INTERVIEW
**Raj Chopra**
**Director, Freya Shipping**

INDIA'S LOGISTICS COSTS
**Container Logistics Cost: Myth VS Facts**

DEDICATED FREIGHT CORRIDORS
**Bringing the Modal Shift**

LOGISTICS
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APRIL 2020 WWW.MARITIMEGATEWAY.COM

₹100

RNI NO: TELENG/2009/30633
POSTAL REGISTRATION NO: HD/1137/2019-2021
DATE OF PUBLICATION: 25/03/2020
DATE OF POSTING: 28/03/2020

**IMO 2020 AND THE COVID-19 CURSE**

# MARITIME TRADE QUARANTINED

China is gradually recovering from the pandemic which is spreading to other parts of the globe bringing them under quarantine, once again highlighting the vulnerability of the global supply chain


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# PANDEMIC TEACHES RESILIENCE

> People leveraged digital technology to organize and collaborate with suppliers, thereby ensuring supplies reach the people who needed the most.

While the actual impact of COVID-19 to the global economy is still unknown, but the very basic measure to prevent from getting bitten by the virus - social distancing will surely give more pain to the Indian economy already reeling under slowdown. Prime Minister Narendra Modi appealed to citizens to stay at and work from home to curb the coronavirus outbreak. The services sector, which accounts for about 55 per cent of India's GDP is poised to be the worst hit. Social-distancing measures could mean a dent to productivity and consumption because of job or pay losses. If we have a widespread community outbreak then GDP could fall as low as 3.5 per cent starting April 1.

Public discourse is focused on the practicalities of life under lockdown: How will people get food supplies? Can the medical services cope? Will people get paid? Some insights emerging from China point at how we can cope with the social and commercial disruption. A key driver, it turns out, is digital technology.

For the past few months, China's cities with empty streets and deserted shopping malls looked like the set of a post-apocalypse TV series. In Wuhan when the lockdown was declared panic buying quickly emptied the supermarkets. Yet in a matter of days, supplies began to flow into Wuhan as people leveraged digital technology to organize and collaborate with suppliers, thereby ensuring supplies reach the people who needed the most.

In China's major cities, home delivery of items purchased online can be made within 20 minutes. This is largely down to the deployment of digital technology. Alibaba's Cainiao network, for example, supports the supply chains of the merchants it serves via an AI-enabled digital inventory system that links the online and offline shopping worlds, in which merchants' physical stores serve an extended distribution network. As a result, almost as soon as the lockdown was declared in Wuhan, Alibaba was shipping medical and food supplies into the province.

In the past five years, Alibaba Group, JD.com, MTDP (Meituan Dianping) and many other companies have transformed the purchasing behaviour of Chinese consumers, moving them away from bricks-and-mortar shopping into online spaces, often consolidated through a so-called "super app." The combination of consumer digital maturity and digitally supported supply chains has enabled supplies reach people in self-quarantine.

We hope the global society soon emerges out of this pandemic with minimal loss to life and economy. Till then stay sanitised and safe with your families.

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Maritime Gateway is printed by R Ramprasad published by R Ramprasad on behalf of Gateway Media Pvt Ltd, D.No. 6-2-984, #407, 5th Floor, Pavani Plaza, Khairatabad, Hyderabad – 500 004, Telangana, India.

Printed at M/s PVB Printers, 11-5-418/A, Ground Floor, Skill Adobe Apartment, Redhills, Lakdikapool, Hyderabad - 500004. Published at Gateway Media Pvt Ltd, D.No. 6-2-984, #407, 5th Floor, Pavani Plaza, Khairatabad, Hyderabad – 500 004, Telangana, India.

**REGD. OFFICE:** D.No. 6-2-984, #407, 5th Floor, Pavani Plaza, Khairatabad, Hyderabad – 500 004, Telangana, India.

**CIN:** U74900TG2007PTC054344

**EDITOR:** R Ramprasad


Views expressed in the articles are those of the writer(s) and may not be shared by the editor or members of the editorial board. Unsolicited material will not be returned.



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# SPEEDWAYS LOGISTICS PVT LTD

## WHO WE ARE

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

## WHAT WE DO

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


## CUTTING EDGE

"The one who innovates is the one who leads". Leading the industry in its own ways, we at Speedways never focused on doing different things but dedicated ourselves to do things differently. Accepting challenges and crossing hurdles, we have done what was feared to be taken as a thought, from handling huge volume of cargo in one go from customers end to the port, we accomplished it all and still are working towards a future brighter than our past.

## MISSION

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

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

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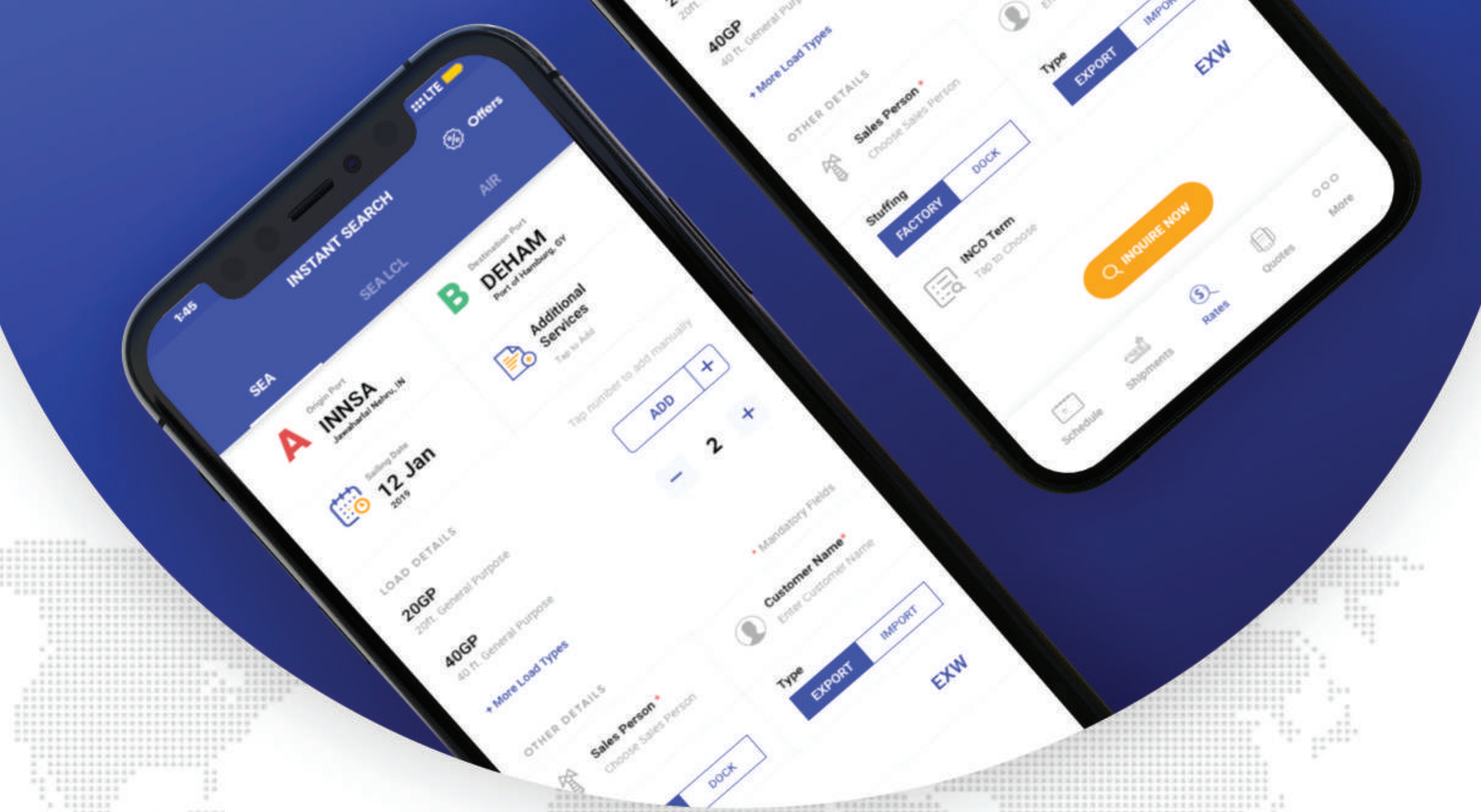
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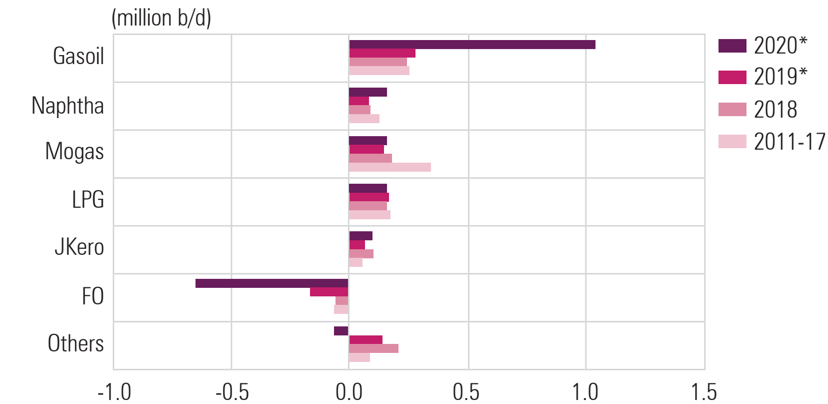
## ASIAN BUNKER DEMAND GROWTH BY YEAR




