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Infrastructure Needs to Catch Up
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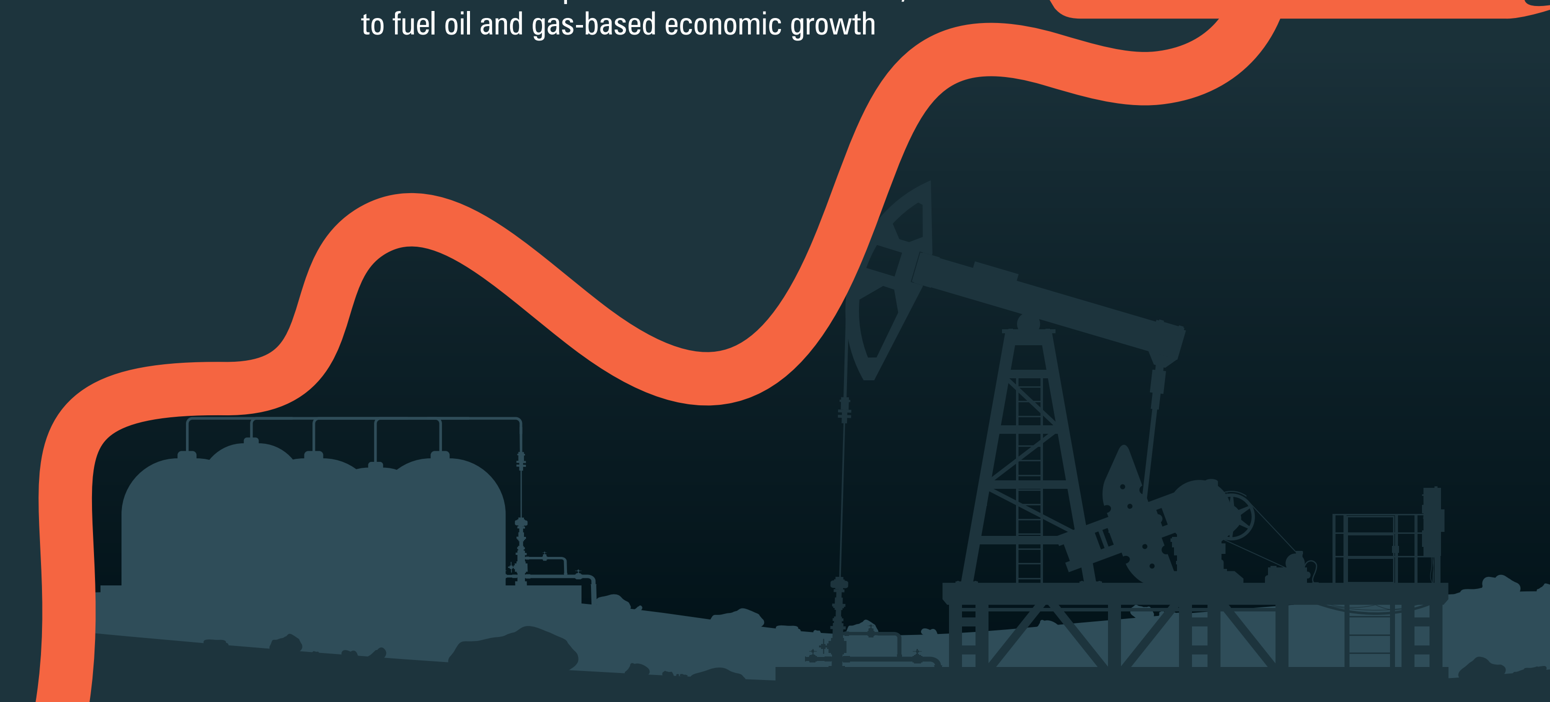
Services Tailored to Customer Needs

Steve Felder
MD for India, Sri Lanka, Bangladesh, Nepal, Bhutan & Maldives, Maersk Line

LIQUID CARGO

THE BIG FAT PROSPECTS

With petroleum and LNG import on a growth trajectory, liquid cargo handling at eastern ports needs to catch up with west coast terminals, to fuel oil and gas-based economic growth



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Create favourable environment for foreign trade

It is a conglomeration of some of the fastest growing economies at Johannesburg as the 10th BRICS summit unfolds on July 25. It is interesting time as India's EXIM community amid US and China trade war, looks with bated breath for every possible safe haven. The shockwaves of tiff between the two superpowers are already felt even before onset of the BRICS summit with China aligning member nations to send some strong message to the US.

Back home India has lot to worry as government gets prepared to hold the freefall of MSME sector who are yet to recover from the effects of demonetization and GST. Though the overall exports from India has grown but sectors like textiles, handlooms, leather and handicrafts which are key to generation of large-scale employment for skilled and semi-skilled labor has sent some alarming signals of decline in exports. Any dent to India's export oriented MSME sector can have some serious ramification on the economy.

Unlike large-scale players who have the bandwidth to take too many policy flip-flops on their stride but smaller and medium scale operators will be pushed to the level of non-recovery. Policy makers are well aware of the gravity of the situation and it should not surprise us if duty drawback on GST is announced sooner than expected. India with already an import heavy trade basket, can't afford to any further dent in its export volume.

May be it is the reason why there has been intervention at the highest level which has resulted in faster GST refunds in the first quarter of this financial year.

Though it is heartening to see overall exports from India to BRICS has registered an upswing of 7.5 per cent in the first quarter of 2018, and in the first quarter of current fiscal, overall exports have been on a rise. In last financial year also the export grew at a rate of 10 per cent to touch $300 billion of total merchandise export. While it calls for some celebration but if we look back to FY2013-14 the export touched $313 billion but it nose dived in subsequent years.

Compared to other comparable economies, like South Korea contribution from exports is 42 per cent to the country's GDP. Way back in 2006 when the Chinese economy was flourishing at a rate of 13 per cent, exports contributed an whooping 37 per cent. But in case of India, it is a meager 12 per cent. And it is the time for introspection that should we pat out back or sit tight and gear up to create an environment of Ease for Foreign Trade.

R Ramprasad
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> Though the overall exports have improved, sectors like textiles, leather and handicrafts have seen a decline.

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Feedback

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

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Rio Tinto's autonomous train completes first shipment journey

Rio Tinto has completed the very first delivery of iron ore by an autonomous train in the Pilbara, which traveled over 280 kilometers, from Tom prove to the Port of Cape Lambert. This is part of the company's $940 million AutoHaul program, which focuses on automating trains for the transport of minerals in the Pilbara region in Australia.

Once commissioned, the network will be the world's first heavy haul, long distance autonomous rail operation. Rio Tinto operates around 200 locomotives on over 1,700 kilometers of track in the Pilbara, transporting ore from sixteen mines to four port terminals. Rio Tinto Iron Ore managing director Rail, Port & Core Services, Ivan Vella said "The safe first delivery of iron ore by an autonomous train is a key milestone for AutoHaul. The program will deliver the world's first fully autonomous, long-distance, heavy-haul rail network, operating the world's largest and longest robots."

Three major ports to acquire DCI

Three major ports, namely, Paradip Port, Visakhapatnam Port and New Mangalore Port will acquire controlling stake in Dredging Corporation of India (DCI), the Shipping Minister, Nitin Gadkari said after a review of the port sector. He said that DCI would undergo modernisation of its operations and would be involved in the inland waterways space. In 2017, the Cabinet Committee on Economic Affairs had approved strategic disinvestment in DCI, along with transfer of management control. The government holds 73.47 per cent of the paid-up equity in the company.

Essar Ports to expand Hazira facility

Essar Ports has decided to invest $70 million for the expansion of its Hazira facility by September 2020. The investment will include $20 million for the remaining works under the $450-million first phase of expansion, and the balance $50 million for the second phase that seeks to create ancillary facilities, said Essar Ports MD and CEO Rajiv Agarwal. The first phase will focus on building the jetty which will be finished by March 2019, while the second phase will focus on erecting ship unloaders, conveyor belt, etc., he said. It will take 18 months after the end of phase-I to complete phase-II.

Mukesh Kumar appointed Vice Chairman & CEO of Gujarat Maritime Board

Mukesh Kumar, a 1996 batch IAS officer of the Gujarat cadre, has been appointed the Vice-Chairman and Chief Executive Officer (CEO) of Gujarat Maritime Board.

Having earned his B.Tech in Electrical Engineering from IIT (Kanpur) and an Executive Masters in Public Administration from the Maxwell School, Syracuse University, US, he started his career in the civil services as Assistant Collector (Vadodara).

AEIDA to issue Certificate of Origin

The Ahmedabad Export Import Development Association (AEIDA) has been authorised and empowered by the Union Ministry of Commerce, and Industry, Department of Commerce, Directorate-General of Foreign Trade, in exercise of powers conferred under Para 2.04 of the Foreign Trade Policy (FTP) 2015-2020, to issue Certificate of Origin (Non-Preferential) vide its Public Notice No. 12/2015-2020 dated May 28, 2018. The Association is a premier business organisation representing the business community engaged in global trade. It is a non-profit firm registered under Section 8 of the Companies Act.

Foxconn comes to Maharashtra

Foxconn, one of the world's largest contract manufacturer of consumer electronics based in Taiwan, will set up a manufacturing base in Maharashtra. It is planning to set up its plant in the SEZ of JNPT, where it will acquire 45 acres of land. Chief Minister, Devendra Fadnavis has written to Road Transport and Highways Minister, Nitin Gadkari, requesting for allotment of 200 acres of land to Foxconn.

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European companies evince interest in MIHAN

Nearly 400 acres of land at the Multi-modal International Cargo Hub and Airport at Nagpur or MIHAN has been reserved for the aviation sector and some European companies have evinced interest in setting up their facilities there. A facility of the Dassault-Reliance Aerospace Limited (DRAL) has come up in an area of 104 acres and the assembling of Falcon 2000 passenger planes and parts of Rafale jet has commenced. Boeing along with Air India has already set up a maintenance, repair and overhaul (MRO) facility. As many as 74 companies have invested in the SEZ and 28 in the non-SEZ area of MIHAN.

Evergreen Line's CIX3 service makes maiden call at Hazira

Evergreen Line recently enhanced its presence in the trade lane connecting North/Central China and West India by launching its new China India Express 3 (CIX3) service. Evergreen's maiden vessel to call Hazira Adani Port was the *Ever Uranus 124E* on June 30, 2018. The port rotation of the CIX3 service is: Qingdao - Shanghai - Ningbo - Da Chan Bay - Port Klang - Nhava Sheva (GTI) - Mundra (Adani) - Hazira (Adani) - Colombo - Port Klang - Singapore - Haiphong - Qingdao. Evergreen's partners in this service are KMTC, GSL and Pendulum. Evergreen's sub-agent at Hazira will be BOXCO Shipping Services Pvt Ltd.

Bhavani Group diversifies into new business vertical

The Bhavani Group of Companies, a fast growing logistics service provider, has launched a new manufacturing unit under the banner 'KDS Bhavani Packaging Pvt. Ltd' at MIDC in Mangaon, Maharashtra. KDS Bhavani will now procure premium quality pine wood that will be exclusively used for wooden pallet manufacturing. KDS Bhavani is well equipped with modern machineries required for such processing, including heat treatment of the pallets under ISPM 15.

India becomes Vice-Chair of the Asia Pacific Region of WCO

India has become the Vice-Chair (Regional Head) of the Asia Pacific Region of World Customs Organization (WCO) for a period of two years, from July 2018 to June 2020. The WCO has divided its membership into six regions. Each of the six regions is represented by a regionally elected Vice-Chairperson to the WCO Council.

Being the Vice Chair of AP Region of WCO will enable India to take on a leadership role. India has a wealth of experience in promoting security and facilitation of cross border trade. WCO represents 182 Customs administrations across the globe that collectively process approximately 98 per cent of world trade. As the global centre of Customs expertise, the WCO is the only international organisation with competence in Customs matters and can rightly call itself the voice of the international Customs community.

Krishnapatnam Port installs eco-friendly cranes

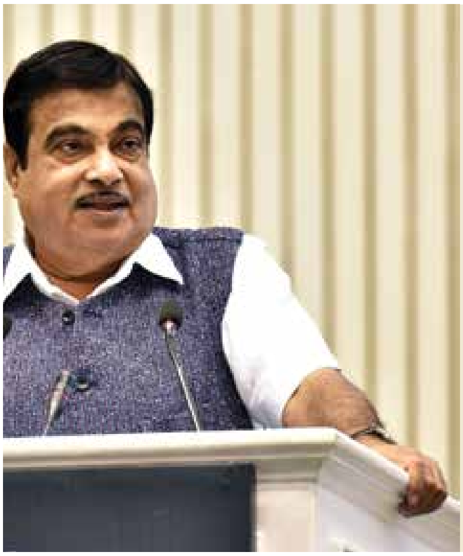
Krishnapatnam Port Container Terminal announced the commissioning of 5 Electrical Rubber Tyred Gantry cranes (e-RTGC) further bolstering its container handling capacity in the backdrop of a strong year-on-year container volume growth of 88 per cent in FY 2017-18. An environmentally sustainable growth is one of the key foundations of Krishnapatnam Port and it received a shot in the arm with the commissioning of these 5 new e-RTGs which have the potential to reduce energy costs by 80 per cent and operating noise level by 65 per cent whilst cutting down more than 1400 tonnes of GHG emissions vis-à-vis the traditional diesel run RTGs.

Tata Motors picks 26 per cent stake in TruckEasy

Tata Motors Finance Holdings has picked up a 26 per cent stake in online freight aggregator TruckEasy. Tata Motors said the acquisition was aimed at giving it insight into the technology-driven transformation in the freight logistics space and the market dynamics of intra-city freight movement. TruckEasy currently offers services within Bengaluru, allowing users to rent light commercial vehicles through its mobile platform. TruckEasy will use the fresh capital to spread its footprint to more locations.

New feeder service connects Mundra, New Mangalore & Cochin

TCI Seaways has started new feeder operations connecting Mundra, New Mangalore and Cochin Ports through a weekly service. The Indian flagged vessel *TCI EXPRESS*, loaded with containers, made its maiden voyage from Mundra Port to NMPT on July 7, 2018 and sailed to Cochin Port the same day. The vessel unloaded 52 containers and picked up 5 export boxes from New Mangalore Port. TCI Seaways presently operates feeder vessels on the east and west coasts of India connecting various ports. Sri Ganesh Shipping Agency is the C&F agent that books cargo to various destinations.



“A wagon investment scheme is being worked out for better evacuation of cargo at a lesser cost. We will invest in wagons, rakes and rail engines independently with the permission of railways. This will help in getting rail wagons in time.”

– Nitin Gadkari
Union Minister for Road Transport, Highways and Shipping

“Government has taken proactive measures for gaining market access in China, amidst rising protectionism in developed countries. The Government has been taking firm measures to cement trade ties with Africa and Latin American countries to boost exports.”

