermore, competition has come up strongly in the international market, including relative appreciation of Indian rupee against the US dollar as compared to Brazilian currency has eroded India's price competitiveness due to which India has registered a mere 1.78 per cent growth in export of buffalo meat volume in FY2014-15 and even a negative growth of 10.94 per cent in FY2015-16. Elaborating more about the demand and supply of bovine meat in the international market, Priya Sud, Partner, Al Noor Exports said, "Demand for meat differs throughout a year. While consumption of meat goes up during winter in general but raw material price and valuation of Indian currency against US$ also affect export of buffalo meat from India."

Value chain, gateway ports and export destinations

ASEAN countries are the largest importer from India and since Maharashtra is a major producer, a total of 3,54,082.11 MT of meat was exported from the state through Nhava Sheva to ASEAN countries in FY2015-16. Other major export markets are West Asia and GCC, and North and Central Africa. A majority of volume is shipped from Nhava Sheva, followed by Chennai, Kattupali, and other ports. Dry ports play a crucial role in the logistics value chain as landlocked states like Uttar Pradesh uses CFS Albatross, ICD Dadri and ICD Kanpur, Haryana exports via ICD Garhi Harsaru, and Telangana uses ICD Sanathnagar for shipment. Meat export shipment from Visakhapatnam sea port to ASEAN and GCC region has also registered growth in the last two years.

Unlike other animals, buffalo comes to exporters for processing of meat only after it becomes old and uneconomical for farmers. Traders and middle men play a crucial role in sourcing of these animals from farmers and supplying to exporters. One of the major logistics challenges for export is hassle free transport of live stock or processed meat from one

Bovine meat exports in metric tonne				
Port	2013-14	2014-15	2015-16	Destination
NHAVA SHEVA	429524	472233.22	354082.11	ASEAN
NHAVA SHEVA	69266.3	69390.72	54378.37	West Asia- GCC
NHAVA SHEVA	56436.87	55047	40340	North Africa
KATTUPALLI PORT/ TIRUVALLUR	0	7003.3	34506.39	ASEAN
CHENNAI	10254	6296.3	28622.19	ASEAN
NHAVA SHEVA	47497	19898	21375	Other West Asia
NHAVA SHEVA	32281	29959.6	13413.2	West Africa
NHAVA SHEVA	14176.5	25048	11648	CARs Countries
NHAVA SHEVA	8678	8178	9745	Other CIS Countries
NHAVA SHEVA	14008	11536.78	7983.8	Other South African Countries
CHENNAI	1605.1	864.7	6490.98	West Asia- GCC
CHENNAI	56	55	5956	West Africa
NHAVA SHEVA	5380.6	6905.3	4301.8	South Asia
NHAVA SHEVA	2506	1045	3774.19	NE Asia
VISAKHAPATNAM	694	1501	3761.3	ASEAN
NHAVA SHEVA	3974.38	4567.83	3750	East Africa
NHAVA SHEVA	2894.6	3596.87	2282	Central Africa
VISAKHAPATNAM	27.9	1857.88	2198.62	West Asia- GCC
KATTUPALLI PORT/ TIRUVALLUR	0	0	1760	West Asia- GCC
NHAVA SHEVA	0	115	1752	North America
KOLKATA	0	143	1304	ASEAN
CHENNAI	0	0	1120	North Africa
CHENNAI	472	249	1077	Other West Asia

> **"THERE ARE NO UNILATERAL PRICING MECHANISM, AND LOGISTICS COMPANIES MANY TIMES ABRUPTLY INCREASE TRANSPORTATION COST TO MOVE A REEFER CONSIGNMENT FROM HYDERABAD TO CHENNAI FROM AN AVERAGE ₹1.10-1.20 LAKH TO ₹1.50-1.60 LAKH. WHILE LARGE EXPORTERS CAN BEAR THE BRUNT, SMALL EXPORTERS SUFFER THE MOST."**

region to other region of the country. Boneless meat is frozen under -18 degree Celsius and packaged in food-grade polythene film for export. Storage and transportation account for major part of the operational cost for exporters. Highlighting some of the key logistics requirements for meat export industry, Priya Sud, Partner, Al Noor Exports said, "The product needs to be transported in frozen condition at a temperature of -18 degree Celsius. The product quality gets affected if the temperature is not uniformly maintained. It takes about three to four days to transport a consignment from Uttar Pradesh to Nhava Sheva by road, and since stable temperature is a key aspect to preserve meat, logistics companies should come up with electronic data loggers to assure prescribed temperature is maintained during transportation. Currently, the logistic companies use manual data loggers which can be tampered."