*Forecast

Source: S&P Global Platts Analytics

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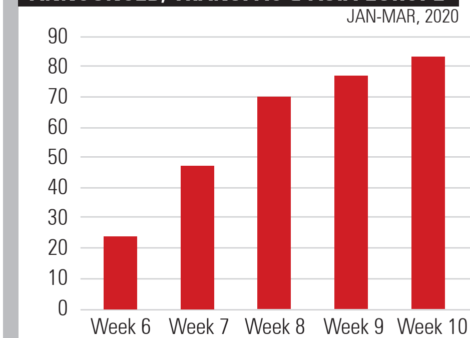


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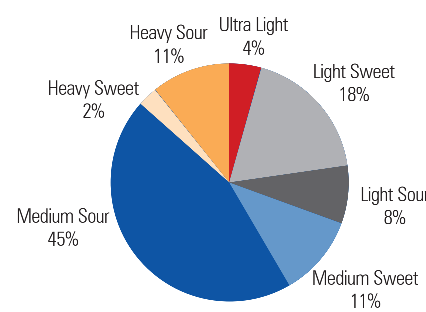
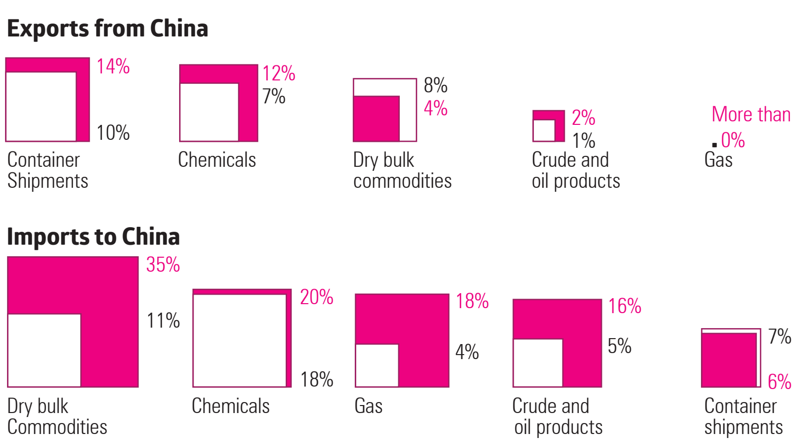



## RIDING THE WAVE

How China's role in seaborne trade has grown

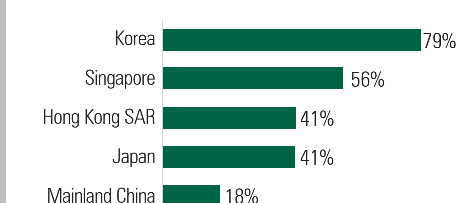
Global share in □2003 ■2019



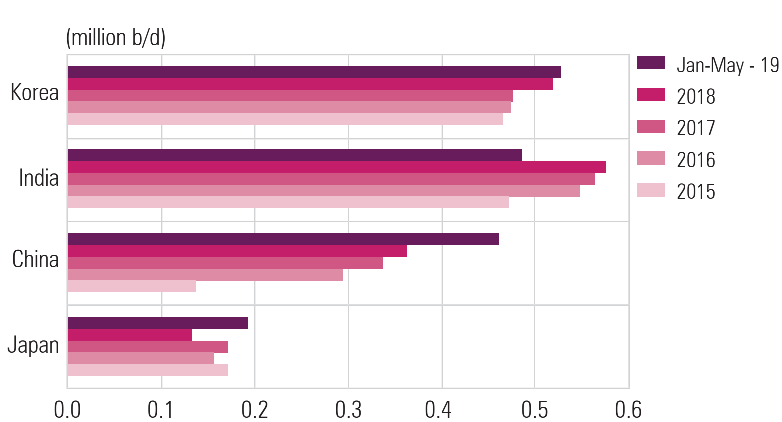

Source: Clarkson Research

Note: Figures exclude domestic China trade

## PERCENTAGE OF INVESTORS INTENDING TO INVEST OUTSIDE ASIA PACIFIC IN 2020

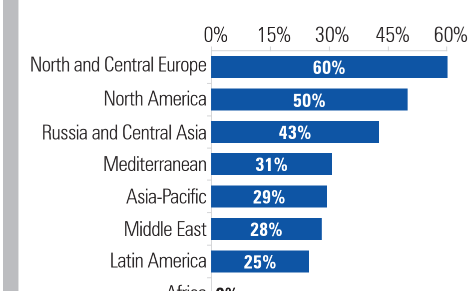



## NET GASOIL EXPORTS BY THE ASIAN "BIG FOUR"




Source: S&P Global Platts Analytics

## RATIO OF VGO HYDRO TREATING TO FCC CAPACITY




ROLLDOCK

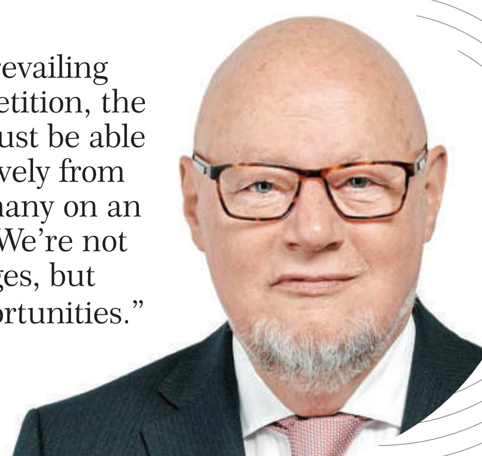

MSC

"With the blanking of sailings due to headhaul volume shortfalls, there are a lot of containers in destination regions that will not get their intended return trip back to Asia, either laden with backhaul cargo or for empty repatriation."