– Ganesh Kumar Gupta
President, FIEO

“G20 countries introduced 39 new trade restrictions between mid-October last year and mid-May this year, double the rate seen in the previous period. Trade barriers being erected by major economies could jeopardize the global economic recovery and their effects are already starting to show. ”

– Roberto Azevedo
Director General, WTO

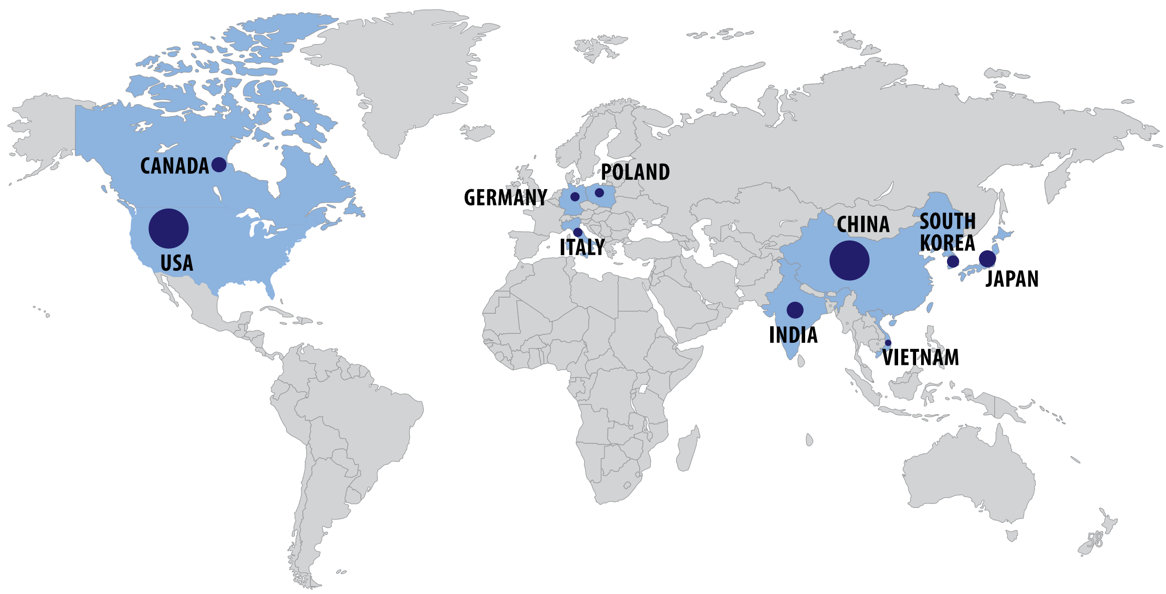
“The apparel industry has raised concerns over rising imports from Bangladesh. India’s overall apparel exports are estimated to have declined by 17 per cent in the quarter between April – June 2018 due to depressed economic conditions-led lower demand and growth.”

– Rahul Mehta
President, CMAI

“Indo-Afghan trade is on a high trajectory, it has increased to about $900 million and the goal is to improve it further to $2 billion by 2020. It will be through the air corridor, road and Chabahar Port as well.”

– Shaida Abdali
Afghanistan’s Ambassador to India

TOP 10 FURNITURE PRODUCING COUNTRIES, 2017 (US$)



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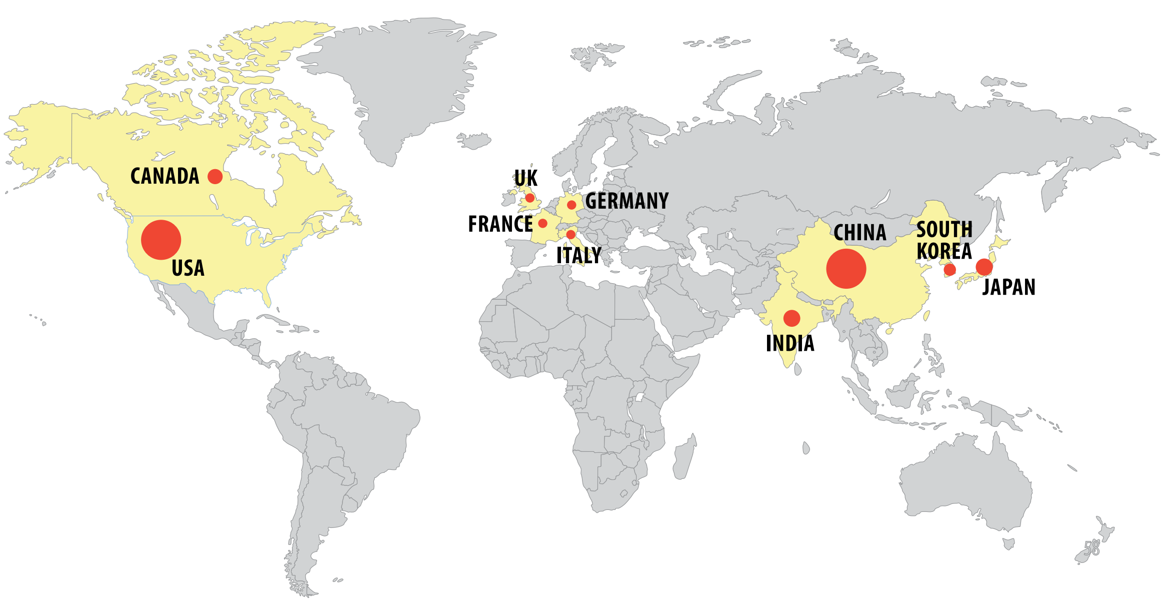
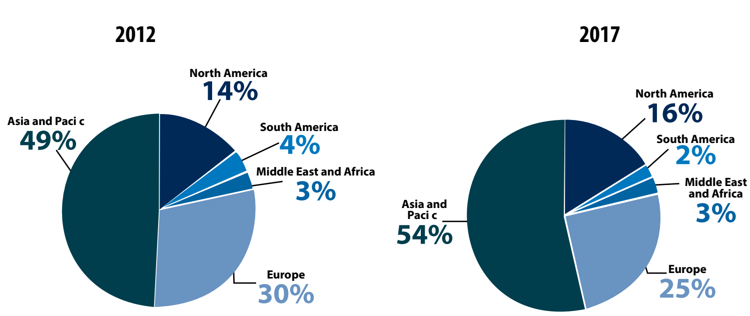
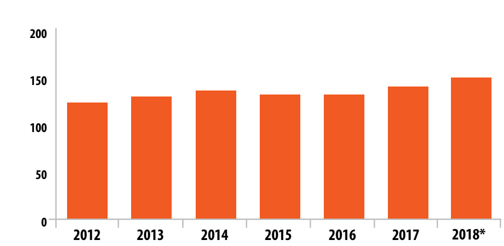


FURNITURE PRODUCTION BY GEOGRAPHICAL REGIONS 2012 - 2017. % IN VALUE



WORLD TRADE IN FURNITURE, 2012 - 2018 ($ BILLION)



Source: CSIL

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Coal India to roll out new mines in FY19

Coal India expects new projects to boost its production during 2018-19. Up to 119 major coal projects that are currently under developed will contribute with 322 million tonnes of estimated production during the current fiscal year. These include large-scale projects such as the Kasmunda Opencast mine, with the capacity to produce 50 million tonnes per annum, and the Gerva expansion project, adding another 70 million tons per annum.

Currently, Coal India owns 369 mines, including 177 opencast, 174 underground, and 18 mixed mines. Last year, these produced 567 million tonnes, with opencast mines contributing with 536 million tonnes and underground ones with 31 million tonnes.

CMA CGM India loads a helicopter on EPIC 2 service

CMA CGM India on 1st July 2018, loaded for the first time a helicopter on board one of the vessels operating the EPIC 2 service for final destination London Gateway. The helicopter was loaded at BMCT (PSA) - Nhava Sheva. The Shipment weighs 4 MT with dimensions of 13.6 m X 3.05 m X 3.7 m. In 2017, CMA CGM transported more than 850 breakbulk projects and 220,000 teus of OOG worldwide.

Krishna Babu appointed Chairman of New Mangalore Port Trust

M T Krishna Babu, a 1993-batch IAS officer has been appointed as Chairman of New Mangalore Port Trust. He is currently the chairman of Visakhapatnam Port Trust. At Vishakapatnam, he has been instrumental in guiding the port on the path of excellence in cargo handling as well as developing it as a green port. A qualified engineer, Krishna Babu commenced his career at National Thermal Power Corporation.

New vehicles can now be imported through Vizag Port

Visakhapatnam Port has been added to the list of 15 facilities permitted to import new vehicles. A notification to this effect was issued by the Directorate-General of Foreign Trade recently. This takes the total number of ports/airports/ lCDs through which import of new vehicles is permitted to 16. Visakhapatnam thus joins the ports of Nhava Sheva, Mumbai, Kolkata, Chennai, Ennore, Cochin, Kattupalli, APM Terminals Pipavav and Krishnapatnam in this regard. Import of new vehicles is also allowed through Mumbai Air Cargo Complex, Delhi Air Cargo Complex, Chennai Airport as well as through the ICDs Talegaon Pune, Tughlakabad and Faridabad.

APSEZ acquires Kattupalli Port from L&T

APSEZ has executed a Share Purchase Agreement between Larsen and Toubro Ltd, Marine Infrastructure Developer Pvt Ltd (MIDPL), L&T Shipbuilding Ltd and Adani Kattupalli Port Pvt Ltd to acquire 97 per cent shares of MIDPL. MIDPL is the developer and operator of Kattupalli Port.

Karan Adani, CEO, APSEZ said,"We are going to start our construction to diversify the cargo of the port and will be adding 40 MMT of new capacity in next 3 years. We are confident that with our superior infrastructure and efficient handling of cargo, we will be able to reduce logistics cost of industries in the region and be one of the engines of growth."

With back-up area of 322 acres, Kattupalli Port provides ample space for future expansion to facilitate trade requirements. APSEZ plans to transform Kattupalli into a multi-commodity port to handle cargoes like containers, automobiles, breakbulk, general cargo, liquid cargo and project cargo. Presently, the port has two berths with quay length of 710 m, 6 quay cranes, 15 RTG cranes and 5,120 ground slots with the capacity to handle 1.2 million teus per annum.

N. Vaiyapuri takes charge as Deputy Chairman of V O Chidambaranar Port Trust

N Vaiyapuri assumed charge as Deputy Chairman of V O Chidambaranar Port Trust. Prior to this assignment, he was serving as the Deputy Chairman of Paradip Port Trust since March 2015. He started his career as Assistant Traffic Manager at Chennai Port in 1983. Later, he was elevated to Traffic Manager of Mormugao Port Trust in 2006 and, thereafter, as Traffic Manager at Chennai Port.

MANSA elects Capt. Amit Wason as President for 2018-20

MANSA has elected Capt. Amit Wason from NYK Line (India) Pvt Ltd as President for the period 2018-20, taking charge from Capt. Vivek Anand who held the post for two consecutive terms. Hiren Chandrakant Ved from Parekh Marine Services Pvt Ltd continues as Vice-President for another term while Vijayendra Parvataneni from Maxicon Shipping Agencies, who was the ex-Chairman of Young MANSA Forum, has been elected as the second Vice-President.

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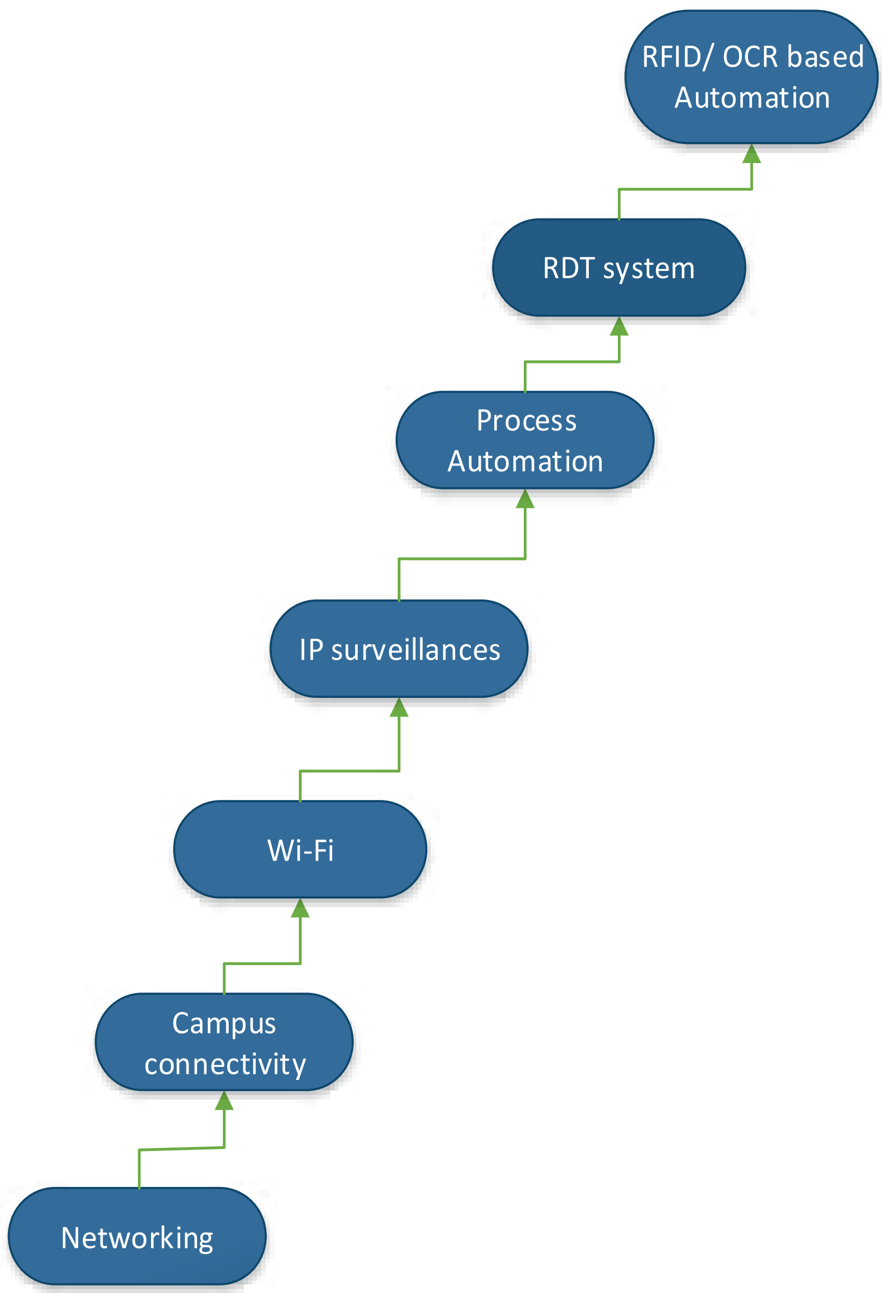

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Chennai Port offers concession on exim transhipment containers

In order to encourage transhipment of exim containers at Chennai Port, it has been decided to grant a flat concession of 70 per cent on vessel-related charges in the port's scale of rates for coastal vessels carrying transhipment containers. This concession will be increased to 80 per cent if the particular service crosses 25 voyages a year. Similarly, for foreign vessels, a concession of 5 per cent on vessel-related charges will be given, in addition to the existing concessions, while handling transhipment containers. With these measures, it is expected that transhipment of Indian containers, which, at present, is happening through neighbouring international ports like Colombo and Singapore, will take place through Chennai Port.