Buffalo meat requires various certifications, including mandatory veterinary health certificate right from product process to shipment. In recent years there has been some restriction by member countries of EU and China on import of Indian buffalo meat citing reasons like prevalence of Foot and Mouth Disease, though there are no ban imposed by these countries in general. A major chunk of buffalo meat imported by Vietnam ends up in China. Currently, Vietnam is the largest importer of buffalo meat from India, which accounts for around 49 per cent of total meat export, followed by Malaysia (10.06 per cent), Egypt (8.72 per cent), Saudi Arabia (5.31 per cent) and Iraq (2.87 per cent).

Stressing on the importance of temperature sensitiveness for transportation of meat from factory to a port, Mohammad Faqruddin, Marketing Director (Meat Division), Al Safi Frozen Foods said, "It takes two days to transport a consignment from Hyderabad to Chennai, and the temperature has to be maintained as per specification. Once the consignment reaches a cold storage near a port, it is opened for inspection by Customs, quality inspectors from internationally recognized agencies before being loaded on a vessel. Value of the product in a single 40" reefer container is worth about ₹50 lakh, and if there is any contamination due to mishandling, the consignment gets rejected."

There are no unilateral pricing mechanism, and logistics companies many times abruptly increase transportation cost to move a reefer consignment from Hyderabad to Chennai from an average ₹1.10-1.20 lakh to ₹1.50-1.60 lakh. While large exporters can bear the brunt, small and medium merchant exporters suffer the most and it affects the entire supply market, rues Faqruddin.

OCEAN FREIGHT LACKS PUNCTUALITY

Certain EXIM traders are opting for air freight over sea freight to reduce risk, points out Karthi Baskar, Deputy Managing Director, KWE India

by Itishree Samal

Karthi Baskar, Deputy Managing Director, KWE India

Q. How has been your journey during the last two decades?

Since operation, KWE India has emerged as an end-to-end supply chain solutions provider and we have seen tremendous growth over the years. The joint-venture with Gati in 2012 has enabled us to connect first-mile and last-mile connectivity. We have grown over 400 per cent in the last seven years. The warehousing capacity has grown from 30,000 square feet to 6,00,000 square feet

Q. What's your present outreach in the country?

At present, we operate more than 400 locations globally and have 16 offices in India. We cater to following product including air, ocean, customs clearance, Third party logistics and distribution. Commodity wise we focus on pharma, electronics and automotive are major segments, followed by aerospace, readymade garments and agri-commodities. Electronics and automotive accounts for more than 60 per cent.

Q. What initiatives have you taken to drive growth?

We have seen our sales volume growing at an average of 30 per cent and above in last few years and we expect to continue similar growth momentum. We hope to garner a 60 per cent growth in our sales volume in next two years. We'll focus on strengthening our non-core activities and existing products.

Recently, we have unveiled India's first Good Distribution Process (GDP) warehouse at the Hyderabad airport cargo satellite building to exclusively handle pharmaceutical logistics. We aim to replicate this model in other cities including Mumbai, Ahmedabad, Chennai and Delhi. It is non-bonded facility where value-added will be done. In addition, we are expanding our project shipment handling along with both air and vessel chartering programmes.

Q. What's your share of cargo transportation in India?

We predominantly operate in air freight. Air freight contributes over 55 per cent, while ocean freight, last-mile and 3PL contributes around 30, 10 and 15 per cent respectively. We use ocean freight for agri-commodities, engineering, machinery and automotive products, while perishables, automotive, aerospace and pharma products is done by air freight. Our annual volumes of air freight is around 15,000 tonnes and sea freight is about 20,000 teus.

Q. What are the challenges you face moving cargo by sea?

Sea freight faces several inefficiencies in the system including congestion at ports and high lead time. Also, inland cost is very high. The major problem lies in the supply chain system and most of the issues are man-made. There's a greater risk when it comes to congestion, cargo getting delayed to reach port. The exporter has to pay high penalty. For a cargo like electronic and readymade garments, where the design gets obsolete within three months, the exporter does not prefer to take the risk and sends the cargo by air which incur extra cost. Same with pharma and other perishables.