**- Alan Murphy**
CEO, Sea Intelligence

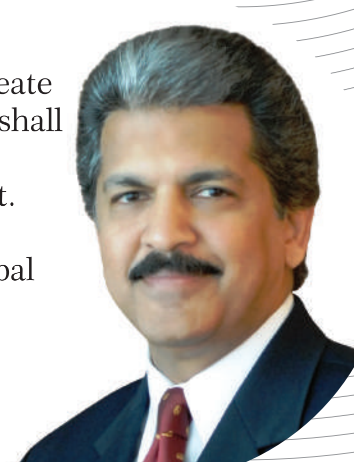
"To survive in the prevailing intense global competition, the shipping industry must be able to operate competitively from the location of Germany on an international scale. We're not interested in privileges, but simply in equal opportunities."

**- Alfred Hartmann**
President, German Shipowners' Association (VDR)



"Every country will have to create its own Post Corona virus Marshall plan and take care of those in society who are hit the hardest. Perhaps we too can build the foundations of a sustained global growth cycle."

**- Anand Mahindra**
Chairman, Mahindra Group



"The export sector is feeling the pinch with requests from buyers to hold back shipments. The force majeure clause is likely to be invoked by buyers to deny exporter claims."

**- Sharad Kumar Saraf**
President, FIEO

"Shipping is responsible for 90% of global trade and recognises its responsibility in helping tackle this global health issue whilst ensuring that the wheels of global trade continue to turn."

**- Guy Platten**
Secretary General, ICS

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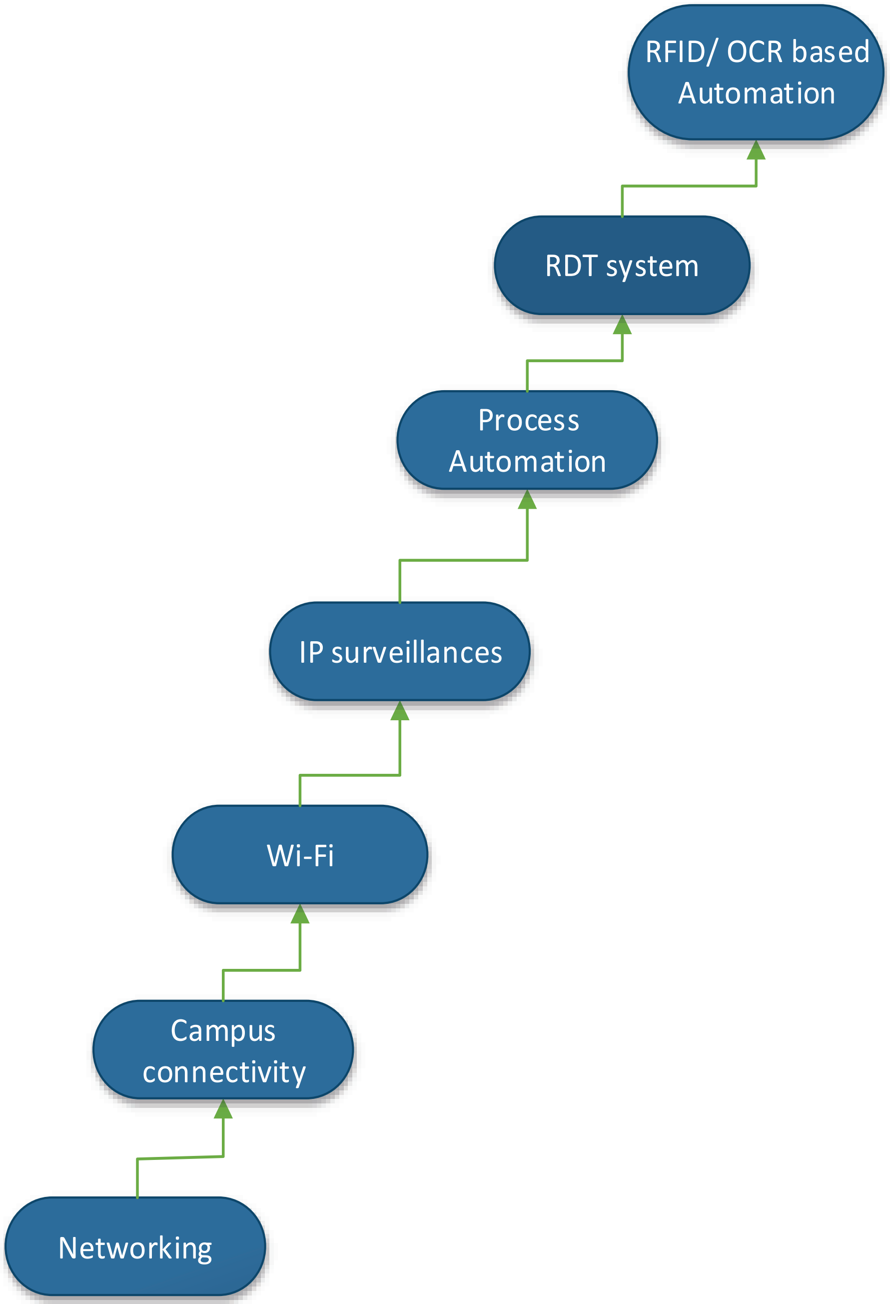


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### MYANMAR

## Upgrading Yangon-Mandalay expressway


The Ministry of Construction will soon invite Expressions of Interest from the private sector for the upgrading of the Yangon–Mandalay Expressway. The project is one of the 58 national development projects listed in the Myanmar Project Bank. The project involves upgrading the 524 km expressway, currently the most important transport route in Myanmar, to international standard expressway with proper safety and road control facilities. The first 64 km from Yangon to Bago is expected to be upgraded with assistance from the Asia Development Bank. Feasibility studies are now being conducted for the remaining sections of Bago-Phyu-Naypyitaw-Meikhtila-Mandalay. Work is expected to start in fiscal 2020-21 and be complete by fiscal 2024-25. The project is expected to cost US$ 960 million in total and additional financing will be sought.

### SRI LANKA

## HAL to set up logistics base

Hindustan Aeronautics Ltd (HAL) is looking at setting up logistics bases in Malaysia, Vietnam, Indonesia and Sri Lanka as part of initiatives to woo the countries to buy India's light combat aircraft Tejas and military helicopters. HAL is now seriously focusing on boosting exports in sync with the government's priority and identified South East Asia, West Asia and North Africa to sell key platforms like Tejas, attack helicopter Rudra and advanced light helicopter Dhruv. HAL is looking at setting up maintenance facilities in these four countries as having logistics bases is key to sell the products and ensure after sales services.

### BANGLADESH

## Supplying LPG for North East

Indian Oil Corp (IOC) is now sourcing LPG or cooking gas from Bangladesh for supplying to north eastern states to save cost of transportation all the way from Haldia Port in West Bengal. The eastern and north eastern states are catered through imports at Haldia. Since majority Indian users get cooking gas at a subsidized price, lower transportation cost will result lower subsidy per cylinder. IOC is importing bulk LPG from privately-owned Omera Petroleum and Beximco Petroleum of Bangladesh, covering a distance of barely 250 km. This is a fraction of the 1640 km road distance from Haldia to Agartala via-Siliguri Corridor. Road movement through Siliguri is particularly costly due to use of smaller vehicles beyond Guwahati, to negotiate the hilly terrain.

### SINGAPORE

## Parcel locker stations for Singapore's logistics firms

The Singapore government is launching a nationwide network of parcel lockers - accessible to all logistics firms - with the aim of having a locker station within five minutes' walk of every Housing Board block by end-2022. Starting from late 2020, the Infocomm Media Development Authority (IMDA) will roll out locker stations in HDB estates, MRT stations, and community centres, with the aim of 1,000 stations by end-2022. The network will be owned by the IMDA, and complements existing commercial parcel lockers and doorstep deliveries. In Singapore, around 200,000 parcels are delivered daily, with e-commerce projected to grow at 12 to 20 per cent annually over the next five years, Singapore's last-mile delivery infrastructure needs to be enhanced.