Essar Vizag Terminal commissions iron ore handling complex

Essar Vizag Terminal Ltd dedicated to the nation its newly-commissioned 24 million tonnes per annum (mtpa) Vizag iron ore handling complex. With its state-of-the-art cargo handling equipment, the iron ore handling complex will have the fastest vessel turnaround time for iron ore among Indian ports. Following the project completion, the cargo loading capacity of the facility has been upgraded to 24 mtpa. The iron ore handling complex can now berth Super Capesize vessels up to 200,000 DWT, with a depth of 20 metres, on the outer harbour of Vizag Port.

Special emphasis was given to make the iron ore handling complex environment-friendly. Focus on global best practices in mechanisation and sustainable environment protection has significantly reduced dust emission and spillage, thus improving the carbon footprint

Adani Logistics Ltd and NYK Auto Logistics in joint venture

Adani Logistics Ltd has formed a joint venture with NYK Auto Logistics (India) Pvt Ltd which specializes in transportation of finished vehicles using automobile freight trains. This JV company will participate in AFTO Policy of Ministry of Railways and offer it's automobile freight trains for transporting vehicles across India in more efficient manner and will contribute towards 'green' India. The JV company will commence operations with 6 automobile freight trains. Based on market trends, the JV will operate 25 automobile freight trains in 3 years.

Allcargo Mundra CFS rolls out community empowerment initiatives

As part of committed efforts to create a sustainable roadmap for community empowerment, employees at the CFS of Allcargo Logistics Ltd at Mundra have been initiating numerous CSR programmes since last few years. The employees of the CFS and their wives have been actively chalking out social development programs for underprivileged populations in the local areas. A blood donation camp and tree planting drive around the area of Baroi was held by the Mundra CFS team on June 7, 2018.

The team planted saplings in the CFS premises. The wives of the CFS employees, nicknamed the Allcargo Queens, have partnered with an NGO to educate migrant laborers, in the hutment areas, reaching out to women and children, on issues concerning health, hygiene, sanitation and vaccination.

Railways launches double stack dwarf containers

In order to capture the lost traffic through new delivery model for domestic cargo, the Indian Railways has introduced double-stack dwarf container services. The first such freight train was flagged off on July 7, 2018 from Western Railway's Rajkot railway station on its maiden commercial run. The train was booked from the Reliance Rail Siding at Kanalus to Rewari in Haryana, and was loaded with 82 containers of polypropylene granules. As a result of this double-stacked dwarf container service, the Railways received increased revenue of ₹18.50 lakh.

The double-stacked container is 6 ft 4 inches in height and can run on electrified tracks. Despite being smaller in size, the dwarf containers can hold a capacity of 30,500 kg. In comparison with regular containers, these containers are 662 mm short but 162 mm wider. The dwarf containers can hold a volume that is approximately 67 per cent more when compared to traditional containers.

APM Terminals Pipavav receives AEO certification

APM Terminals Pipavav's effort to enhance smooth cargo movement received a major boost, with company receiving certificate for Authorized Economic Operator for Logistic & Terminal Operators (AEO-LO). With APM Terminals Pipavav being AEO LO certified, its Exim customers can opt for AEO T3 certification and avail many benefits including preferential treatment by Customs, zero container scanning (except on specific intelligence), no requirement of bank guarantee amongst others. The AEO certification improves speed of the entire transaction in a transparent manner. It provides tangible benefits in the form of faster customs clearances and simplified customs procedures for business.

NEPAL

Raxaul-Birgunj Integrated Check Post brings relief

Prior to the inauguration on April 7 of the Raxaul-Birgunj Integrated Check Post (ICP), there used to be a 20-km-long queue of trucks on the highway. Now, there is a queue of trucks, though much smaller, on the 7-km approach road to the ICP, located on the outskirts of Raxaul. The change is also apparent in Raxaul. Till April, more than 800 trucks carrying export cargo would ply every day through this congested town. Today, the traffic is down by 400-500 trucks a day, as they take a bypass to reach the ICP.

INDONESIA

World Bank loan to improve logistics

A $300 million loan approved by the World Bank will help the Government of Indonesia deepen reforms to reduce the costs and improve the reliability of the country's maritime logistics. As per the 2016 World Bank logistics index report, Indonesia was in 63rd position out of 160 countries in the report when it came to logistic costs. Transportation accounts for 72 per cent of logistics cost. Many logistics vehicles transporting goods from Java to outside Java returned empty and using trucks was more costly than trains, ships and planes. The funds will be used for strengthening ports' governance.

MYANMAR

Yamato Group has set up a joint venture in Myanmar

Japan's largest package delivery company has set up a $500,000 joint venture in Myanmar to specialise in Thai-Myanmar cross-border trade and small-cargo delivery. The services offered in Myanmar include import/export forwarding and cross-border truck transport from other Asian countries. Inland logistics service and courier service are in the pipeline. The courier service will allow products to be transported to retail shops and automobile spare parts to be distributed, as well as facilitating e-commerce. The key focus of Yamato Group is on international forwarding, "overseas moving services" and cross-border logistics. Yamato also targets moving goods for relocating employees and businesses.

AFGHANISTAN

A target of $2 billion trade with India by 2020

"The level of trade between India and Afghanistan has increased over $900 million and the goal is to improve it further. Our target towards trade with India is $2 billion by 2020 and we are heading towards that. This will be through the air corridor, road and other initiatives including Chabahar Port. We are looking for full operationalization of the four phases of the Chabahar Port by 2020-22," says Shaida Abdali, Afghanistan's Ambassador to India. The air freight initiative between India and Afghanistan has given very positive results and so the service has been extended to touch Saudi Arabia, Turkey, Kazakhstan and Dubai.

BANGLADESH

Soya bean oil refiners benefit from US-China tariff war

Soya bean oil refiners say the trade war between the United States and China could bring opportunity for Bangladesh to import low cost soya bean from the US as the price of the item has started to fall after China imposed tariffs on $34 billion worth of US products, including soya beans and cotton. The prices of US soya beans started falling due to decline of China's purchases while the prices of the item jumped in the Brazilian market due to Chinese import. Bangladesh imports crude soya bean oil mostly from Brazil and Argentina while the US mainly exports soya beans. Companies crushing beans can benefit from lowers prices of the items in US.

SRI LANKA

Colombo Port transshipment volumes increase by 19.8 per cent

Establishing a record in transshipment operations the Port of Colombo has witnessed the highest growth of 19.8 per cent in transshipment container throughput for the first half in 2018 as against the corresponding period in 2017. During the first half of 2018, the Port of Colombo handled 2,733,906 teus of transshipment containers as against 2,281,636 teus handled in the corresponding period in 2017. Jaya Container Terminal witnessed the highest growth of 20.6 per cent in transshipment container throughput for the first half in 2018 as against the corresponding period in 2017. During the first half of 2018, the transshipment volume at JCT reached 935,848 teus compared to 776,002 teus handled for the same period in 2017.

MALAYSIA

Kuehne + Nagel wins three-year contract from Petronas

Kuehne + Nagel has won a three-year logistics and supply chain contract from Malaysian national oil company Petronas. Kuehne + Nagel will undertake end-to-end integrated supply chain management for Petronas, including freight forwarding services, logistics management plus off-site and on-site warehouse operations.

Kuehne + Nagel was appointed for its extensive global network and its full suite of logistics services, comprising air, sea, overland and logistics control centres in four strategic hubs. The company's industry-leading technology such as the One Global System which offers customers precise and real-time visibility also provided a competitive edge, as it aligns with Petronas' digitization strategy.

IRAN

Chinese refiners switch from US crude to Iranian oil

China's largest independent oil refinery has stopped buying crude from the United States, switching to Iranian oil purchases, amid a trade war with the US and despite American attempts to dissuade other countries from purchasing crude from Iran. While Chinese crude has not been subjected to US tariffs yet, it appears on a list of products to be targeted with tariffs at an unspecified later date.

Tehran has said that if it cannot sell its oil, no other regional country will be able to sell its, a reaction that has been taken to mean that Iran may block its waters in the Strait of Hormuz, through which many international oil cargoes pass.

SINGAPORE

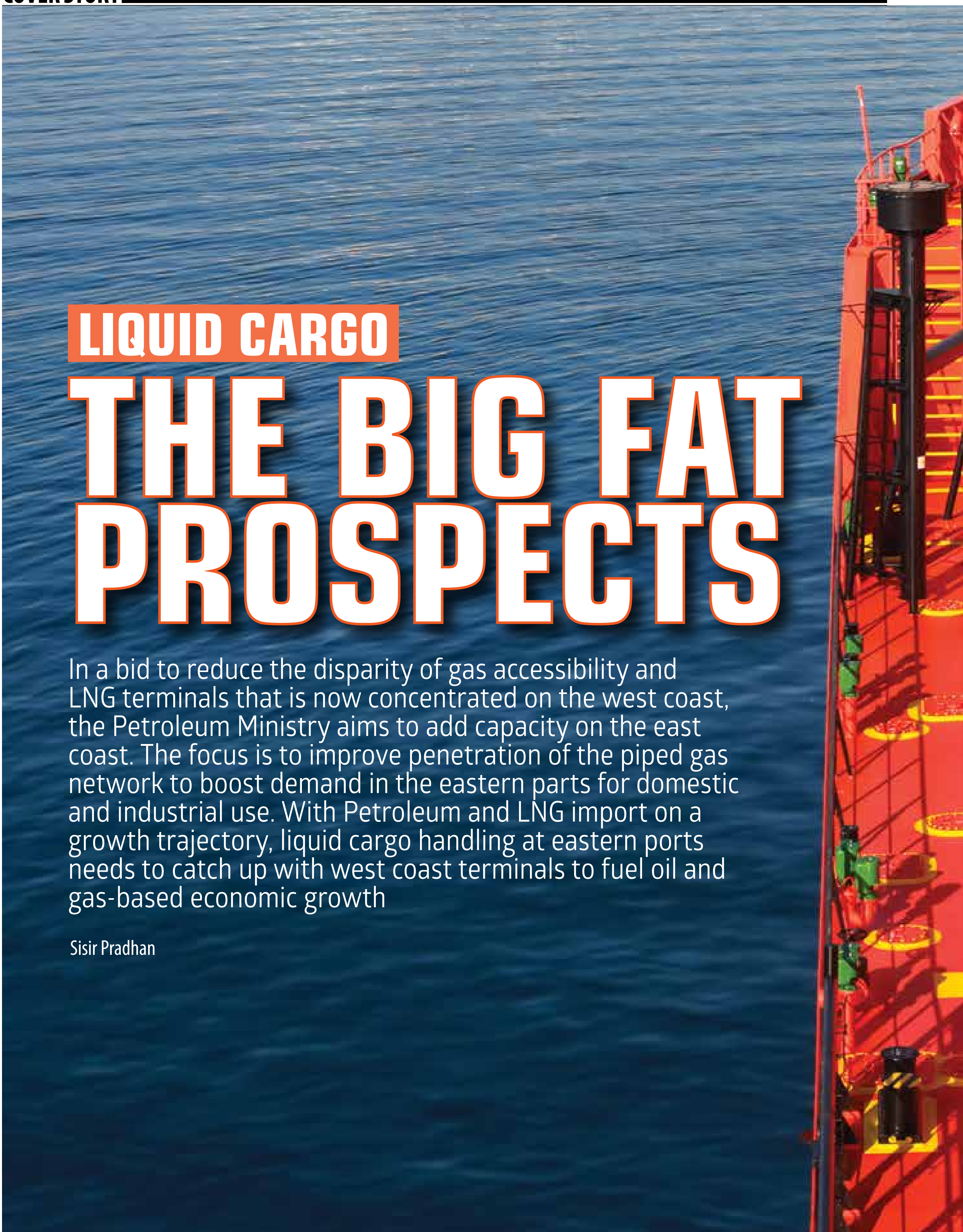
Singapore-Chongqing logistics hub taking shape

In about three years, a logistics hub jointly developed by Singapore and Chongqing companies will be up and running, managing operations across road, rail and river in the upper reaches of China's famous Yangtze River. Located beside Guoyuan Port in south-western Chongqing, the hub will facilitate the flow of container goods transported via the river to the Southern Transport Corridor railway network. The hub, which sits on two land parcels totalling 670,000 sq m, will have warehouses as well as provide services such as packaging and distribution. The initiative aims to spur growth in the less developed western China region by enhancing transport and trade links.

VIETNAM

SMEs upbeat about exports

57% of surveyed small-and medium-sized enterprises (SMEs) in Vietnam believe they will continue to enjoy growing exports, according to a research conducted by Harris Interactive. Businesses believe they will see exports to markets beyond Asia-Pacific such as Germany and the US. About 58 per cent of SMEs export to Asia-Pacific, focusing on China, Japan and Korea. Eight out of ten SMEs export to markets outside Asia-Pacific region, higher than the average level of APEC members of 71%.



LIQUID CARGO

THE BIG FAT PROSPECTS

In a bid to reduce the disparity of gas accessibility and LNG terminals that is now concentrated on the west coast, the Petroleum Ministry aims to add capacity on the east coast. The focus is to improve penetration of the piped gas network to boost demand in the eastern parts for domestic and industrial use. With Petroleum and LNG import on a growth trajectory, liquid cargo handling at eastern ports needs to catch up with west coast terminals to fuel oil and gas-based economic growth

Sisir Pradhan

Global oil trade routes are moving East, as China and India replace the United States as top oil importers. When it comes to consumption of petroleum products, India is an oil guzzling nation, and the country's per capita consumption is only next to the US, EU and China. With a Y-o-Y growth of 5.3 per cent in FY2017-18, and as high as 11.6 per cent in FY2015-16, the demand is not going to subdue any time soon. India fulfils almost all of its crude oil requirement from imports, and with consumption of 4.14 million barrels per day, its share is more than 4 per cent of the total world consumption and the second largest importer of oil in the world after China.

India is also import dependent for edible oil and various industrial chemicals to meet its requirement. No wonder the country's liquid cargo imports is majorly driven by 256.3 MMT of crude oil and petroleum products, and about 15 MT of edible oil. Given the enormous volume, the country requires some mammoth infrastructure at sea and land to keep the economy well oiled.

Imported liquid cargo is largely handled at seven port clusters, among which ports and terminals in Gujarat handle about 65 per cent of total crude import, followed by Mumbai, New Mangalore and Paradip handling 7-8 per cent each, and remaining ports Cochin, Chennai and Visakhapatnam handle 4-5 per cent each.