Q. How the air cargo industry is faring in India?

Inefficiencies in seaports are diverting the cargo towards air freight. Despite air freight being highly expensive compared to sea freight, some EXIM traders are opting for air freight over sea freight to reduce risk. The air cargo industry efficiency has been improving in last few years with privatisation of Hyderabad and Bengaluru airports with improved operational efficiency and transparent process, still other airport are moving up the scale but large work is yet to be done.

Q. What's your outlook on GST?

I believe GST will be game changer for entire manufacturing and logistics companies with more consolidation in terms of customer business, warehousing space, reduce lead time, less inventory cost and reducing overall logistic cost. We are working with all our major customer with customised model based on their company strategy to implement this and it is an ongoing process.

Marine fuel of choice

LNG has full technical compliance to serve as a marine fuel, and in addition brings in a distinct advantage over diesel, with long-term emission reduction

by Parvez Chughtai, GM – Sales, Marine Solutions, Wartsila

The steadily increasing importance of liquefied natural gas (LNG) as the cleanest possible, most environmentally friendly fuel cannot be overstated. Apart from its employment as feedstock for power plants, it is its use as the marine fuel of choice that is of paramount importance to the shipping industry. LNG has full technical compliance to serve as a marine fuel, and in addition brings in a distinct advantage over diesel, with long-term emission reduction.

Natural gas offers significant environmental advantages for shipping, compared to heavy fuel oil (HFO). In comparison with HFO and marine diesel oil, nitrous (Nox) emissions in LNG use are cut by approximately 85 per cent, while sulphur (Sox) emissions are completely eliminated. Particulate matter emissions get slashed by 73 per cent and CO_2 emissions go down by 15 per cent.

Challenges and role of LNG

LNG has economic advantages on a calorific value basis, even high Asian LNG prices are lower than global bunker fuel prices. As a result, there have been recent developments to promote use of LNG as a bunker fuel. Both pricing and availability of LNG have improved substantially in the recent years. Excluding LNG carriers, there are currently only 20-25 LNG-fuelled vessels in operation – less than 1 per cent of the total commercial marine fleet.

However, LNG as a bunker fuel faces a number of challenges – notably the investment required in ships propulsion and fuel handling systems and in bunkering facilities, plus development of new international safety regulations.

Sea/LNG – Coalition to promote LNG

The SEA/LNG coalition accelerates the widespread adoption of LNG by breaking down barriers hindering the global use of LNG in marine applications. It becomes very apparent that the SEA/LNG coalition is a strong one, combining the expertise of major fleet owners, classification societies, port facilities, and energy experts.

By working together, we plan to overcome the challenges and speed the general acceptance of LNG.

The main areas of focus for the coalition include supporting the development of LNG bunkering in major ports, educating stakeholders as to the risks and opportunities in the use of LNG fuel, and developing globally consistent regulations for cleaner shipping fuels.

To date, LNG fuel initiatives are largely regional. Ships deployed in trade routes between ECAs or ships trading entirely within ECAs such as ships trading from the Baltic Sea to North Sea and English Channel routes are already living with a 1.0 per cent sulphur in fuel oil requirement for all or a substantial portion of their voyages. Initiatives by shipowners and governments have already resulted in the operation of LNG fuelled ships and development of small-scale LNG supply and fuelling infrastructure within these ECAs.

Present scenario and the way ahead

LNG fuelled ships are now being ordered for ships trading entirely within the North America ECA in response to US EPA regulations and introduction of the North America ECA from August 2012. The technological capability for building LNG vessels has been traditionally limited to some geographies; however, this is now spreading and local competencies in coming years will make the same more affordable.

Even in a developing country like India, the government has mandated that at least three of the nine vessels that GAIL India Ltd. requires for shipping LNG from the US to India over the next 25 years must be built in India. Worldwide LNG demand is projected to grow at more than 5 per cent annually through 2020. Asia-Pacific LNG demand in 2016 represents nearly 70 per cent of global demand, and projections show that Asia-Pacific demand will continue to outpace global demand. Supply must expand rapidly to meet worldwide demand and premium priced Asia-Pacific demand in particular.