### JAPAN

## Opel opens the doors to Japan

German brand Opel is to start exporting vehicles to Japan after a break of more than a decade as part of a wider effort to sell to more markets. The recent return to Russia and planned entry into Columbia and Ecuador are other examples of the ongoing export offensive. "It is currently planned that all Opel models offered in Japan will be imported from production in Europe," a company spokesman said. "Just like everywhere else, it is our top priority to be profitable in Japan and to reach a high level of customer satisfaction."

### DUBAI

## Jebel Ali Free Zone licence fees slashed

DP World, the owner of Jebel Ali Free Zone, has slashed its fees for licence registration and administration for businesses operating in the free zone. The cuts will be between 50-70 per cent.

"It's a timely move to inspire our customers towards pursuing their business targets with greater confidence and purpose," said Mohammed Al Muallem, CEO and Managing Director, DP World, UAE Region and CEO of Jafza. "It's specifically designed to create value and opportunities for the companies to channel their resources to support their activities sustainably. We believe this forward-looking initiative will enable companies to do business in a smarter way and generate more business and create new jobs." There are more than 7,500 businesses operating in the free zone. DP World's UAE operations contribute 33.4 per cent of Dubai's GDP. More investments are flowing into the free zone and port.

### MALAYSIA

## Nippon Express constructs Shah Alam Logistics Center

Nippon Express (Malaysia) Sdn. Bhd., a local subsidiary of


Nippon Express Co., Ltd., has completed construction of the Shah Alam Logistics Center, the Nippon Express Group's most extensive single-structure multifunctional logistics warehouse outside Japan, in the Shah Alam Industrial Park in the Malaysian state of Selangor. The Center started operations on March 9. The Shah Alam Industrial Park that hosts this brand new Center is located near the capital city of Kuala Lumpur, Malaysia's largest consumption area, and very ideally situated as a logistics hub, with easy access to Malaysia's main sea gateway Port Klang and Kuala Lumpur International Airport.

INDONESIA

## Indonesia to use TradeLens to enhance supply chain efficiency

Indonesia has recently announced its intention to leverage blockchain technology at scale in the logistics sector. The Directorate General of Customs and Excise has recently announced this is part of the country's initiative to bring down shipping costs and reduce inefficiency resulting from manual, paper-based processes. The blockchain-based platform chosen is Maersk's TradeLens, which is powered by IBM's Cloud and Blockchain. It claims to be able to scale information digitization in the supply chain, cut through legacy data systems and manual document handling, ultimately increasing potential by a significant 15 percent — a big figure when it comes to an industry that lives or dies on razor-thin margins.

VIETNAM

## Da Nang strives to become Vietnam's major socio-economic centre

Prime Minister Nguyen Xuan Phuc has approved a master plan on socio-economic development in Da Nang until 2020 with a vision to 2030 under which the central city will become one of the major socio-economic hubs in Vietnam and Southeast Asia. Under the plan, the city has set a target of becoming a centre for start-ups, innovation, tourism, trade, finance, logistics, and information technology; and one of the major centres for culture, sports, education and training and health in the country. It is working towards average annual economic growth of 12 percent from 2021-2030, with the services sector accounting for 67-68 percent of the economic structure, industry and construction 31-32 per cent, and agriculture 1 per cent.

THAILAND

## Land transport effected

The Land Transport Federation of Thailand (LTFT) expects shipments overland to continue to drop because of the Covid-19 outbreak limiting demand worldwide. The organisation is concerned food exports will be particularly affected as food products and goods shipped to China make up 20-21 per cent of total exports, where many cities have been quarantined in response to the virus. Thongyoo Kongkhan, adviser to the chairman of the LTFT, said Thailand's export of food products and goods to China account for 20-21 per cent of the total export market, most of which travels via Vietnam's northern border. "Even though the coronavirus outbreak in China appears to be declining, it will still take time to return to the normal situation," he said.

NEPAL

## Import of edibles from eight countries stopped

The government has stopped providing permit to import food items from eight countries that have been listed in high risk for coronavirus. According to the Department of Food Technology and Quality Control (DFTQC), it has stopped providing the permit to import edibles from China, South Korea, Japan, Italy, Iran, France, Germany, and Spain. The statistics of the Department of Customs shows that the eight countries in the restricted list are among top 20 suppliers of commodities to Nepal. Nepal

imports most of the essentials from India. Biscuits, noodles, confectionery, dry meat, sausage and fruit juice are among other packed foods that are imported from the aforementioned countries.

BHUTAN

## Indian waterways for low cost trade

In a first, Bhutan will transport about 50 trucks worth of crushed stone aggregates to Bangladesh through a barge of IWAI, saving about 30 per cent transportation cost and eight-ten days' time. Bangladesh will send jute and rice to Bhutan in return journey in the same vessel, said Shipping Ministry officials. These 1,000 tonnes of cargo being shipped in a single 2-000-tonne, self-propelled, vessel of IWAI is replacing 70 trucks of 12 wheels or 50 trucks of 16 wheels, according to Pravir Pandey, Chairman, IWAI. The cost saving of 30 per cent will be higher if the return cargo were to be taken into consideration, he added.

Earlier, trucks of Bhutan used to ply to Bangladesh with this cargo. At the border, cargo from Bhutan's trucks were unloaded and reloaded into trucks of Bangladesh. This also involved a customs clearance time and long queues of trucks taking a time of up to 20 days," Pandey explained. IWAI will get a user fee of two paise per tonne per km.


## BEYPORE PORT AWAITS CALLS FROM MAJOR LINES

Even after the announcement of an operational incentive by the state government for promotion of cargo shipping through minor ports, cargo delivery at the Beypore Port is yet to show an upward spiral. Major importers are of the view that the crisis in the sector can be resolved only with better cooperation from multi-national vessel operators who could deliver cargo at minor ports like Beypore and Azhikkal.

Though the latest Government Order promises vessel operators 50 per cent of the road transportation cost as incentive for 20 feet containers movement between Kochi and Beypore Port, there are less takers for the offer. Even an enhanced incentive of additional 30 per cent to promote the movement of 40-feet containers too is yet to draw the desired attention.

## THE NEW HASHTAG RESTO CAFE IN VISAKHAPATNAM

Low cost, modern and funky – this was the three-word brief Ravi Teja gave his architect and designer Santosh Reddy for the cafe he proposed to set up. The result was four shipping containers sliced and put together to look like a hashtag when viewed from top. Painted in vibrant yellow, red and orange, Hashtag Resto Cafe stands out in Lawson's Bay.

Opened in August last year, the cafe has joined a list of a few others who have seen merit in using shipping containers to set up restaurants. "They are easy to play around with, they are portable, so in case we want to move all we have to do is to disassemble and relocate. Speed of installation, cost saving on material and the capacity to re-use these units makes them a serious option for housing, cafes and office space," says Architect Santosh.

## HSFO CARRIAGE BAN COMES INTO EFFECT

Port state control authorities began to enforce the IMO fuel carriage ban, whereby ships without a scrubber cannot carry high sulphur bunker fuel anymore. Major port state regimes including Paris, Tokyo and the US Coast Guard, have made it plain that they will rigorously enforce the requirements. Guy Platten, Secretary General, International Chamber of Shipping, warned ships face detention if they're found to be carrying the wrong fuel. "The International Chamber of Shipping has been made aware that major port state inspection regimes including the United States Coast Guard and the Australian Maritime Safety Authority have made it clear that detention of ships found to be non-compliant is both possible and legally permissible," Platten said.

## HOPES SOAR FOR KENDRAPARA'S RAIL CONNECTIVITY

Hopes for regular plying of trains on the newly laid Haridaspur-Paradip broad gauge rail route soared high after a multiple tower car successfully completed its second trial run on the track. The multiple tower car which started from Haridaspur railway station arrived at the Gop station in Kendrapara.