Market size

Liquid cargo is broadly divided into 3 segments: petroleum products and crude oil, LNG, chemicals and edible oil. Based on the economic growth and energy requirement, International Energy Agency has forecasted that by the year 2040 India's economy will become 5 times of its current size and the most populous nation in the world, as a result it will have the highest energy demand in the world. India will alone contribute to about 25 per cent rise in global energy consumption, and a major part of the country's energy requirement will be fulfilled from coal and oil. Demand for imported petroleum oil and LNG will continue on an upward trend.

Despite efforts by government and private agencies to increase domestic energy production, 30 per cent of India's primary energy needs for domestic and industrial consumption are fulfilled from imported POL, LNG and coal. The country continues to struggle with oil production of just 700kb per day due to limited availability of the natural resource. With the current trend in the next two decades, India's dependency on imported oil will grow to more than 90 per cent and by the year 2040 oil import is likely to touch as high as 9.3 mb per day.

India has annual refining capacity of 235 MMT of which 194 MMT of products are consumed domestically, while the rest is exported. India is also a net exporter of Gasoline, Naptha, Jet fuel and Gas oil. The country is in the process of increasing its refining capacity to around 310 MMT by 2023. As a result there is also scope in handling liquid cargo export.

Infrastructure gaps

Volume contribution from liquid is about one-third for most of the major ports and in case of some private ports there has been a steady growth, and combined volume of liquid and container has overtaken bulk. But still the segment is battling with some major infrastructure shortcomings.

Sharing some of the concerns pertaining to the liquid cargo transport, **Dinesh Donadi, Terminal Manager (Haldia), Reliance Industries** stressed that ports need to give priority berthing to liquid cargo carriers. Vessels have to wait for more than a week to get a berthing, and it happens at most of the ports in India, unless an industry has a dedicated port like Reliance Jamnagar unit. The market is more mature on the west coast as there is well developed network of pipeline and other modes of transport, but on the east cargo still moves through ports due to which storage capacity is required. Due to lack of pipeline network, petroleum and other products from Jamnagar unit come to Haldia by coastal vessels. Reliance also imports aviation turbine fuel from Singapore and Malaysia. The distribution network has still not reached an optimum level and there is scope for capacity augmentation and new terminals on the east coast.

Though India imports majority of POL from the Middle East, Latin America, and Africa but Indian oil majors in a bid to reduce dependency on the Middle East have acquired equity stakes in overseas oil and natural gas fields in South America, Africa, South-East Asia, and the Caspian Sea region.

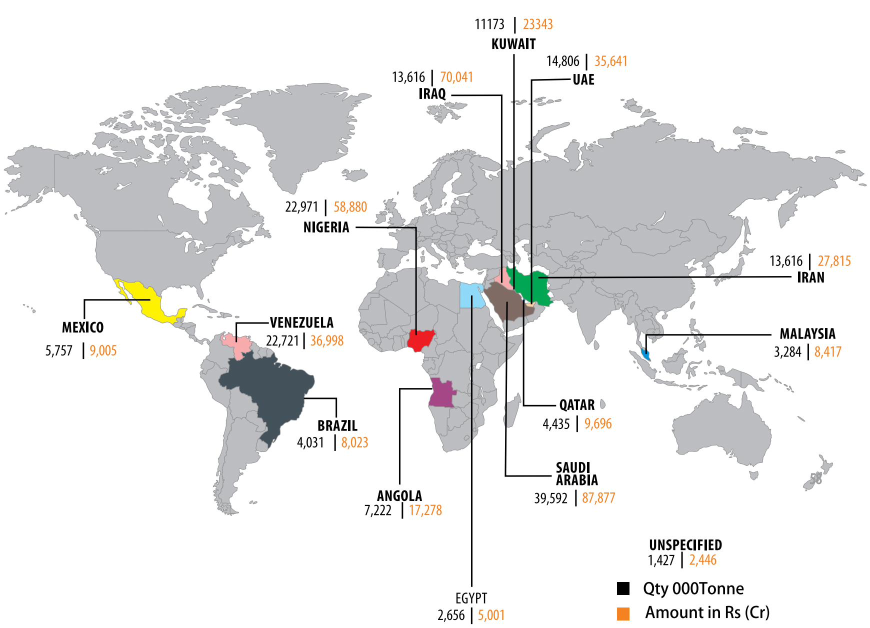
While the majority of oil refining capacity, and oil and LNG imports are located on the west coast but many of them are fast aging leading to slower discharge resulting in congestion and delays. The west coast has an annual refining capacity of 63.7 MMT which falls short to meet domestic demand. On the other hand refining capacity of 88.2 MMT by private players in Gujarat mostly caters to export market for products such as naphtha, motor spirits, and jet fuel to the UAE, Singapore, Saudi Arabia, USA, Kenya, and the Netherlands. East and north eastern parts of India, central and north have installed refining capacity of 49.4 MMT, 6 MMT, and 40.3 MMT, respectively. Consumption wise northern parts of India top the list with 55.89 MMT, followed by 52.15 MMT in west, 46.67 MMT in south, and 22.28 MMT in north-east and east in FY2017-18.

Out of the total volume of 932.57 MT of overseas cargo, liquid bulk cargo volume was 353.96 MT in FY2016-17 at major ports. At Indian major ports a vessel with liquid bulk has to tackle a pre-berthing detention of about 1.62 days and turnaround time of about 3.49 before it sails out. As a result an imported liquid bulk carrier is detained for about 5 days. Kandla which was once the default hub for chemical and other liquid cargo import is losing out to other ports because of lack of berths and delays in vessel turnaround time. Due to these factors occupancy level of liquid storage tanks at Kandla have come down affecting negatively its tanker tariff. On the contrary, in its neighborhood terminals at Hazira are flourishing due to efficient and modern facilities and in 2017 alone 410 liquid carriers were handled there. The growth of liquid cargo segment can be gauzed from the fact that ports like Hazira have 80 per cent occupancy level and are looking to increase capacity from 4.45 lakh kl to about 2.50 lakh kl tank in the coming 2 years.

Liquid bulk cargo is majorly demanded across 23 refineries and these refineries import about 4 million barrel of crude per day, and refine and supply to domestic and international markets. Though liquid cargo handling is pegged at CAGR of less than 5 per cent but the segment has the potential to grow at a much faster pace if capacity constrains at ports could be addressed. There are very small number of players who cater to the storage and transport needs of this niche but high volume and fast growing segment. If we leave apart the major refiners, the liquid bulk import and export is largely a trader-driven business where cargo volume comes in fragments and inconsistently. Speaking about the trends, **T Venkataraman, MD, Goodrich Maritime** said that instead of bulk shipments, demand for unitized form and ISO tanks is growing. Importers are more keen to bring parcels of smaller size on depot-to-depot basis where parcel size of as little as 20 tonne is directly delivered to their factory.

Speaking about capacity constraints, **Sajith Sreedharan, Deputy Managing Director, BMT Consultants (India),** underlined, "Significant increase in bulk chemical (including petrochemical) trades has placed substantial pressure on port infrastructure which was already lacking capacity, including for storage. Utilization rates for infrastructure in major ports (mainly storage) is 80-90 per cent as opposed to a more normal 50-70 per cent. There is a need for additional capacity. In general, this includes specialist berths which usually have far lower utilization rates and specialized handling equipment and storage.

PETROLEUM IMPORTS IN INDIA - COUNTRY WISE - 2016



The major gap is integrated berth and storage capacity, and this gap is often caused as their owner and operator of the storage are different. Chemicals and specialty chemicals are particularly affected."

Liquid cargo is very complex. A typical liquid chemical carrier can sail with 20 different varities of products, hence a port needs to have the required infrastructure to deal with it simultaneously. Chemical major Sasol used to bring 13-14 different chemicals in one vessel from South Africa to Kandla for about 23 receivers but later it shunned the port because of delays in discharge. Typically in case of trader-driven specialized chemical segment it is imported in parcel size of 500-2,000 metric tonne, and requires storage facility for 1-2 months at the port. Some of the other complexities of the trade are that turnaround time of a vessel also depends on the pumping capacity of a vessel. Products like edible oil are high volume but low margin commodity, so in a bid to keep a check on freight cost older vessels are hired for haulage which have very slow discharge rate as compared to chemical carriers. And it leads to longer unloading time.

Large industries like Haldia Petrochemicals despite having own pipeline network for distribution and storage facility are constrained by challenges at ports. **Ashok Ghosh, Head (Plant & EVP), Haldia Petrochemicals,** sharing his experience says that Haldia has draft limitation, which restricts the size of vessels. Due to this 50,000 dwt vessels carrying feed stock carriers are called at Visakhapatnam from where it is transferred in smaller vessels of 25,000-30,000 tonne capacity to Haldia. Various liquid jetties have different types of limitations at Haldia such as it can handle cargo only in the range of 2,000-6,000 tonne, and the jetties are highly congested leading to higher waiting period and demurrage. Due to inefficiency freight cost for raw material import goes upto $55-60, and a draft of 13-14 metre could help direct vessel call and a saving of about $30/tonne, and the amount is significant since the capacity of the units is 2 million tonne of naphtha. The plant aims to double its capacity from 2 million to 4 million ton but due to the port capacity restriction, the expansion is not possible. The company is now exploring option to set up a unit at a new location like Andhra Pradesh or some other place in south which has a market potential for its products such as polymers.

The bright spots

One of the areas which require capacity creation is LNG facility at ports. Currently, India is the fourth largest LNG importer in the world. The country under various schemes is targeting to avail gas for domestic and industrial use. Cross country pipelines are under implementation and it will directly boost gas consumption as a result LNG import will grow. Currently, India imports 10 million tonnes of chemicals and petrochemicals, which is likely to grow to 46 million tonnes by the year 2030.

Moreover, in a bid to ensure energy security, national gas grids are under execution at various locations, and doubling of pipeline network from 15,000km to 30,000km is under implementation. While western parts of India have made significant progress in piped gas distribution, the next wave of growth in consumption will be from the east, south and northern parts of India. Ports on the east coast need to chip in to meet the requirement.

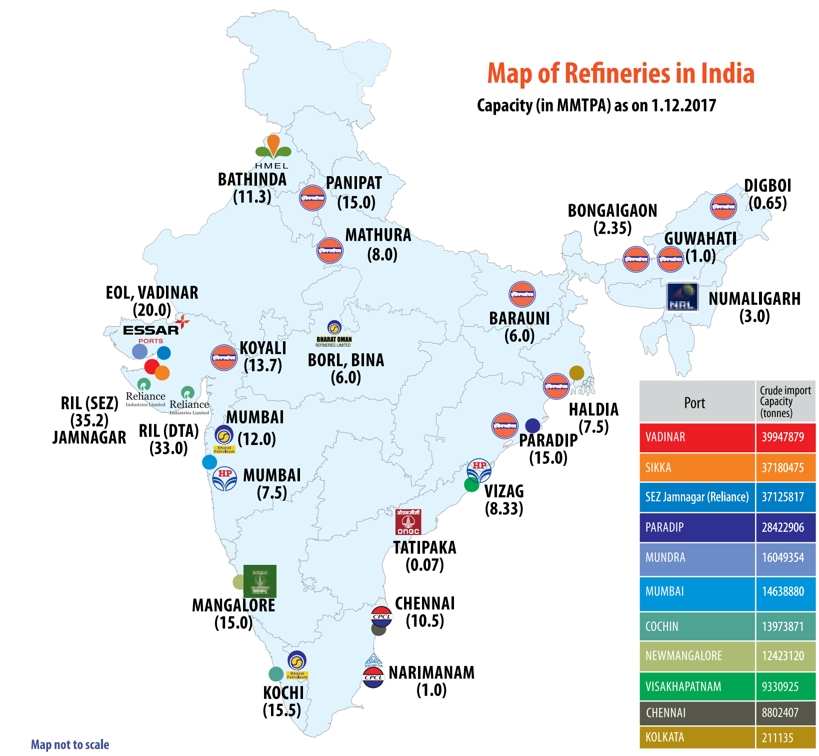
PCPIR: The ambitious target that India has set for itself is to provide gas to all households and this requires significant investment in LNG and POL handling capacity at ports. Among the 4 approved PCPIR projects, apart from Gujarat, the project in Andhra Pradesh is making steady progress. The other two states Odisha and Tamil Nadu are also working in the direction of faster realization of projects.

Hence, the ports on the east coast need to be ready to embrace some exciting times in liquid cargo business. In a bid to reduce the disparity of gas accessibility and LNG terminals that is now concentrated on the west coast, the Petroleum Ministry aims to add capacity on the east coast. The focus is to improve penetration of the piped gas network to boost demand in the eastern parts for domestic and industrial use. With Petroleum and LNG import on a growth trajectory, liquid cargo handling at eastern ports need to catch up with west coast terminals to fuel oil and gas based economic growth.

India continues to stress on addition of capacity in Regasification LNG terminals and addition of about 83 MMTPA in the next 10 years to fulfil steady supply in the domestic market. While the work is under progress to increase capacity on the west coast, there are plans to install about 10 MMTPA on the east coast as well.

With increasing coverage and reach of natural gas infrastructure, there is an effort to bridge the imbal-

REFINERIES IN INDIA AND PORT CAPACITIES



Port	Crude import Capacity (tonnes)
VADINAR	39947879
SIKKA	37180475
SEZ Jamnagar (Reliance)	37125817
PARADIP	28422906
MUNDRA	16049354
MUMBAI	14638880
COCHIN	13973871
NEWMANGALORE	12423120
VISAKHAPATNAM	9330925
CHENNAI	8802407
KOLKATA	211135

ance in gas consumption between western and northern parts of the country and rest of India. Natural gas demand is projected to reach 746 MMSCMD in FY2029-30. Asian Development Bank backed Economic Corridor Development is another thrust area which will further fuel LNG consumption in the eastern parts of the country. Since the first phase of East Coast Economic Corridor (ECEC) focuses on the Visakhapatnam-Chennai Industrial Corridor (VCIC) covering 11 districts in Andhra Pradesh and Tamil Nadu, gas consumption is heading for a steady growth due to restriction on coal import. While ports on the east coast are adding container handling capacity to meet the requirement of production clusters, it is time to add LNG handling capacity to fulfill the energy requirement of anchor and ancillary industries coming up in the corridor. LNG re-gasification industry is likely to increase from 47.5 MMTPA by 2022 from a current level of 22 MMTPA.

Chemical: India being an agrarian economy, liquid chemical import for the agricultural sector and fertilizer units will continue to grow. Moreover, bulk organic and inorganic chemical constitute about 5 per cent of the liquid cargo imports in India. More than 60 per cent of India's chemical-based units are located around Vapi-Baroda industrial belt, which has aided chemical handling at ports in Gujarat like Hazira. Majority of chemical in liquid form comes from the Gulf countries. Majority of chemicals are made from naphtha and other downstream products of petroleum oil, and India depends heavily on import from Iran and other Middle East countries. One day pre-berthing delay of a chemical carrier could lead to a loss of about $20,000 depending on the size of vessel. Apart from methanol, the CIF value for all other chemicals is in the range of $600-1,800.