COMMITTED TO EFFICIENT LOGISTICS

Krishnapatnam Port continuously strives to be the leading and most preferred port of call on the east coast by maintaining loading/unloading and movement of cargo at lightning speed. This overwhelming demand for logistics is being met by Volvo trucks and tip-trailer solutions that have emerged as a game changer for effective road transport at the port

At Volvo, we consistently strive to develop the industry by understanding our customers' needs of today and tomorrow. Volvo trucks are designed to reduce your fleet size improve turn-around time and optimise operational expenses.

With dominant presence in Mining, heavy ODC and over-weight cargo (OWC) road transportation applications, Volvo trucking solutions are the game changers offering unmatched combination of productivity and efficiency.

Volvo Trucks makes a right fit where efficiencies in the business are built in with respect to operations and logistics management. Built for higher utilisation and uptime, Volvo Trucks is a proven solution for 24X7 operations.

In the present business scenario, we see a scope of improvement in on-road haulage operational efficiencies as compared to many of the developed and emerging markets. Having said this, we see a changing transport business dynamics with reforms such as GST, emphasis on environment & safety etc. that would not only ease the current hurdles, but also put more demand on the business ecosystem that is likely to improve the overall efficiencies. The control in these pilferages would thus improve the affordability and the decision making towards high performing trucks. We are optimistic that once the economy sustains its momentum, we see a great market opportunity for the high performing trucks. The ground reality in efficiency is – "the place where you want to deploy sustainable solutions has to be extremely robust in terms of its sustenance."

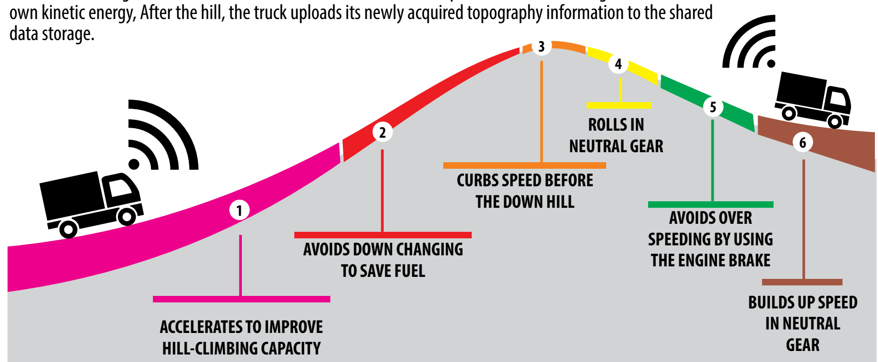
Krishnapatnam Port

The efficiency of a port depends on the speed of unloading cargo, as well as the equally fast distribution of it, to make the wharf ready for the next ship to dock. For Krishnapatnam Port Company Limited (KPCL), it was a daunting task to transport coal and efficiently allocate it to the power plants in Andhra Pradesh and Karnataka, ensuring continuous supply of coal to the power plants. And the efficient truck transportation system at KPCL has helped in achieving the shortest turnaround time of 4-5 days for cape vessels; a benchmark in the port industry.

VOLVO'S BEST-IN-CLASS AFTERMARKET SUPPORT AND DRIVER TRAINING INITIATIVE IS THE MOST IMPORTANT ASPECT OF THE EFFICIENT TRANSPORTATION AT KPCL, WHICH HAS MADE THIS BUSINESS PARTNERSHIP ONE OF THE BEST EXAMPLES OF WORKING TOGETHER FOR A COMMON GOAL OF EXCELLENCE

VOLVO TRUCKS FUEL SAVING TECHNOLOGY

When approaching a hill, the truck automatically downloads information about the road topography from a shared data storage, The information is then used in six different steps to maximize the usage of the truck's own kinetic energy, After the hill, the truck uploads its newly acquired topography information to the shared data storage.



When KPCL planned to create its fleet of trucks for road transportation, Volvo Trucks offered the most efficient solutions in its class with higher capacity tippers of 23 cu.m and 32 cu.m. These were supported by the Volvo workshop at site with Volvo technicians and parts to provide 24x7 service support. Compared to the 16 cu.m conventional tippers, Volvo tippers not only were bigger, faster and more reliable but they also had a high uptime of 98 per cent to help faster discharge of vessels.