Almost 95 per cent of the work has been completed. This is the second time that a multiple tower car had successfully run for 43.8 km on this 82-km long unmanned rail route. The twin successful trial runs have boosted the chances of regular plying of goods train on the route. This will help place Kendrapara on the railway map of the country. The 82-km long unmanned rail route will have stations at Chandikhole, Ratnagiri, and Lalitgiri in Jajpur district, Bajipada, Marshaghai, Kalaghar and Gop in Kendrapara district and Nuagaon and Siju in Jagatsinghpur district. The route will reduce the distance to almost half in ferrying of minerals from Banspani mines in Keonjhar district to the Paradip port.

## ADANI BANGLADESH PORTS PVT LTD INCORPORATED

Adani Ports has intimated the Bombay Stock Exchange and National Stock Exchange of the incorporation of a wholly-owned subsidiary named Adani Bangladesh Ports Pvt. Ltd in Bangladesh. It will be carrying out the business of dredging and port and infrastructure development.

## ICD AT NEW JALPAIGURI DELAYED

The delay in issuing a commercial notification for an ICD has resulted in revenue loss for the Railwàys as well as business for the New Jalpaiguri region in North East. The Confederation of Indian Industries has decided to approach the Railway minister regarding the impasse. Incidentally, the first ever ICD in the North Bengal region and also the first private Freight Terminal of Northeast Frontier Railways has come up at New Jalpaiguri. The ICD has immense potential owing to the depot's location near four international borders including Nepal, Bhutan, Bangladesh and Tibetan Autonomous Region (China).

Once operational, it will also ease the load of Kolkata Port. Around 1,500 containers are imported to North East and 800 containers are exported through the Kolkata Port.

## FREIGHTER FROM NASHIK TO NE ON THE CARDS

Spicejet has expressed interest in starting cargo flights to ferry fruits and vegetables from Nashik to the North East. Currently only grapes are being sent from Nashik to Guwahati which takes about 5 days. It will take only 3 hours if the consignment is to be sent by air to Guwahati. The commodity freight service will be under the Krishi Uddan Scheme. The capacity of the air cargo will be about 18-20 tonnes. Halco has developed an ICD and an air cargo complex adjacent to Ozar Airport which is equipped with a pack house, cold storage and other facilities.

## NATIONAL DISTRIBUTION CENTRE FOR BENETTON INDIA

Future Supply Chain Solutions Limited (FSC) inaugurated the National Distribution Centre of Benetton India Pvt Ltd (Benetton India) at Koka, Jhajjar, Haryana. FSC, with its proven experience, is now a preferred partner for Benetton India in streamlining their domestic supply chain and expanding their business into new markets.

The built-to-suit warehouse spans 1,12,000 sq ft and serves as the primary distribution centre for Benetton India Pvt Ltd. It has the capacity to handle an inventory volume of over 4 million and more than 1,00,000 SKUs, as well as various value added services like product kitting, customized packaging and returns management. It is equipped with shelving/racking storage, advanced material handling equipment, dock levellers, packaging machines and a full back-up generator.


## OOCL'S VOLUMES & REVENUES UP IN Q4 & FULL YEAR 2019

For the fourth quarter of 2019 (ended December 31, 2019), OOCL's total volumes were up 4.8 per cent from the same period last year. Total revenues increased by 2.3 per cent to $1,602.8 million. Loadable capacity increased by 2.6 per cent. The overall load factor was 1.8 per cent higher than the same period in 2018. Overall average revenue per teu decreased by 2.4 per cent compared to the fourth quarter of last year.

For the full year of 2019 (ended December 31, 2019), total volumes increased by 3.8 per cent over the same period last year and total revenues recorded a 5.2 per cent growth. Loadable capacity increased by 4 per cent. The overall load factor was 0.1 per cent lower than the same period in 2018. Overall average revenue per teu increased by 1.3 per cent compared to the same period last year.


## MAJOR CONNECTIVITY PROJECTS IN MUMBAI

Navi Mumbai's planning agency has proposed the diversion of 45.2 hectares reserved mangrove forest areas for three different projects. The proposals were submitted by City Industrial Development Corporation Ltd (Cidco) before the forest department.

The first project is the construction of a 10.1-km six-lane coastal road connecting Amra Marg in Navi Mumbai to JNPT area via the under-construction Mumbai Trans Harbour Link (MTHL). The first phase will connect Amra Marg to MTHL across 7.02km including a 1.2km Navi Mumbai International Airport (NMIA) Link. Phase II will connect MTHL to JNPT across 3.08 km.

The second project is the 26.7km Nerul-Belapur-Uran railway corridor jointly conceived by Cidco and the Central Railways. The third project is also a 6.82 km coastal road connecting the Central Business District of Belapur sector 11 to sector 16 Jalmarg at Kharghar.

SHIPPING

## S.Korea overtakes China in shipbuilding

South Korea topped China in shipbuilding orders in February, according to data from Clarkson Research Services. South Korean yards won orders of 200,000 compensated gross tons (CGTs) to build eight ships in February, 67 per cent of the global total. This was more than China, top in January, which only won 8,000 CGTs for one container ship. The Philippines also topped China with 60,000 CGTs to build four ships as did Japan with 30,000 CGTs for one vessel.

Disruptions to Chinese industry as a result of the coronavirus are likely the cause of China's low order rate, but it is still the global leader based on order backlog with 26.16 million CGTs, or 35 per cent of the market total. South Korea is second with 21.28 million CGTs, or 29 per cent, and Japan is third with 10.91 million CGTs, or 15 per cent. Ship deliveries from China dropped by 96 per cent in February compared to January. They dropped by 54 per cent in South Korea and 39 per cent in Japan.

## China is now the largest container ship-owning nation

The German Shipowners' Association (VDR), President, Alfred Hartmann has said that China has surpassed Germany as the largest container ship-owning country. Ship databases corroborate Hartmann's observation, with Chinese


companies listed as owners of a combined 3.63 million teu, compared with 2.81 million teu attributed to German owners. Chinese state-owned operator COSCO Shipping Lines, which also owns a majority stake in Orient Overseas Container Line (OOCL), has been expanding its fleet by building mega container ships at its shipbuilding affiliates, including five 23,000teu vessels ordered by OOCL announced on 11 March.

Another reason for Chinese dominance is that while Germans were the main tonnage providers to container liner operators, the global financial crisis and European banks' consequent reduction of their shipping portfolio gave opportunities to Chinese finance lessors such as ICBC Financial Leasing, Minsheng Financial Leasing and Bank of Communications Financial Leasing among others, which are themselves subsidiaries of Chinese banks and shipbuilders, offering new building funds or the purchase and leaseback of vessels.

## Lines race to reposition empties as China returns to work

The impact of the Covid-19 virus on the supply is waning fast according to Sea-Intelligence, with the race now on to meet the expected increase in demand from China. The incidence of new blank sailings is falling and the backhaul freight rates are beginning to increase as shipping lines prefer to reposition empties rather than concern themselves about the comparatively limited backhaul cargo.

The bulk of the blank sailings were announced during weeks 7 and 8. Weeks 9 and 10 have seen a clear tapering off in terms of new blank sailings, and the level of new announcements of blank sailings is back to the normal level. This means that carriers are seeing demand ramping up back to normal levels over the next few weeks as well.