Chemical import has a CAGR of about 6-9 per cent. Growth in plastic and textile like polyester yarn consumption creates demand for chemical. India still has a very low per capita chemical consumption due to which the growth in import is expected.

Edible Oil: India imported about 15.6MT of vegetable oil in FY2017-18 as compared to 15.4MT in FY2016-17. Lower domestic supply keeps the momentum for import of vegetable oil. And the trend is unlikely to change since India's agricultural sector is struggling at sub 2 per cent growth. Palm oil accounts for the highest volume among vegetable oil import, and a majority of it comes from Malaysia and ports on the east coast can tap this segment. Import in this segment has grown by 45 per cent in the last 5 years. India's monthly requirement is about 18 lakh tons and the country maintains a stockpile for 30 days as it comes under necessary products. Edible oil import hubs are Kolkata, Kandla, and Mundra, and the basket includes refined and crude vegetable oils like soybean and palm oil, and crude sunflower oil. Soya oil is imported from Brazil and other latin American countries. Palm oil comes from Malaysia and Indonesia. Largest volumes of edible oil comes through Kandla.

Way forward

Liquid cargo is one segment where ports and terminals have been registering steady growth (CAGR of 0.38 per cent in the last decade). In case of major ports the share of liquid cargo has grown to about 38 per cent in FY2017-18 as compared to 33 per cent in FY2016-17.

India fulfills about 86 per cent of crude, 70 per cent of natural gas, and 95 per cent of cooking gas requirement through import, hence the demand for liquid cargo handling, storage and distribution at ports and hinterland will continue to register an upward trend. Apart from POL and LNG, edible oil and chemical imports are going to supplement further. While government-backed cross-country pipeline network is on the right track, there is an opportunity for more entrants from the private sector to complement with liquid cargo handling, storage and distribution. There is huge capacity constraint in transport of liquid cargo from shore to the factory or hinterland in a safe and efficient manner. Most the cargo is hauled by trucks, hence there is opportunity to tap this segment. Success lies in faster turnaround of vessels thus lowering or eliminating demurrage. mg

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- PARADIP PORT RETAINS ITS 2ND POSITION IN CARGO THROUGHPUT AMONG ALL MAJOR PORTS.
- SAGARMALA PROJECT: AS A PART OF CAPACITY AUGMENTATION UNDER SAGARMALA PROGRAMME, AN OUTER HARBOUR IS PROPOSED AT AN ESTIMATED COST OF ₹8,764 CRORES TO HANDLE LARGE CAPE SIZE VESSELS UP TO 2 LAKH DWT, UP TO22M DRAUGHT.

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Infrastructure needs to catch up

Q What is your view on liquid bulk trade scenario in India, and existing infrastructure catering to the segment?

A India is a large importer of crude oil and vegetable oil. India imports more than 200 million tonnes of mineral oil worth over $100 billion and about 14 million tonnes of vegetable oil valued at about $11 billion. Liquid bulk imports are spread across ports on the eastern and western coasts. While there is infrastructure shortage, in terms of installed capacity, tank farms, road network, etc., but going forward, with increase in import volume, India needs to invest in infrastructure expansion.

India's energy needs are going to rise, as a result import volume of liquid bulk is certainly going to increase in the future and infrastructure needs to catch up to support this demand

Jayyannt Lapsiaa, President, All India Liquid Bulk Importers & Exporters Association (AILBIEA)

Q What are the major infrastructure related challenges?

A Major challenges include berthing, shortage of shore tanks, lack of allied infrastructure and ship turnaround time, and transportation of liquid bulk cargo to hinterland. There is even bigger challenge in case of transportation of hazardous chemicals to the hinterland. The government should come out with a holistic policy from a long-term perspective in order to encourage the private sector to invest. Coastal shipping and use of inland waterways could be helpful.

Q What are the major trends do you foresee for liquid bulk sector in the short and long run?

A Mineral oil and vegetable oil constitute the top two largest liquid bulk imports in India.

We expect our import dependence on crude oil will worsen from the present 75 per cent to well over 80 percent in the next 5 years. Similarly, vegetable oil consumption has been rising rapidly. In last 5 years, vegetable oil imports have increased by about 1 million tons each year. India exports processed and refined products of crude oil, hence exports about 5,00,000 to 6,00,000 tonnes of castor oil. Besides, India has huge imports of specialty petrochemicals and other chemicals, including soapery oils, which is approximately 10 million tonnes.

Q What are the missing links, demands and pain points for liquid bulk handling in India?

A India needs better coordination between ports and customs; also there are unnecessary delays on account of confusion over interpretation of EXIM policy, product classification and at time valuation issues for customs tariff, sampling and analysis of cargo. All these have to be highly standardized and implemented uniformly across the country. Quick resolution of disputes is critical. The country needs more transparency and time bound clearance of customs documents.

Coordination between ports and customs required. There is confusion in interpretation of EXIM policy.

Q What kind of gap exists in handling chemical and hazardous liquid bulk cargo?

A There is an urgent need to come up with proper infrastructure and wider network of roadways to meet the increasing demands of the chemicals and other hazardous cargoes. There is also lack of basic knowledge in handling chemicals and hazardous liquid bulk cargoes, which needs to be corrected and more safety norms to be introduced.

Q What is the growth registered at Indian ports in liquid bulk segment in the recent past? What kind of demand is expected in the future?

A Over the years significant growth has been registered at ports in this segment and the demand in the near future is expected to grow by about 20 per cent per annum, at least for the next 7 to 10 years. Time has come to wake up to realities of the ever increasing liquid bulk trade, and there is a need to create and add infrastructure, including seamless customs and port operations. Contribution of liquid bulk volume to the total cargo volume is approximately to the tune of 35-40 per cent for the ports, and the contribution to the revenue of ports is about 55-65 per cent. mg

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Furniture logistics: Road rules

Importing furniture through rail can be 30-40 per cent cheaper, but still longer delays in delivery and the risk of damage in multiple handling makes importers stick to the road

Omer Ahmed Siddiqui

Be it a house or office, the way it is furnished and maintained gives the first impression of the status of the people living there. Growing urbanisation, increasing purchasing power of people have transformed furnishing from a mere necessity to status symbol, with many people belonging to the affluent class changing their furniture every year or so, to keep their homes and offices looking trendy. This very trend is also fuelling demand for imported furniture in the country, which is more attractive and elegant, compared to the routine designs offered by the mom and pop stores in the country. "While the demand for imported furniture has been in India since the late 90s, but it significantly picked-up in the year 2000, with people mostly preferring furniture made from marble and those with glass top," says **Arvind Agarwal, Proprietor of Carigari**, a leading imported furniture supplying chain in the state of Telangana.

The Indian furniture market is highly fragmented and unorganised, and is expected to grow to over $27 billion by 2022, which represents a huge opportunity for furniture exporters from across the globe. With demand set to outstrip supply, many multinational brands such as IKEA, Walmart and UAE-based Danube have set their foot into this lucrative market.

In terms of market size India is the 14th largest market in the world valued at $18.93 billion in 2016 and forecast to reach $21.22 billion by 2018, growing at a CAGR of 6.40 per cent, reveals Hong Kong Trade Development Council (HKTDC). The country is also one of the largest importers of office furniture, accounting for just under one-fifth of global imports in the sector. Currently, demand for imported furniture in both housing and office category is growing, but it is a bit higher on the office furnishing side.

Factors supporting market growth

IKEA COMES TO HYDERABAD

IKEA makes its foray into the Indian market with a 400,000-square feet large 'home entertainment centre' in Hyderabad. The company has brought land parcels Hyderabad, Mumbai, Bengaluru and Delhi. Going forward, the second store will open in Mumbai in 2019. Looking ahead, more cities will be added including Pune, Surat, Ahmedabad, Chennai and Kolkata.

Hinting at IKEA's sourcing strategy Patrik Antoni, Deputy Country Manager, IKEA India says, "Globally India stands at 3 per cent of the total IKEA sourcing which constitutes €350 million worth of resource. We are sourcing from 55 countries around the world. In Europe, around 60 per cent of the sourcing comes from the same market. In China, we source 70 odd per cent of the resources. In India we will source may be 5-6 per cent locally and that number is about to grow more than 30 per cent. Overall, we have around 9,500 products but currently make only 200 of them in India and we have to increase it. For us, manufacturing of our furniture is based on global competitiveness and India as a market at the moment is not big enough to have a manufacturing factory."

While it is only the upper class of the society that opts for imported furniture, but still growing urbanisation, rapidly expanding distribution network of exclusive stores, easy availability of standardised furniture products, growing hospitality and tourism sector, brand consciousness among consumers contribute to the growing market of imported furniture. Those who can afford also travel to China and Italy for importing furniture. Even though customisation of furniture to resemble imported ones does happen in India, but still it doesn't give the finish and elegance that imported furniture offers.

"However, it is to be noted that imported furniture market in Telangana is still in a very nascent stage and accounts for hardly about 2 per cent of the total furniture sold in the state," reveals **Pradeep Gupta, Director, Dinterio,** another reputed retail chain of imported furniture. The market due to its fragmented and unorganised nature is very competitive as well.

Import market

China is the largest exporter of furniture into India with a share of about 80 to 90 per cent, followed by Malaysia, Turkey, Italy and other European countries. But in the future the market dynamics are going to change because China is becoming expensive by about 10 to 15 per cent every year, says Pradeep. Moreover, with the entry of global players like IKEA, who plan to manufacture and source their global requirements from India, the future will be for 'made in India' products. These players are expected to capture a big chunk of unorganised imported furniture market. Earlier, a lot of furniture used to come from Malaysia,

but gradually as imports from China picked up, Malaysia has now become a marginal player.

Furniture is largely imported by major import houses in Delhi, Chennai, Bombay, Visakhapatnam and Bangalore, which is then distributed to retailers across the country.

Logistics scenario

Imports from China largely come through Chennai Port followed by Mumbai Port. In Telangana state, demand for imported furniture is mainly in Hyderabad and it comes through the Concor ICD in Sanathnagar. But choosing the logistics mode makes the difference, because it takes just 24 hours for furniture cargo to reach from Chennai Port to Hyderabad through road, while it may take several weeks for the cargo to be delivered through rail. Even though moving furniture by rail is cheaper, but importers in the city prefer to bring it by road, because through road the container gets cleared at the Chennai or Mumbai port and directly comes to the warehouse of the importer, whereas if brought through rail, the furniture has to be destuffed at the ICD and again transported to the warehouse. There is high risk of furniture getting damaged during this multiple handling.

Giving a rough estimate of logistics cost through road and rail Pradeep said, "moving a 40 feet container from Chennai Port through road to Hyderabad will cost approximately ₹43,000. And if the same container is imported at Mumbai Port and moved to Hyderabad through road it will cost about 10 per cent more. But if the same container is moved through rail then the logistics cost will be about 30 to 40 per cent cheaper.

Another factor that influences the logistics cost is the time of import. If a container of furniture has to be imported from China to Chennai Port during the peak season then it may cost about $1500. The peak season is generally during year end Christmas time or Diwali and Dussehra. While in the lean period the same container can be imported for $600.

Services tailored to customer needs

"We strongly believe in the India growth story and will continue to innovate our services around the evolving needs of Indian customers," assures **Steve Felder**, Maersk Managing Director for India, Sri Lanka, Bangladesh, Nepal, Bhutan and Maldives, as he touches upon India's strong containerised trade in the first half of 2018 and the impact of cabotage relaxation

Q Indian government has come up with a new Cabotage policy. What opportunities do you see here?

A We welcome the relaxation of cabotage legislation in India. Currently, around 30 per cent of Indian container traffic is transhipped at ports outside India, and 78 per cent of cargo originating from or destined to the East Coast of India is transhipped at ports outside India. The relaxation of cabotage regulations will help to attract more containerized cargo by reducing time and cost for mainline vessels, thereby ensuring that Indian ports can compete equitably for transhipment cargo. This will also aid in freeing up rail and road related congestion.

Q How has been your service connectivity to the east coast of India? How is the cargo growth on this coast?

A The port network on the east coast is more dynamic than on the west coast. The network on the west coast is fairly settled as the major ports are quite clear. On the east coast, there is a trend away from Chennai -which has become congested due to the city expanding around it - into Ennore, Kattupalli and Krishnapatnam. Similarly, there is another trend away from Kolkata towards Vizag. In addition, Paradip and Dhamra are also emerging and there is a transhipment port being developed at Vizhinjam to compete with Colombo. With the new cabotage relaxation law, we will see an increase in the import export trade in the eastern and southern region of the country. As the market grows, it will make sense to deploy more direct services to the east coast. It is all going to be market-led and it will take time.

Q You have come up with store door service across India? How has been the response?

A Our customers have indicated to us that they prefer to deal with fewer actors in the supply chain, thereby simplifying their businesses. We are well equipped to extend our offering to include inland deliveries, which has been well received by our customers. As an example, we have recently launched an end-to-end service offering in Kakinada, which is strategically located close to Amaravati. This will add to our hinterland coverage for regions such as Rajahmundry, Bhimavaram, and Hyderabad. This will have a direct bearing on rice farmers and growers in the region that would benefit from the ease that it brings and makes customers compete successfully in key export markets like Europe, Mediterranean, Middle East and the United States.

Q Indian trade with North America has registered double-digit growth in 2017. What are the reasons for this growth?

A India's robust trade performance in 2017 reflects the equity the country enjoys with its trade partners globally. As the local market stabilizes further, we expect to see more of such wins in near future, and are looking forward to participating in – and indeed enabling – the India growth story. Also, as per our Trade Report Q1 2018, India's overall reefer cargo trade growth witnessed a strong increase by exports of pharmaceuticals to North America.

Q Maersk has been very proactive in reaching out to Nepal? What are your plans for the Nepal market?

A We have opened our new commercial office in Nepal to facilitate the ease of doing business there. The establishment of a full-fledged office serves as a great opportunity to cater better to our customers by improving supply chain efficiency and expanding our footprint in the market. We have also introduced the Kathmandu Express - a block train to Birgunj (Nepal), which has departures every other day. The Nepal economy has tremendous potential and we will continue to invest in this market.

Q What are the plans for investments in the land-side infrastructure?

A India is blessed with impressive demographics both in terms of the large young population and the upcoming workforce. The focus that the current administration has on infrastructure is very important. We are as a company, a very significant global player in container shipping, in logistics and ports. We recently inaugurated our first state-of-the-art cold storage warehouse in Chennai, which will ensure reliable and stable transport of cargo, including goods such as fish, fruits, medicines, and specialty chemicals, which require strict temperature control throughout the supply chain. Apart from that, we own stakes in 76 ports around the world which includes two in India. We believe infrastructure is key to economic growth and we will do what we can to develop infrastructure in India by investing in ports, in inland ports, and inland container depots (ICD) to facilitate the development of logistics infrastructure

Q A lot of reefer services have been introduced by Maersk, connecting India to Middle East, Russia and even Africa. How is the market response?