As KPCL looked towards further increase in capacities, Volvo offered the tip-trailer solution with 46 cu.m. As the demand to import iron ore showed up, Volvo FMX 440 and FM 480 10x4 tippers offered the most suitable transport solution to KPCL. These multiple solutions from Volvo Trucks are the game changers for effective road transport solution at port. Today KPCL has a fleet of over close to 180 Volvo trucks handling a range of cargo such as coal, iron ore, urea, bauxite, barite and limestone.

To meet the needs of its customers in Karnataka and faraway places in Andhra Pradesh, KPCL built railway lines upto the yards with a capacity to handle 20 to 25 rakes per day adding upto 4000 tonnes per rake. And this capacity is poised to grow upto 60 rakes a day.

This is a tough challenge that requires tippers with high capacity to perform day and night and yet keep the port decongested. This means from the wharf to yard, rakes to plant, KPCL's truck transport system has to work in sync with the port's unloading capacity, which in turn calls for the high uptime of tippers which is maintained by the on-site Volvo workshop.

A responsibility that Volvo Trucks took on by identifying and providing a range of high capacity transport solutions to move bulk cargo at an efficient pace. This was aptly supported by a world-class workshop at the port with round the clock service. The mission was to create a fast, safe and efficient transport system with an optimum fleet size for 24x7 operations; because efficient, just-in-time delivery reduces the cost of operation.

Volvo's best-in-class aftermarket support and driver training initiative is the most important aspect of the efficient transportation at KPCL, which has made this business partnership one of the best examples of working together for a common goal of excellence. mg

Regional growth opportunities under the spotlight

The debut event of the Tanker Conference was well timed and gathered together a high quality cast of speakers. The attendees found their insights to be enormously valuable and the networking opportunity was exceptional

Gulf Navigation Team and China's Wuchang Ship Heavy Industry Group team, signing the contract

The inaugural Maritime Standard Tanker Conference organised at the Grosvenor House Hotel, Dubai, on October 25, highlighted the scope that exists for sustained growth and expansion within the region's tanker sector, provided investment is sustained and cooperation between various participants is strengthened. It attracted a high quality audience of around 150 people, including delegates from leading owners and operators from across the region.

Indeed Dubai-based operator, GNH Maritime Ship Management and Operations, signed a contract for the construction of an MR type chemical tanker. The vessel will be built by China Shipbuilding & Offshore International and Wuchang Shipbuilding Industry Group.

A high quality line up of speakers at the conference provided a unique insight into the challenges and opportunities that lay ahead, not just for tanker owners and operators, but also companies providing services to the tanker sector.

Two leading figures from the region's shipping and maritime sector gave keynote addresses. H.E. Shaikh Daij Bin Salman Al Khalifa, chairman of the board at ASRY in Bahrain, gave a valuable perspective as one of the leading tanker repair yards in the region. Shaik Daij set out some of the factors he expected to see influencing the business over the next few years.

He was followed by Ali Shehab, deputy, chief executive of Kuwait Oil Tanker Company (KOTC) who set out his views on the market and the need for a new public dialogue around tanker freight rates. He also set out KOTC's plans to upgrade its fleet.

Speakers in the lead session on tanker market prospects included Khamis Juma Buamim, MD and group CEO of Gulf Navigation; Naser Al-Abdulkareen, president of Bahri; and Philip Tinsley, maritime security manager at BIMCO.

Jasmine Fichte, of Fichte & Co, chaired a lively session on investing to service this market, with presentations by Petros Doukas, former Greek Finance Minister; another by Ali Shehab, deputy CEO of KOTC; and Thomas Kriwat, chief executive of Mercmarine Group.

A final session on servicing the needs of the regional tanker market, chaired by Clive Woodbridge, editor of *The Maritime Standard*, featured an overview from Amir Mosadeghi, chief executive, Islamic P&I Club; and Captain. Harihar Prasad, managing director of McQuilling Shipping Serrvices.

Trevor Pereira, MD of *The Maritime Standard*, said: "This is our first dedicated tanker conference and we believe it is very well timed, as this is probably the only shipping sector that is doing relatively well at the moment. We managed to gather together a high quality cast of speakers and the 150 or so attendees found their insights to be enormously valuable." TMS plans to build on the success of this inaugural event by organising a second one in 2017.

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