## Hyundai Merchant Marine to rebrand as HMM Co., Ltd

South Korean flagship mainline operator Hyundai Merchant Marine (HMM) will be renamed HMM Co., Ltd. The move had been planned for around two years, to reflect the company's new corporate identity, as the Hyundai group is no longer HMM's largest shareholder after swapping debt for equity with the company's banks. An HMM official added, "Around 90% of our business depends on ocean-going vessels and the HMM name is more familiar overseas." HMM's name change was confirmed during a board meeting on 9 March 2020 and is scheduled to be endorsed at the company's annual general meeting on 27 March. As of 30 September 2019, HMM's largest shareholders are Korea Development Bank and Korea Ocean Business Corporation, which have stakes of 12.94% and 4.38%, respectively.

## Rates are up as China returns to work

As quarantine periods have come to a close staff have returned to work in Chinese factories with the vast majority of factories back online. However, many of these facilities are operating at lower capacity than would normally be the case, many at around 80 per cent. Inter-province trucking which was a major pain point, has also benefited from these developments and is now operating at about 80 per cent capacity.

## PIL embarks on service rationalisation

PIL is embarking on a service rationalisation which will focus its efforts on key markets in Asia, Middle East, Africa, South America and Oceania. To better allocate its resources to areas in which it is growing, a leaner, more focused fleet profile is required. Therefore, it has announced the sale of six 12,000-teu vessels—four to Seaspan and two to Wan Hai Lines.

## Global tank container fleet up in 2019

The International Tank Container Organisation (TCO) estimates that as on January 1, 2020, the global tank container fleet had reached 652,350 units worldwide, compared to the figure of 604,700 on January 1, 2019, a year-on-year growth of 7.88 per cent. However, reflecting the downturn in trading conditions experienced by many sectors of the container shipping industry, the number of tank containers produced last year was lower than in 2018. In 2019, a total of 54,650 tank containers were built, compared to 59,700 in 2018, a decrease of some 5,000 units over the previous year.

The industry continues to be dominated on a global level by a relatively small number of major tank container operators and leasing companies. The top 10 operators account for over 235,000 tanks, representing over 56 per cent of the global operators' fleet of 381,700 units. The top 10 leasing companies account for 240,000 tanks, about 80 per cent of the total leasing fleet of 305,615. The top three leasing companies account for 154,000 tanks, over 50 per cent of the total leasing company fleet.

## Milaha acquires new floating dock

Milaha is expanding its facilities with the acquisition of a new floating dock to support vessels repair and dry docking. The dock is set to arrive at the Mesaieed Shipyard and will be fully operational in the second half of this year. The dock acquisition is part of the major upgrade and modernisation plan of the shipyard facilities announced last year and will provide key support to the local government and private economy in all its maritime and oil and gas sectors.

The Group's President and CEO, Abdulrahman Essa Al-Mannai, said: The new floating dock will accommodate vessels for ship repair up to 230 m in length and up to 30,000-tonne lifting capacity. This will supplement our ship repair and dry docking activities. The dock will cater all vessels from both local and international markets, and will be operational in the second half of this year."

## India's crude import bill to decline

If the Indian basket price remains subdued around the current level of $50/barrel through the next fiscal due to the Coronavirus effect, the crude import bill may decline by a massive $17 billion or 17 per cent year-on-year in what could give a big relief to the country's current account. The price of the Indian crude oil basket, which stood at $64 per barrel in January, dropped to $55 in February. Imports may fall to $84 billion in FY21, against $101 billion this fiscal, if the price of domestic crude basket averages $50 per barrel. Similarly, the fall in imports may be to the tune of $25 billion in FY21 to $76 billion, if the price crashes to $45 per barrel. In case, prices again inch up and touch $55 a barrel, the import bill may drop by just $8 billion next year.

## Hapag-Lloyd improves operating result in 2019


On the basis of preliminary figures, Hapag-Lloyd's EBIT for the FY2019 significantly increased to €811 million (2018: €444 million). EBITDA rose to €1,986 million (2018: €1,139 million). The main drivers of the positive business developments have been improved freight rates as well as rigorous cost and revenue management. The 2019 results include effects from the first-time application of the IFRS 16 accounting standard, which amount to approximately €31 million for the EBIT and approximately €467 million for the EBITDA. In the fourth quarter of 2019, both the EBITDA of € 475 million (Q4 2018: €327 million) and the EBIT of €169 million (Q4 2018: €144 million) were also above their prior-year levels.

Revenues increased in the 2019 financial year by approximately 9 per cent to €12.6 billion (2018: €11.6 billion). This can be attributed to an improved average freight rate of $1,072/teu for the year as a whole, which rose by 2.6 per cent year-on-year (2018: $1,044/teu) due to a stronger focus on more profitable trade lanes and active revenue management. In addition, a 1.4 per cent year-on-year increase in transport volumes, to more than 12 million teus (2018: 11.9 million teus), and a stronger Dollar exchange rate against the Euro also made a positive contribution to revenues.

## A.P. Moller-Maersk to acquire Performance Team

A.P. Moller-Maersk has reached an agreement to acquire Performance Team, a US-based warehousing and distribution company, to further strengthen its capabilities as an integrated container logistics company, offering end-to-end supply chain solutions to its customers. As a leader in North America warehousing and distribution, Performance Team specialises in B2B and


B2C distribution solutions within retail, wholesale and e-commerce with 24 warehousing sites. It has a track record of profitable growth of 17 per cent per year for the last four years, and revenue for 2019 of $525 million. Maersk is targeting the warehousing and distribution component to offer more supply chain options and flexibility to its ocean customers. Performance Team operates 24 warehousing sites covering 800,000 sq. metres across strategic supply chain locations.

LOGISTICS

## Exports of fruits, vegetables from Kerala slowdown

The weak economic conditions in West Asia have reduced the demand for fruits and vegetables from Kerala over the past few months. Shipments to the Gulf countries have now come down to 120-130 tonnes a day from around 200 tonnes earlier, said Dil Koshy, Secretary, Agricultural Products and Processed Food Exporters Association. The slowdown in shipments of perishables comes at a time when concerns have emerged over the spread of the novel Coronavirus (Covid-19). Currently, there is no ban on exports of fruits and vegetables to Gulf countries other than Kuwait, which has suspended all flight movements from the virus-affected countries, including India.

## Mumbai now has RoPax service

RoPax M2M1 ferry vessel commenced operations between Mumbai (Bhaucha Dhakka/Ferry Wharf) and Mandwa. RoPax Ferry, a ferry that combines the features of a cruise ship and a Ro-Ro service, has come much to the relief of daily commuters travelling between Mumbai and Mandwa and also other parts of Alibaug. With this, Mumbai becomes the first metropolitan city in India to introduce a RoPax service to its transport infrastructure. RoPax service enables people to ferry along with their vehicles on board between Mumbai and Mandwa. With this, Mumbai, Alibaug and the adjoining Konkan region will experience a boost in tourism, hinterland connectivity. Maharashtra Maritime Board and Mumbai Port Trust have joined hands with M2M Ferries Pvt Ltd (MFPL) in bringing this brand new RoPax vessel, utilising Mumbai's waterways more effectively.

## Rise in ocean freight as airfreight services nosedive

The decision by the US Government to suspend air travel from Europe to the USA is bound to hold wide-ranging ramifications for global air freight movement with a foreseeable reduction in belly space for cargo. This is likely to affect both cargo rates and volume capacity substantially. Major countries around the globe have also implemented preventive measures and imposed restrictions on movement of people and goods worldwide. This has led to large-scale rescheduling and cancellation of flights which may result in unforeseen delays and non-availability of space for air freight transport.