A In India alone, the demand for refrigerated products has been growing at 18 per cent in the past years, and a similar trend is expected in the time to come. The cold chain industry in India is expected to double over the next 5 years. Maersk is well ahead in understanding and offering specialized cold chain services and thus catering for the growing market demand. The last few quarters have been quite interesting. We have had the first ever export of Kinnows from Sonepat, Haryana to Novorossiysk in Russia; the first-ever shipment of bananas and pomegranates from Krishnapatnam in Andhra Pradesh to Dammam and Jeddah in Saudi Arabia; and debut shipments of papayas from Mangalore in Karnataka to Jebel Ali, UAE. Our Remote Container Management (RCM) for reefers has taken off well in India, with almost 100 customers signing up. It provides real time visibility of the temperature, ventilation and air flow. One can say that the last few months have seen quite a few milestones for us in serving customers in India.

Q Recently we have been witnessing tariff wars among big countries like USA and China. Does this affect trade in this region in anyway?

A Enabling and promoting trade is an integral part of our business and it contributes to prosperity and development, globally and locally. While the scope of the proposed tariffs will possibly impact a few percent of US imports, there is no doubt that the introduction of further as well as countervailing measures will harm global trade and increase production costs in impacted countries. Hence, we caution any such development.

Q How have been the freight rates in first-half of this year? What are your expectations for the remaining part of the year?

A If you look at the developments that have taken place in the last 6-8 months, the fundamentals are much healthier than they have been in a long time for the industry. The wave of consolidation is enabling lines to reduce their unit costs, expand port coverage and harness synergies with the available capacity. Secondly, demand has been much stronger than in the previous years. The global economy is looking up, with the growth being widespread and not just in pockets.

Q Global container demand is said to have slowed down in Q1 2018 as compared to the strong growth rates recorded in 2017. How do you analyse this drop-in demand?

A India's containerized trade with the world has enjoyed a spirited uptick in the first quarter of 2018, as it beat the country's past performance in export-import growth over eight quarters. Imports witnessed a material increase of 16 per cent, with exports also growing at a healthy pace of 7 per cent. Together, they led India's trade to a strong start this 2018. These numbers become more relevant when viewed through a global lens. They are significantly higher than estimated global containerized demand growth of 3-4 per cent. The first quarter has been a fairly constructive period for export growth as well. As the effect of policy shifts faded and the inflow of GST refunds began, it created surplus capital in the hands of local manufacturers. The market was further buoyed by a weaker rupee, which in turn increased India's exports to the world.

Q The Maersk interim report mentions that "focus will over the coming years be on growing the non-Ocean part of the business disproportionally to the Ocean business." Could you please explain this strategy?

A It is our goal that we as a focused transport and logistics company can grow. At the same time, we want to be a diverse company. We will achieve that by increasing and growing the part of the transport and logistics business which are independent of freight rate developments. Therefore, at the same time as growing earnings in the revenue segment, we need to grow earnings in logistics and services disproportionally more. We have already launched many good initiatives, which we can be proud of, for example Trade Finance and Twill (our digital forwarding company).

Q Maersk has announced to implement several short-term initiatives to improve profitability. Your comments?

A In general, there are two trends. One is to continue to digitise the customer experience. That means a customer can get a relevant quote online, book online, submit shipping instructions online, print Bill of Lading in his office, get delivery order online, download invoices, make payments. So today there is the possibility to interact digitally throughout the process. We will continue to evolve that. The second part is global trade digitisation. This is more at a macro level. We have started a division called global trade digitisation where we are looking to partner with supply chain actors, including authorities, on how to digitise supply chain interactions. Today we still have paper documents floating around, the need for stamps, etc. The aim is to digitise as much of that as possible. It is a broader plan because it involves working with not just customers but also with the authorities. Here a thing like blockchain becomes relevant in terms of security and an orderly trail. mg

Telangana: The Sunshine State of India

A decentralized model and strong support from the state government, Telangana which was generating 20 MW of electricity from solar power in 2014 now has a commissioned capacity of about 3,500 MW which is almost 30 per cent of total power generation in the state

Sisir Pradhan

With rising global concerns of climate change, there has been a concerted effort to cut down on carbon emission and gradually increase the share of renewable energy in the total energy basket. National Solar Mission in 2010 had initially envisioned to generate 20GW of solar power by 2022, and later in 2015 the target was revised to 100 GW. Generation of 100 GW of solar power will principally comprise of 40 GW rooftop and 60 GW through large and medium scale grid connected solar power projects.

India has set a target to generate 40 per cent of total installed energy capacity from renewable energy by the year 2040, and aims to attract US$ 100 billion per year to fund its investments in renewable energy. In India, about 8 GW of solar capacity was added in 2017, which is double the additions in 2016. As of March 2017, India had installed 12.2GW of utility scale solar, and Tamil Nadu, Andhra Pradesh and Telangana have emerged as the fastest growing states. In 2017, nearly 60 per cent of total new capacity addition came from Telangana, Andhra Pradesh and Karnataka.

Solar energy in Telangana

Telangana is one of the fastest growing states in India in terms of installation of solar power. While the Indian government focused on centralized structure like solar parks, Telangana government's approach was on decentralized model. And the state has been quite successful with its decentralized model as at the time of formation of the state 4 years ago, solar power generation was around 20 MW and now it has a commissioned capacity of about 3,500 MW which is almost 30 per cent of total power generation in the state. Telangana is now ranked second in India in solar power generation after Karnataka. Speaking about the factors that helped growth in solar power in the state, **Ajay Mishra, Special Chief Secretary (Energy Department), Telangana Government** said that the state has achieved much higher progress in the solar energy sector than what the Central Government had targeted in renewable energy sector for each state. Telangana at one stage was a power deficit state and was buying electricity from neighboring states but now it is a self sustainable.

Apart from decentralization of establishing solar production plants across the state the state also focused on single window clearance system and ease of doing business to encourage faster execution of projects. The state's energy basket now consists of 2,200 MW of hydel power, 4,000 MW thermal power, and 3,800 MW of renewable energy. The state government aims to generate 5,000 MW of solar power by 2020. Currently, the solar power plants in the state are largely spread across Mahbubnagar, Ranga Reddy, Medak, Nizamabad, and Adilabad. The state has adapted a solar power policy which assures investors long-term commitment for 20 years. The state is offering 30 per cent subsidy for household which will further increase demand for rooftop installation.

The reason for fast implement of solar plants in southern states like Telangana is due to support from the state government. The state has a solar policy and the clearance process is very fast. Sharing experience in Telangana, **Anupam Mathur, Former Vice President (Solar Business), Mytrah Energy and Founder & Director, Anmol Green Energy** said that it took just 9 months to get 3,000 acres of land for Mytrah Energy to install a plant of 500 MW capacity. But in Uttar Pradesh it would have taken about 2 years to get the conversion but in Telangana and Andhra Pradesh the conversion is done in less than 20 days.

GOING the EXTRA MILE

Our Story

The best associations are those which stand the test of time and set benchmarks for others to follow. The year 2002, marked the coming together of two industrial organizations, Tata Steel Limited and IQ Martrade (Germany) to form **TM International Logistics Limited (TMILL).** In 2009, NYK Holding (Europe) BV became the third shareholder. Driven by the glorious legacy of the Tata Group, TMILL has been synonymous with unmatched service quality, and is a name to reckon with.

Our Company

With the vision of being a reliable logistics service provider, characterized by operational excellence, TMILL's wide range of logistics services comprise Port Operations, Shipping, Freight Forwarding, Customs House Agency, Inland Logistics, Warehousing, Private Freight Train Services and Ship Agency.

SOLAR POWER GENERATION CAPACITY IN TELANGANA

As at the time of formation of the state 4 years ago, solar power generation was around 20 MW and now it has a commissioned capacity of about 3,500 MW which is almost 30 percent of total power generation in the state. Telangana is now ranked second in India in solar power generation after Karnataka.

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Logistics Challenges in Import of Solar Panels

Most of the imported panels come from China but there are suppliers in Malaysia, Singapore and other South East Asian countries as well. About 20 GW of plants are installed annually to meet the target set by the government but the major domestic manufacturers like Adani Solar, Vikram Solar, and Waaree Group have the production capacity of just 2-3 GW. These companies are Grade I suppliers of solar panels. Though there are small scale manufacturers but their product quality is questionable.

Solar industry comes across lot of challenges since the industry is import dependent. Highlighting the challenges, **Prajwal Mukkawar, Senior Procurement Engineer, Cleantech Solar** said that Chinese manufacturers and liners offer competitive rates on CIF terms and the consignments mostly come via Chennai and Nhava Sheva. The reason for which the imports mostly come through these ports is understanding about the commodity and the specific requirement while handling them. There are lack of clarity and confusion about the product classification at other ports which delays customs clearance. Duty is also levied under different HS code. Moreover, shipping lines extend a demurrage- free period of 14 days at Chennai and Nhava Sheva which is enough to get the cargo clearance from customs but liners are hesitant to provide such facility at other ports. The demurrage can vary between ₹8,000-25,000 per container for 40' boxes. Notably, Shapoorji Pallonji Group owned Sterling and Wilson has recently paid an whopping ₹56 crore on account of demurrage charges for one of its projects. It could eat into the profit margin for a solar plant operator. So, it is crucial to understand the shipment and clearance time for a consignment.

Solar PV panels from China are majority shipped from Port of Ningbo-Zhoushan and Port of Shanghai. PV Panel are very sensitive product so it needs to be shipped with adequate precautions in place, especially which domestic movement from port to project sites. Hence, importers need to get insurance especially which provides coverage from factory till the consignment is delivered at the project site. In case of most of the imports, insurance coverage on CIF basis, it is clearly mentioned on the bill of lading that the coverage is only for container yard to container yard. In such case if modules are damaged due to mishandling outside the container yard, the importer can't get any compensation.

Usually the logistics cost is covered under CIF value. But While calculating the logistics cost, importers should keep in mind about insurance, and more importantly clauses and costs which are assumed in the logistics cost such as loading/unloading, handling and transportation cost. Importers should optimize their handling to reduce charges. Handling charges for just-in consignment is very low but if it is stocked in the warehouse the charges would be higher.

Way Forward

Modules made by top Chinese manufactures costs about 32 cents/watts in India whereas a similar quality panel made by top Japanese company like Kyocera Corporation would cost 49 cents. So the demand for imported modules from China will continue in the future. Speaking about future scenario for solar power **P. Vinay Kumar, MD India Renewables, Brookfield Asset Management Inc.** said that a total of 8-9GW of new solar plants are going to be commissioned in CY2018. But the installed capacity will be much higher in 2019 as the project bidding volume in the current year is much higher as compared to last year. In the next two years 10,000-12,000 MW of new plants will be commissioned. The module prices have come down in the last few years and it will further reduce which will generate more demand for solar energy. China has lot of capacity overhang which further lower the price of modules. Bulk of the imports take place through ports in Mumbai, Chennai and Krishnapatnam. The biggest challenge is to organize huge number of trailers to move module carrying container from ports to project site which are mostly located in remote locations.

India is a tropical country where sunshine is available for longer hours and in greater intensity which allows to tap the natural resource for sustainable energy creation. Gradually with advancement of technology in solar energy sector the prices of photovoltaic cells came down allowing steady growth in the solar energy sector. Citing the reason for rising demand, **Shashi Shekhar, Vice Chairman, ACME Group** said that from 2017 onwards, the solar power tariff quoted in tenders has come down to about ₹3. It involves no subsidy except for the transmission cost from the solar plant to the Inter-state transmission system (ISTS). The demand for solar will continue as long as the tariff is lower than ₹2.40-2.50. In future the prices will further lowered than ₹2 in the next 2-3 years which will increase demand for solar. Now the technology has reached a level where solar power plants can forecast the amount of power generation upto an accuracy level of 96-97 per cent due to which DISCOMs can reduce power sourcing from thermal plants and increase input from solar plants. Currently power storage cost is about ₹6-7 per kWh which will gradually come down with fall in lithium-ion battery. So going by the trend it is going to be sunnier days for solar industry in India.

DECODING WAREHOUSING BOOM IN BHIWANDI AND PANVEL

Image Courtesy: DHL

Sky-high land price in Mumbai makes it unviable for warehousing. This makes the nearest pockets Bhiwandi and Panvel the most suitable alternatives to serve the mega city, but is the boom sustainable?

Sisir Pradhan

If you are an avid online shopper then there are great chances that you must have come across the name of Bhiwandi while keeping a track of your shipment. Not just e-commerce, Bhiwandi is also a vital cord in the supply chain network for bunch of consumer goods companies. Panvel is another name that closely matches Bhiwandi as far as logistics and supply chain business is concerned. Located closer to the financial capital of India, and the advantage of having access to a very well connected highway network and one of India's biggest container ports at Nhava Sheva, Bhiwandi and Panvel have the advantage that rarely any other warehousing and distribution hub in India can match. Apart from strategic location, while both the places have very lucrative real estate rates that attract the warehousing boom at these places but over a period of time the prices have shot up and now it is dotted with a large number of warehouses. With the implementation of two major reforms in the form of GST followed by e-way bill, investments in logistics sector is on a never seen before growth curve, and Bhiwandi and Panvel are now getting stiff competition from places like Pune, to retain its position as the top cargo fulfillment hub.

Advantages

One of the biggest factors which works in favour of these two suburbs of Mumbai is proximity to Nhava Sheva. Since the port acts as a gateway for more than 60 per cent of imports in the country, most of the companies prefer to set up their warehousing hub in and around the area. Highlighting the advantages for the cargo hubs, **Ryan Oliver, Business Head – Contract Logistics, Agility** explains that due to its close proximity to the port, Panvel predominantly became more sought after for a CFS warehousing model business with fragmented Domestic Tariff Area (DTA) distribution centers. Over the last 15-20 years, with increasing demand and lower cost of real estate, the focus gradually shifted to Bhiwandi for DTA movements and warehouse consolidation.

Being the fourth most populous city in the world and the financial nerve centre of India, Mumbai is a key market for the success of company that wants to make a strong foot print in India. However, at the same time real estate price in Mumbai is one of the highest not in India but it is at par with any metropolitan in the west. In such a scenario it is difficult to acquire large land parcels in Mumbai to serve the region. As a result, Bhiwandi gradually grew as the most suitable location to serve as the warehousing and distribution hub. Gradually due to availability of land parcels, competitive cost of

construction and lower cost of labor allowed developers to create warehousing facilities.