As the space for air freight movement gets constricted and trade volumes shrink, ocean freight transport is emerging as a viable and cost-effective alternative with a wider reach for moving cargo to destinations across the globe. For the discerning

customer wanting to transport his cargo in a streamlined manner across global shipping routes, ECU Worldwide, the global leader in LCL consolidation offers seamless ocean freight services and customized cargo solutions across multiple trade lanes including to and from Europe to USA and Canada. A robust technological infrastructure with deployment of digital tools and processes facilitates the tracking and tracing of the cargo at every stage of the transport cycle. With ECU360, a state-of-the-art online platform, it is possible to get door-to-door rates and manage cargo transportation across a number of origin and destination points within the USA as well as other countries, along with online freight visibility. Also strong relationships with major global core carriers enable ECU Worldwide with flexibility to offer transport routes and schedules aligned to the specific business requirements of customers.

## CBIC defers Electronic Sealing – Deposit in and Removal of Goods from Customs Bonded Warehouses

The Central Board of Indirect Taxes and Customs (CBIC) has deferred electronic sealing - deposit in and removal of goods from customs bonded warehouses. The e-sealing requirement for deposit in and removal of goods from customs bonded warehouses was originally to come into effect from August 15, 2018, which was then deferred to October 1, 2018. Its implementation was again postponed to November 1, 2018, and then further to January 1, 2019. The CBIC has deferred the implementation of mandatory electronic sealing for deposit and removal of goods from customs warehouses for the fifth time. In a letter to principal chief commissioners/chief commissioners of customs, the Central Board of Indirect

Taxes and Customs (CBIC) said the implementation of the e-sealing norms stands deferred. The CBIC had in June last year decided that RFID sealing shall be required on the transport of goods for deposit in a warehouse as well as removal therefrom. Therefore, Where ever the 'warehousing regulation' prescribe affixing of a 'one-time lock', the importer or owner of the goods shall use RFID anti-tamper one time-locks. Representation has been received from e-seal vendors to defer the implementation of the circular 10/2020 - Customs dated 7th February 2020. The Board has decided to defer implementation of the said circular – Customs till 30th April 2020 and the new date of implementation of the said circular will be on 1st May 2020.

## CWC develops multipurpose complex in Bangalore

Foundation stone has been laid for Central Warehousing Corporation's multipurpose complex at the KIADB IT Park, Arebinnamangala, near Kempegowda International Airport, Bangalore. The warehouse will store commercial and industrial products, in order to cope with market trends and to boost the commercial sector there by helping in growth of economy. It is spread over 14.20 acres and separate projects will come up in phases. In First phase, CWC will offer storage up to 4.5 lakh Sq Ft and in the second phase, it may offer a total of 8 lakh Sq Ft by constructing 20 story building for data warehousing in 40,000 sq. ft. commercial office space related with logistics and data warehousing. After this new storage facility is fully operational it would generate employment for more than 1000 persons.

## Temperature-controlled cargo centre at Lasalgaon

The biggest onion market in Asia, Lasalgaon, will soon get temperature-controlled perishable cargo centre. The centre is being developed under Central government's scheme of the national cold supply chain for perishables. In the recent Budget session, Finance Minister Nirmala Sitharaman proposed to set up a 'Kisan Rail' through the PPP mode for a cold supply chain to transport perishable goods. The cargo centre at Lasalgaon is being developed under the same pattern. The project is being developed by CONCOR through a CSR initiative. Another project is commissioned at Ghazipur Ghat (UP), New Azadpur (Delhi) and Raja ka Talab (UP).

An official from Central Railway said that the cargo centre is being developed as a pilot project under the 'Kisan Vision.' The Railways already has nine refrigerated vans available on its network for transportation of perishable goods with a carrying capacity of 17 tonne, each for transportation of highly-perishable parcel traffic developed and procured through the Rail Coach Factory.

## MoFPI focussing on cold chain infra

The Ministry of Food Processing Industries (MoFPI) is focussing on building an integrated cold chain infrastructure across the country and aiming at seamless transfer of perishables from production to consumption areas. It is planning to implement the plan under the Pradhan Mantri Kisan Sampada Yojana (PMKSY), the flagship project of the Union Government.

The scheme for a cohesive plan comprised of component schemes was being implemented that include integrated cold chain and value addition infrastructure, mega food park, creation of backward and forward linkages, creation/expansion of food processing and preservation capacities, agro-processing clusters and operation greens. To fill in the gaps across the value chain and establishing the cold chain grid, the ministry has also sanctioned 39 mega food parks and 298 integrated cold chain projects throughout the country.

## Allcargo acquires additional stake in GATI

Allcargo Logistics has received an approval from SEBI to acquire an additional 26 per cent stake in Gati on its open offer to acquire nearly 3.17 crore shares at ₹75 per share. On full acceptance of the open offer, it will take Allcargo's stake in Gati to 46.83 per cent. The company further said that this will mark the completion of the acquisition process which was initiated on December 5, 2019. The open offer is expected to be launched in March 2020 and closed by April 2020. Preferential allotment and part purchase of promoter shares have also been completed by Allcargo in January 2020. As part of this process, two directors of Allcargo have been appointed on Gati Board.

## Maersk's new acceptance point at ICD Madurai

Maersk has announced ICD Madurai as a new acceptance point, Maersk is getting closer to its customers in the hinterland of Tamil Nadu. With infrastructure spread over a total area of about 70 acres, the state-of-art ICD is one of the largest in the country and will serve as a major infrastructural hub for South India. Equipped with a


warehouse to support faster cargo clearance, the ICD will help reduce the overall logistics costs by up to 30 per cent, while also providing operational transparency to customers. Until recently, importers shipped their cargo to Tuticorin Port where it was cleared by Customs, destuffed and kept at a warehouse.

As per the customer requirements the cargo was then moved by trucks from Tuticorin to its final delivery point in and around Madurai. Exporters too had to pick up empty containers from Tuticorin and bring them all the way to their factories. With ICD Madurai as a new acceptance point, Maersk will help move the cargo directly to Madurai, speed up the clearance process.

## DP World becomes RENAULT F1 team global logistics partner

DP World and the Renault F1 Team have signed an agreement making DP World the global logistics partner and title partner of the team, which will become the Renault DP World F1 Team starting from the 2020 season. Under the partnership, teams from DP World, Renault Sport Racing and Groupe Renault will leverage the F1 global marketing platform and explore opportunities to increase the efficiency of their supply chain.

## CMA CGM launches CMA CGM+

CMA CGM launches CMA CGM+, a range of solutions that complement its traditional maritime transport and logistics services. Equipped with this comprehensive range of products and services, the Group aims to provide customised solutions to meet all customer expectations: whether it be to protect their cargo or grow their business, CMA CGM+ is specifically designed to address their needs.

CMA CGM+ includes two categories of products and services: CARE and BOOST. Within this range of CMA CGM+ solutions, CMA CGM has assembled two main types of products and services that meet the service quality and growth objectives of the Group's customers, CARE and BOOST.

CARE products are designed to protect our customers' business

**Guarantee:** SERENITY cargo value guarantee, SERENITY container guarantee, COLD TREATMENT guarantee

**Security:** BARLOCK security device

**Cargo:** CLIMACTIVE controlled atmosphere, REEFLEX liquid-ready, PHARMA reefer division, AQUAVIVA seafood solution, CONTAINER humidity control, CONTAINER garment-ready, CONTAINER grade selection

BOOST products are designed to expand customers' business.

**Trade:** SHIPFIN trade finance and NETWORKING intermediation services

**Visibility:** TRAXENS smart container

**Documentation:** BILL OF LADING paperless

**Logistics:** end-to-end services

SERENITY container guarantee joins CMA CGM+

For the launch of CMA CGM+, CMA CGM is also introducing a new service to cover container damage: SERENITY container guarantee. This service limits container repair costs when unforeseen damages occur.