Apart from the hard infrastructure there are a set of eco-systems which

helped Bhiwandi warehousing sector to grow by leaps and bound. **Vikas Anand, Managing Director, DHL** stresses that Bhiwandi has very less issues related to industrial relation and other factors like labour unrest. Local farmers in the area have come forward to enter into joint ventures with warehouse builders, unlike other locations. Warehouse rentals are also competitive in Bhiwandi and there is a vast option to choose from due to high availability. Due to this reason several investment companies have invested in the Bhiwandi belt.

Will the growth momentum continue!

Customers are very sensitive to rentals, thus warehousing clusters that

are in a position to offer affordable space would enjoy a competitive advantage over others. **Gautam Dembla, Director, Spear Logistics** observes that with warehouse rentals in the range of ₹14-22 per sqft/month in Bhiwandi, rentals are significantly attractive in comparison to competing warehousing hubs like Panvel, that commands higher rentals of ₹20-28 per sqft/month.

Due to huge spurt of demand in Bhiwandi post-GST, there was shortage of large ready to move in warehouses, however as a large quantum of land is available on Nashik road, rentals will continue to remain affordable for clients who are ready to wait. However, identifying warehouse with a clear land title is a big challenge in Bhiwandi. On account of tiny and scattered land holdings in the hands of several villagers, identifying a contiguous land parcel of the relevant size for warehouse development is a challenge.

Due to inflow of new entrants the real estate prices at Bhiwandi and Panvel have shot up however, the demand for warehousing space at these locations have not subdued. Explaining

the reason for the steady demand, **Anshul Singhal, CEO and Director, Embassy Industrial Parks** explains that displacement demand is very strong in Bhiwandi region, due to clients moving away from Grade C non-compliant sheds to legal Grade A warehouses. Bhiwandi and Panvel have historically been served by non-compliant individual sheds offering low specifications. There is massive demand for Grade A and legally compliant world class warehouses. Displacement demand is coupled by increasing consumption in Mumbai Metropolitan region. This is creating massive demand from E-commerce and FMCG companies for additional warehousing spaces.

With the increased need for warehousing at Bhiwandi and Panvel, there is rise in employment and the resultant demand for residential complexes which has fuelled real estate price rise. The huge gap between customer low price expectations and the high cost of rentals borne by service providers, has driven margins down and makes business challenging and sometimes unsustainable for most operators at this juncture.

The Way Forward

Industry insiders believe that the warehousing market of Bhiwandi

and Panvel will continue to grow in the future as well. **Chander Agarwal, MD, TCIEXPRESS** observes that Bhiwandi apart from the infrastructure developments like the proposed six-lane Trans Harbour Link connecting South Mumbai to Nhava Sheva, the upcoming new International Airport in Ulwe, the Mumbai Integrated SEZ at Khopate in Uran, and expansion of JNPT will combine and fuel the express logistics' domain in these areas.

However, industries such as FMCG and Pharma, aftermarket sales etc whose USP is nearness to customer, continue to face the dilemma of either continuing with their existing larger warehouse network or opt for consolidation. Since the consolidation of warehouses has a direct impact on longer lead times to reach point of sale and consumption, as well as a substantial increase in transportation costs.

A majority of the warehousing requirement comes from manufacturing sector is fulfilled by captive space, either in terms of space at the manufacturer's plant or company-owned warehouses. In contrast, the consumption-led warehouse requirement is close to urban agglomerations and thus in leased premises close to such urban centres. Projects like the proposed Mumbai-Nagpur expressway will further fuel next wave of warehousing projects in Bhiwandi. Currently, the existing highway is becoming a choke point though. Apart from the accessibility being an advantage, Bhiwandi and Panvel also offer affordable land and labour, which also contributes in the efficiency by which the warehouses operate in.

HE Nils Ragnar Kamsvåg
Ambassador of Norway to India

Moving sea trade with green power

Norway is spearheading in developing green technologies for the maritime sector and has implemented several initiatives to save the oceans. HE Nils Ragnar Kamsvåg – Ambassador of Norway to India, elaborates on the possible collaboration between the two countries to make logistics eco-friendly

Vijay Kurup

Q Norway is planning to collaborate on electrification of ports in Gujarat using renewable energy. What would be the energy source - solar, wind or tidal?

A Norway is working on environmentally sustainable and pollution-free port operations. Most of the electricity in Norway is generated through hydropower and there are also companies that have developed technology for offshore wind power.

We see good potential for these technologies in India. The Sagarmala programme can be an excellent platform for this. An important aspect of Sagarmala is utilising coastal areas around ports for power generation. Gujarat being the leading maritime state of India can be a good starting point here.

Q Which facet of port operations would be electrified using this renewable source? Will this take the full load of the operation requirements of the port? When do you plan to start?

A Though the entire port operation can be electrified, the technologies are under development in some cases and not fully operational. However, an important area can be the auxiliary power supply to vessels when they arrive in ports. Barge-mounted power plants running on LNG and other clean fuels can be used for this purpose. This will control one major area of pollution in ports. I am optimistic about the technology development in this area and confident that in coming years the entire shipping industry, including port operations, will move towards sustainable operations.

Q How would this help in minimising sea water pollution?

A Norway has taken the lead in addressing sea pollution issue and PM Erna Solberg is leading global efforts for sustainable oceans.

Shipping was not part of the 2015 Paris Climate Agreement. However most nations agreed during the IMO meeting in London (9-13 April 2018) to reduce emissions from shipping by at least 50 per cent. We welcome this and believe that the fastest growing economies such as India have an important role to play.

Q Norway also has plans to develop the infrastructure to green the Indian transportation system. Which aspect of the transportation system do you plan to address?

A Norway developed its first LNG-fuelled ferry 'Glutra' in the year 2000. Today, it has highest number of operational LNG-fuelled vessels. We are working closely with India on LNG technology. Batteries and hybrid engines are other areas where Norway has expertise and we see immense potential for this in India as well. India is interested in utilising methanol as fuel in transportation. The Norwegian company DNVGL has developed the required certification standards for methanol engines.

Q What potential do you see for using LNG as fuel for port operations, coastal shipping and the OSV fleet in India?

A LNG is not the solution to all the problems of greenhouse gas emissions from shipping. However, it will act as a transition fuel before the shipping industry completely shifts to cleaner, renewable fuels like batteries, methanol, bio-diesel and hydrogen. LNG has been used as a fuel in shipping in Norway for more than two decades now. India is seriously looking at LNG as fuel for the future and we are working with industry as well as government in this process.

Q What are your plans to enter into the ship breaking industry in India? What can Norway offer in ship breaking technologies for ship demolition yards here?

A The Indian subcontinent in general and India in particular, is the hub of global ship breaking industry. There is need to ensure the industry complies with environmental and safety standards. The Hong Kong Convention is an important step in that direction. Norway ratified the convention in 2013 and we are working with other countries, including India, at the bilateral level as well as through international organisations such as the IMO.

Q Are there any other projects pertaining to logistics that Norway has undertaken in India? If so, could you share the details?

A Port mechanization especially the electrification of ports can be another area of cooperation. Norwegian companies have experience and required technology for coastal surveillance, vessel monitoring and tracking systems. We are present in the state of Gujarat and going forward we would like to work closely with India in these areas as well. mg

SUSTAINABLE DEVELOPMENT AT PORTS

Ports have the moral responsibility towards the planet, to sustain its carrying capacity, while achieving their economic targets. Krishnapatnam Port is a shining example of a port balancing its environmental responsibilities with economic objectives

The idea of sustainable development as a concept, dates back to 20th century in the era of industrial revolution. As the first evidences of environmental crisis started, the consensus that, economic growth cannot be achieved indefinitely with the existing utilization pattern, started to arise among the global communities. It culminated in UN Conference on the Human environment in 1972 as the concept of sustainable development. This concept suggests that it is possible to achieve economic growth and industrialization without environmental damage.

Over the decades, the definition of sustainable development evolved. It is defined as "*the development that meets the needs of the present without compromising the ability of future generations to meet their own needs*". This addresses two fundamental issues – the need of economic growth to alleviate poverty and the problems of environmental degradation that accompany economic growth. So, this concept has three dimensions: Social development, Economic growth and Environmental protection – that holistically ensures a good quality of life to everyone.

Why sustainable development is needed at ports?

Development of ports and their associated operations contribute significantly to international trade, economic development of the countries and direct & indirect employment in the region. However, there are numerous challenges to ports – they must reconcile commercial and social objectives, be compliant to environmental laws, withstand environmental risks, etc. Given these challenges, integrating the concept of sustainability in all its policies like, port designing, infrastructure planning, business models, investment decisions, CSR activities etc., can help to unleash the potential of a port to contribute to the nation's development without compromising on ecological and social objectives. Globally, many ports have started to incorporate the concept of sustainability in their vision and mission. For example,

1. European Ports came up with an initiative of "Ecoports" under European Sea Ports Organisation, in order to raise awareness on environmental protection at ports. They follow the mechanisms like Self Diagnosis Method, that can enable port managers to self-assess environmental management programme and port environmental review system, that come up with port specific environment management standards. They also follow environmentally differentiated charges for vessels.
2. Singapore Port Authority's "Next Generation Port 2030" vision embraces automation, digitisation and Artificial Intelligence to make Port smart and green.
3. Rotterdam Port Authorities have incorporated the vision of Paris Agreement into their energy systems planning like, utilization of residual heat from port and surrounding industries for energy needs, carbon capture and storage technologies etc.

In the Indian Scenario, we have to engrain this sustainable development into our economic development models. Here there is a case study, of how Krishnapatnam Port on the east coast of India has been growing at unprecedented growth rates of around 25 per cent through its sustainability vision.

Krishnapatnam Port envisioned to become the most sustainable port in the country. The Port authorities have created an organisational eco-system to confront the issues of climate change and resource scarcity by looking at sustainability perspective of the port operations. It adopted clear strategies in three dimensions:

Economic dimension:

1. Infrastructure planning: Krishnapatnam Port ensures that its infrastructure must aim for efficient operations with faster turn-around-time and minimal wastage. coal conveyor system, edible oil pipelines, cargo-wise dedicated railway sidings, state of the art equipment like Liebherr, Gottwald, RTGs, crawlers, automated fertilizer bagging systems, etc., are deployed to ensure energy efficiency, rational

human resource utilization, and economic viability of the port.

2. Stakeholders engagement: Port involves its different stakeholders like customers, employees, customs, local residents and govt in many of its decisions. This helps to plan port operations and future expansion by looking at all of their perspectives.
3. Customer-centric Business model: Krishnapatnam Port believes that customer empowerment is very important for the economic sustainability of the port. Various strategies like single-window clearance system, 24/7 customer support, ICT technologies like Kyte control to enable customer to track their shipments, real-time pricing methodologies, green channel strategy to arrive at truck turn-around time of 1.5 hours that ensures time efficiency, automated infrastructure to efficiently handle cargo, non-disclosure agreements to ensure customer privacy, etc., put the customer at the centre of business model.

Social Dimension:

1. Inclusive growth: Krishnapatnam Port is aiming to build an eco-system around the port with every one benefiting from this system and all working together for sustainable development of the port. Its CSR activities include:

a) Education: Providing free english medium education to the poor children of the surrounding villages, World-class boarding school for meritorious poor children, free evening tuitions for govt school children, scholarships for higher education, sponsorships to sporting talents etc.

b) Health: Free primary health centres for the poor people in the surrounding region, periodic health camps, mobile-health units, homeo-clinics, dental clinics, free medicines for employees.

c) Nutrition: Providing free food to employees, mid-day meals for school children, setting up RO plants.

d) Skill development: Skilling in the areas of security, fire fighting, driving, welding, solar installations, crane operations. and specific training for women in tailoring, hospitality, bouquet making, kitchen maintenance.

e) Employee engagement: Periodic skilling, rejuvenation activities, career development programmes, enhancing soft skills etc.

f) Community Development: Renovation of cultural centers, schools; development of parks and roads; extending hand during natural disasters; etc.

2. Alignment with govt's social objectives: Krishnapatnam Port partners with govt schemes like Swachh Bharat, Sagarmala, Kaushal Vikas yojana, Start up India, Stand up India, Digital India, Pradhan mantri Ujjwala yojana etc.

Environmental Dimension:

Krishnapatnam Port is envisioned to become a "Garden Port". It rightly identified that greening its operations can reinforce its economic and social sustainability. So, environmental consciousness is not a boutique thing for them, but it's one of the core activities of their every business decision.

1. Biodiversity and conservation: Port's vision went beyond the legal compliances to protect coastal eco-system. It knows that preserving mangroves and local bio-diversity can act as hedge against any climate-related risks in future. So, they developed more than 50 hectares of mangroves and planted local specific saplings of more than 3.5 million. This green belt has reduced the local temperature by about 2-3°C, that broke the belief of rise in temperatures due to industrialization.
2. Water Management: Water resources are finite and hence have to be utilized in a careful manner. Krishnapatnam Port has policy on water management and thereby fulfil all its requirements through Smart, Wise and Green acts.

a) Smart: Deployed technologies like Atomizers to reduce water consumption for dust suppression, vacuum based dust sweeping systems.

b) Wise: Recycled water is used for green belt development, storm water is used for dust suppression, used water from Garage truck wash is used for road wetting.

c) Green: Almost 41 per cent of rain water is preserved through rain water harvesting ponds.

3. Waste management: There are sewage treatment plants to recycle about 14 per cent of used water.
4. Energy emissions: To avoid emissions from inter-carting, coal conveyor belts, edible oil pipelines, railway sidings till storage yards, electrified railway lines, electrified cranes etc. are deployed.
5. Environmental Consciousness: Port conducts a yearly programme of "*Van Mahotsav*" and makes employees to plant saplings and take care of them.
6. Green MoUs: Environment (EHS) dept at port signs MoU with other departments for implementing safety measures and environmental protection.

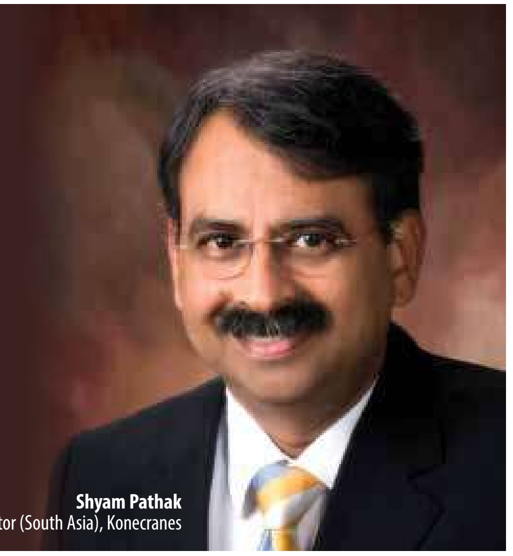
Hence, Krishnapatnam Port is standing as a good example of sustaining consistent economic growth by integrating their environmental and social objectives with the business objectives.

About the Author

Anil Yendluri (IPS) is the Director and CEO of Krishnapatnam Port Company Ltd. Under his able leadership Krishnapatnam Port has been showing tremendous developments and is instrumental in creating new records, winning awards and accolades. Mr Yendluri earlier is his career served as Addl. SP at Kottayam, Kollam, Kerela; SP, Palakkad, Kannur, Thrissur; Commissioner of Police, Kozhikode, Kochi, Ernakulam; DIG and IG of Kerala. He also served as SP, CBI at New Delhi, Visakhapatnam. He has been deputed to UN Mission in Bosnia & Herzegovina.

Anil Yendluri, CEO & Director
Krishnapatnam Port Company Limited

Productivity, safety and reliability matters



Shyam Pathak
Sales Director (South Asia), Konecranes

Konecranes has launched a new system called COFASTRANS for quickly loading and unloading mega vessels. The company has a balanced product portfolio that can deliver steady performance and high moves per hour

Omer Ahmed Siddiqui

Q How has been the business last year? From which of the industrial sectors are you getting more demand?

A Each of the business areas within this new group achieved strong performance. I am especially happy that Business Area Service has been able to perform the majority of their integration work, Industrial Equipment has undergone the first phase of its turnaround, and Port Solutions showed a satisfying order intake. These achievements are already ample demonstration of our underlying task – preparing a solid base upon which to develop our next phase, which will be one of growth.

Q India is promoting use of inland waterways and coastal shipping. Which of the container and bulk cargo handling equipment will be required in these operations?

A Inland waterways and coastal shipping require specialised vessels to be operated and so the equipment for loading and unloading cargo into them will also be different. Konecranes proposes Konecranes Gottwald Mobile Harbour Cranes, Boxhunter RTG to Inland Water ways for bulk as well as container handling.

Q Shipping lines are adding bigger vessels. What type of demand does this create on equipment suppliers?

A Mega vessels generate high pressure on quay capacity. Conventional STS cranes are reaching their limits to grow further. That is why Konecranes launched earlier this year a new concept for handling the mega-vessels called COFASTRANS.

Mega-vessels require revolution, which provides challenges to terminal, crane and vessel concepts. COFASTRANS, a fast and eco-efficient transshipment system for ultra large container vessels, can support high volume production. COFASTRANS is a system for loading and unloading large container ships using an innovative portal crane and indented berth, instead of the existing cantilever cranes and long straight line berths. The objective is to substantially improve the efficiency of container transportation in terms of time, cost and environmental impact.

The ship is central to the working area with cargo handled over both sides, cutting in half any congestion at the quayside. The new portal cranes have been designed so that each crane can line up and address two rows of on-ship containers simultaneously, with each row being serviced by two trolleys. This can double the number of lifting hooks over the ship and reduces the outreach distance by half. Shipping companies have been calling for 250 berth moves per hour (up from about 150 at present) and no current system can get close. COFASTRANS can exceed 250 and also uses less seafront land. The efficiency of COFASTRANS is built from adaptation of the latest container handling techniques combined with large crane technology from the shipbuilding industry as well as vessel navigation in confined waters, such as seen at the Panama Canal.

Q What features customers look for while choosing cargo handling equipment?

Seaports and terminals across the globe are in a pursuit to decrease congestion and reduce the turnaround time of ships as well as trucks and rakes by moving cargo (containers) quickly yet efficiently and in a safe and reliable manner. Here productivity of the equipment used for loading and unloading cargo is of prime importance. Hence, high productivity, safety and reliability are the top three features that people look for while choosing an equipment. mg

Choose your insurance wisely

Your insurance claim can be a cake walk or a nightmare, it all depends on the insurer and the policy you choose

The Indian logistics business is expected to touch $190-200 billion by 2020 with a CAGR of 8-9 per cent. As logistics involves stuffing/de-stuffing of goods and multiple handling, the cargo is always susceptible to damage and needs to be insured. There is a unique insurance challenge before the logistics Industry to circumvent upon the tight delivery schedules, incurring high cost of replacement of machinery, goods and people in movement. The insurance industry has come up with an array of products for the logistics sector. The type of insurances mostly used by importers and exporters include those covering carriers' legal liability, freight forwarder's liability, multi modal transport insurance, warehouse property, public liability (hazardous goods) Act 1991.

It is observed that many times insureds in order to save some premium, do not chose "All Risks Policies," resulting in partial protection against damage during transit. The question now arises as to how should an insured select an insurer and the insurance policy? A shipper while choosing insurance of cargo must select an insurer who is financially sound. Normally the financial statements provide the details of the financial health of the insurance companies. Over and above the rating agencies like ICRA and CRISIL also do annual financial and claim paying audits of the companies and from these ratings, the fiscal health of the companies can be evaluated.

A marine insurance product having full protection including intermittent storage and offering cover for all types of associated risks should be chosen. An ideal insurance plan will be the one that offers seamless operational covers viz. property, liability, cargo, duty and terrorism.

A major shortcoming observed in the insurance policies generally available in the market is that Direct Cargo Insurance policies are normally not granted by Indian Insurers to logistics companies, the reason being transport operators not having direct insurable interest on the cargo. In this scenario, instead of opting for a Marine Transit Policy, logistics companies and transporters do have recourse to take Carriers' Legal Liability policy which can cover their legal liabilities in case cargo owners sue them for accident or damage. Further, maritime insurance companies need to improve their services by offering tailor made insurance solutions and claim settlement.

Choosing wrong insurer or insurance product

Major problems that shippers face by choosing wrong insurer or insurance policy are in the form of deductibles (excess deduction) from claims, too many documentation and carrier's legal liability settlement only after legal action is solicited and issues related to subrogation rights.

Claim settlement can be easy

A shipper needs to take the following measures in order to ensure the claiming of insurance is smooth and easy: Chose the right product from the right insurer, hiring a professional insurance broker will help in outlining risk management strategies which are suitable for their profile. The broker will also do comparison to find the best policies from more than one insurance company and negotiate for best deals. The insurance broker should be an expert in the areas of portfolio and claims management too. mg

This article is written by Insurance & Broking firm NTrust in public interest

FREIGHT FORWARDERS PACKAGE POLICY

Covering all the risk aspects of logistics, NTrust Insurance Services pvt ltd recommends the Freight Forwarders Package policy, intended for freight and logistics operators, warehouses, port and terminal operators, road/rail/airport business, custom house brokers, relocation companies and record management companies.

Key aspects of the policy:

- Comprehensive coverage against legal liability of loss and damage
- Cargo movement by multiple modes insured under one sum is covered
- There are many extensions which can be covered by paying an additional premium.
- Covers all the services offered including haulage, storage, distribution, product configuration, packaging and cargo tracking. Covers property from fire, explosion and other natural perils; and the employees from any casualty under the Workmen Compensation Act, 1923 and Fatal Accident Act, 1855.

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FRIDAY | 07 SEPT '18
THE LALIT, MUMBAI

US oil exports to India soar

U.S. crude oil exports to India hit a record in June and so far this year are almost double last year's total as the Asian nation's refiners move to replace supplies from Iran and Venezuela in a win for the Trump administration. The United States has become a major crude exporter, sending 1.76 million barrels per day (bpd) abroad in April. producers and traders in the United States will send more than 15 million barrels of U.S. crude to India this year through July, compared with 8 million barrels in all of 2017. The exports to India could go higher if China imposes levies on its U.S. oil imports over the latest round of U.S. tariffs, which could damp Chinese purchases and lead U.S. crude prices lower.

Indian exports add to global sugar glut

A giant sugar crop from India this year will more than compensate for the lowest output in a decade from central Brazil, millers and traders said, putting the market on course for two years of record global oversupply. The worldwide sugar glut has made sugar the worst performing commodity of the year. Raw sugar futures are down nearly 25 per cent to date in 2018, and have fallen below production costs for many of the world's millers and processors. Prices are near their lowest levels since 2015. India has outperformed market expectations in the 2017-2018 crop year, and next year may see the world's second-largest producer grow a record sugar crop.

Rising cost of inputs pressure cement companies

Despite a robust demand, cement companies' profits are expected to come under pressure in June quarter due to a sharp rise in input costs especially that of pet coke and diesel. Led by a sustained pick-up in infrastructure spending and firm rural demand, sales volume of top cement producers are expected to register an average 20 per cent growth in the June quarter.

However, the average cement prices during the quarter was down five per cent year-on-year even as cost pressures increased due to high energy prices and depreciating rupee. The all-India average cement prices declined by ₹3 per 50 kg bag to ₹328 in June, after a ₹4-5 increase in the previous two months. Petcoke prices have been increasing for the last 15 months and cement companies have managed to pass on the incremental cost partially by hiking cement prices. However, after a certain level they were not able to increase prices due to excess supply in the market. The sector is bogged down by excess capacity.

India may face greater WTO scrutiny in wake of 13% MSP hike for paddy

India is likely to face greater scrutiny at the World Trade Organization (WTO) after the centre hiked the minimum support price (MSP) for paddy by 13 per cent. While India has maintained that its food subsidy for paddy is below 6 per cent, against the permissible 10 per cent, till 2015-16, and has notified WTO, the US has raised doubts about India's calculations. A commerce ministry official said India may still be in the safe zone even with the latest hike in MSP. "Though there is a sharp jump in MSP for paddy, India may still be in the safe zone as the rupee has depreciated against the dollar. However, the actual government subsidy will depend on total production and size of procurement."

Indian coal imports from the US increase

Indian coal imports from the US almost tripled in the first quarter of the current year, as compared to the year earlier. India is now the largest buyer of US coal and is extending a lifeline to the US miners who are struggling to find buyers at home as cheap natural gas and renewable energy continue to force coal-fired power plants into retirement. US miners are said to be totally relying on exports so as to maintain or atleast slowdown the decline in production levels. Through April this year, India had brought about 7 million tonnes of US coal, accounting for about a fifth of the country's fossil fuel exports.

India's engineering exports up 20 per cent

Indian engineering exports have grown by close to 20 per cent during the April-May 2018 period despite the US-China trade war. "In fact, the US ranked number one exporting destination for Indian engineering products in May and registered a cumulative expansion of 19.75 per cent for the April-May period." India's cumulative engineering exports to the US increased to $1.86 billion in the said period, from $1.56 billion in the same period the previous fiscal.

Though there has been a drop of about one per cent in exports of steel products to the US to $250.86 million, from $253.44 million, it has got more to do with the global trend of pressure on the metal prices seen only in the last few months.

PROGRAMME | LE MÉRIDIEN, DHAKA

DAY 1 - TUESDAY 09 OCTOBER 2018

14:00hrs onwards	Registrations Open
14:30hrs - 16:00hrs	**Inauguration of SAMLF 2018**
16:00hrs - 16:30hrs	Refreshments
16:30hrs - 18:00hrs	**Plenary Session: Bangladesh: Investment Opportunities and Infrastructure Growth**
18:00hrs - 19:00hrs	Networking Break
19:00hrs - 21:30hrs	Entertainment and Welcome Dinner

DAY 2 - WEDNESDAY 10 OCTOBER 2018

09:00hrs - 10:30hrs	**Business Session One: Policy Track: Barriers to Intra Regional Trade in South Asia and solutions**
10:30hrs - 11:00hrs	Refreshments
11:00hrs - 12:00hrs	**Business Session Two: Ports and Terminals Track:** Developing Port Infrastructure in South Asia to meet growing needs
12:00hrs - 13:00hrs	**Business Session Three: Logistics & Distribution Track:** Cargo Transportation, Inland Water Transport, Rail and Road Connections, Coastal Shipping and Transhipment, Airfreight & E-commerce
13:00hrs - 14:00hrs	Lunch
14:00hrs - 15:30hrs	**Business Session Four: Maritime Allied Infrastructure:** Dredging, Shipbuilding and Bunkering
15:30hrs - 16:00hrs	Coffee Break
16:00hrs - 17:00hrs	**Valedictory Session:** Closing of the Conference

SOUTH ASIA
MARITIME & LOGISTICS FORUM
DHAKA 2018

9 & 10 OCTOBER 2018 | LE MÉRIDIEN, DHAKA

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Norway explores Gujarat's maritime sector

The conference deliberated on the future of maritime industry including digitalization, green shipping, technological developments and much more

A Norwegian business delegation led by Ann Ollestad, Norway's Consul General in Mumbai, visited Ahmedabad on 28 June to explore business and investment opportunities in Gujarat's maritime sector and connect with potential partners. The conference, hosted by the Norwegian Consulate General along with other Norwegian agencies, brought together companies, academics and policy makers from two countries to deliberate on the future of maritime industry including digitalization, green shipping, technological developments and much more.

The conference had several dignitaries from the Indian side including Dr. Jagdish Narayan Singh, Gujarat's Chief Secretary and Chairman of Gujarat Maritime Board (GMB), Ajay Bhadoo, Vice Chairman and CEO of GMB and Dr. Malini Shankar, Director General - Directorate General of Shipping.

Dr Singh, who was also the Chief Guest at the conference, hoped Gujarat's maritime sector to benefit from Norway's engineering and technological capabilities. Mr. Ajay Bhadoo, a keynote speaker, invited Norway to invest in ports and LNG infrastructure projects and provide skilled professionals for sustained development of Gujarat's maritime industry. Dr Malini Shankar, Director General - Directorate General of Shipping, spoke about emerging opportunities in India's shipping and the need to make maritime logistics more sustainable. GCCI President Dr Jaimin Vasa, President- Gujarat Chambers of Commerce, spoke about opportunities for small and medium enterprises in maritime sector and scope of tie-ups between the two countries.

Norwegian speakers presented their assessments on the future of shipping including development of autonomous vessels, green and clean shipping and vessel tracking systems for ships. Notable speakers included Helge Tryti-Commercial Counsellor-Innovation Norway, Svein Michelson, Special Advisor- Norway's Ministry of Foreign Affairs and Tor Christian Sletner, Director-Environment, research and Innovation- Norwegian Ship owner's Association among others

Speaking at the Conference Ollestad said: "Norway's maritime sector is among most global, innovative and forward-looking industries. The opportunities which India's maritime sector, particularly Gujarat, has to offer requires long-term efforts from the various players including companies, authorities and researchers in the industry. One of the ways is to keep interaction going on a sustained basis among stakeholders of both the countries."

Capt. Navin Passey, Chairman of Norwegian Business Association (India) and Wallem Shipping, presented the vote of thanks. mg

INDIA'S PREMIER MARITIME STATE

Gujarat has emerged as the country's premier maritime state in port traffic terms, accounting for 39.8 per cent of the total cargo handled. The state also accounts for 77 per cent of the total cargo handled by ports outside the control of the Central government. The overall increase in cargo handled at non-major ports during 2016-17 was mainly driven by the traffic in Gujarat and Maharashtra. Gujarat continues to be the leading maritime state, accounting for around 71.3 per cent of the total non-major port cargo traffic, followed by Maharashtra (7.2 per cent). Gujarat's advantage lies in servicing the vast hinterland of the northern and central states. The total cargo traffic handled at the non-major ports during 2017-18 was 370.76 million tonnes (mt), as against 345.74 mt in 2017-18, a rise of a little over 7 per cent.