## First financial organisation joins TradeLens

Standard Chartered Bank has joined TradeLens, a blockchain-enabled digital container logistics platform, jointly developed by AP Møller – Maersk and IBM, making Standard Chartered Bank the first financial institution to enter a formal agreement for use of the platform. Standard Chartered Bank will be able to instantly validate the authenticity of shipments using TradeLens' extensive record of real-time data and document exchange amongst the network of entities involved in a shipment. TradeLens' ecosystem consists of more than 150 members, including more than 100 ports and terminals, over 20 ocean carriers and intermodal providers, and in excess of 10 government authorities. The solution has been commercially available since December 2018 and its standards-based open APIs are openly available to the entire community.

# PORTS

## V. O. Chidambaranar Port improves throughput

V. O. Chidambaranar Port, known as the economic engine of Southern Tamil Nadu, has handled 7.41 lakh teus as on March 2, 2020, in the process surpassing the previous financial year's entire container traffic of 7.39 lakh teus. The record throughput was achieved with a growth rate of 9.51 per cent over the corresponding 6.76 lakh teus of the previous fiscal. Total cargo imports and

exports also hit an all-time high at the port during the ongoing financial year up to March 2, at 33.11 million tonnes, up 5.30 per cent over the previous fiscal's corresponding 31.44 million tonnes.

## Port of Cochin upgrades Wärtsilä equipment

Wärtsilä will upgrade its Vessel Traffic Management System (VTMS) installed in the Indian port of Cochin by the end of July 2020. The system was originally delivered in 2008 and the

order with Wärtsilä was placed in February 2020 by the Cochin Port Trust. The technology group says that its upgraded VTMS will enable seamless coverage of the port's radar and automatic identification system (AIS) for traffic monitoring and control, thereby raising the existing safety and efficiency levels. The Navi-Harbour VTS software also provides an interactive and user-friendly interface for the system's operator. Wärtsilä and CoPT have also signed a five-year comprehensive annual maintenance contract for the upgraded system and a six-year CAMC for the existing equipment.

## Mumbai Port to upgrade cruise terminal

The cruise terminal at Ballard Pier Extension will be upgraded in line with international standards. The proposal includes increasing the total area of the terminal from 25000 sq.ft to 415000 sq ft. The new terminal will consist of three storeys excluding the ground floor. The ground and first floors will be passenger terminals, while the second and third floor will be reserved for commercial and retail businesses as well as a car parking lot for around 400 vehicles. The revamped cruise terminal when ready will be able to cater to nearly 10 lakh passengers per month and 10,000 passengers at any given time with the ability to handle around 500 ships.

## Snowman Logistics champions FMCG delivery

A pilot project in stealth mode was launched in Mumbai late last year with Western Maharashtra as the focus. As part of the pilot, Snowman Logistics set up a collection centre in Manchar near Pune to facilitate the collection of vegetables and fruits directly from farmers. The farm produce is then shipped to the Snowman Logistics sorting and grading centre located in Navi Mumbai, where the farm produce is further sorted, graded and packed for home delivery purpose. This is then transported to the six fulfilment hubs of the e-commerce player located around Mumbai for onward delivery. After Mumbai, the pilot will be replicated in Delhi and other cities to follow soon.

## Port of Hamburg remains in service

The port is actively undertaking following measures to prevent further spread of coronavirus:

Obeying the recommendations of the competent political institutions, the Federal Government, the Senate of the Free and Hanseatic City of Hamburg, the health authorities and the port's medical service (Hamburg Port Health Center). The Health Department of the HPA is in continuous contact with all partners. The port is engaging regularly in international and multi-sectoral communication to monitor the situation constantly and – if required – to implement targeted measures. As always, all arriving ships must submit a Maritime Health Declaration (MDH) at least 24 hours before calling at the port with information on whether there is any disease or indications of disease on board. If there are indications of disease, then the ship is inspected by Hamburg Port Health Center before entering the Port of Hamburg. All events of the Port of Hamburg that are not absolutely necessary have been or will be called off. In this respect, a series of specific inspections and determinations will take place. Hence, visitors, for example, will only be allowed to access critical work locations at the port if this is absolutely necessary.

## Infra projects inaugurated at JNPT

Mansukh Mandaviya, Minister of State, Shipping (Independent Charge) and Chemicals and Fertilisers, inaugurated various infrastructure projects at JNPT. The Minister inaugurated the mobile X-ray container scanner facility of JNPCT. The designed throughput for the new mobile container scanner is 20 containers per hour. This will help in scanning the containers inside the terminal premises; thus security agencies will have advantage to take appropriate action before the container is allowed to exit. Trade will be benefitted with this initiative as DPD containers can be allowed directly from the port after examining the same with the help of new mobile scanners.

Second project, of 220/333 KV MUSS sub-station at JNPT yard, was inaugurated with state-of-the-art 220 and 33 KV gas insulated switchgears deployed to have maximum power reliability. Sub-station is provided with SCADA and sub-station automation system where information regarding any fault is made available on mobile phone of the concerned engineers round-the-clock to have better control on sub-station operations, and automated fire detection and alarm system alongwith CCTVs are deployed.

The new Centralised Parking Plaza (CPP) and buildings for container tractor trailers and Customs facilitation centre were also inaugurated, provided exclusively to integrate the parking of tractor trailers carrying factory stuffed containers for exports at one location from the existing multiple locations. This will help integrate document processing by Customs with state-of-the-art facilities and service provision in the parking plaza. The centralised parking plaza will provide parking facility for trucks carrying export containers and enable completing pre-gate entry formalities and documentation for export under one window system.

## DP World announces financial results

DP World announced robust financial results for the year ended 31 December 2019. On a reported basis, revenue grew 36.1 per cent and adjusted EBITDA increased 17.7 per cent with adjusted EBITDA


margin of 43 per cent, delivering profit attributable to owners of the company, before separately disclosed items, of $1,328 million, up 4.6 per cent and EPS of 160.0 US cents. Results highlights: revenue of $7,686 million; revenue growth of 36.1 per cent driven by acquisitions including P&O Ferries (UK), Topaz Energy & Marine (UAE) and the two terminals in Chile (Puerto Central and Puerto Lirquen) as well as the full year impact from Continental Warehousing Corporation (India); Cosmos Agencia Maritima (Peru) and Unifeeder (Denmark), and the consolidation of Australia region. Like-for-like revenue increased by 2.3 per cent driven by 16.0 per cent growth in non-container revenue.

## Adanis' offer for Dighi Port gets NCLT nod

The NCLT has approved ₹650-crore resolution plan submitted by APSEZ for debt-ridden Dighi Port, located south of Mumbai. The resolution came with a huge 79.2 per cent haircut to the lenders, as they had made a claim of ₹3,098 crore. The successful bid will give the Adanis access to Maharashtra, where it had no presence, even though the group straddles the entire coastline of the country with 11 operational ports and an under-construction transshipment terminal at Vizhinjam in southern Kerala. It can be noted that Dighi Port was the first port to go for a bankruptcy in April 2018.

# MARITIME TRADE QUARANTINED

China is gradually recovering from the pandemic which is spreading to other parts of the globe bringing them under quarantine, once again highlighting the vulnerability of the global supply chain

BY OMER AHMED SIDDIQUI

The Corona virus outbreak has once again highlighted the vulnerability of global supply chain. China – still the source of 65 per cent of trans-Pacific containerized imports remains in the early stages of restarting production, following the pandemic outbreak. China's exports contracted by 17 per cent in dollar terms in January and February, but port call data indicates activity at Chinese ports has begun to recover from early March. Economies dependent on China-based production are highly vulnerable to the adverse impacts on the modes of the supply chain, namely in commercial aviation, maritime shipping and overland.

The loss in global trade of goods and services is estimated to be **$320 billion per quarter of business disruption.**

Global export losses are expected to peg at **$161 billion**

Losses to the global transport sector are forecast to be **atleast $33 billion.**

Covid-19 outbreak has removed more than **350,000 containers from global trade.**

There have been **49 per cent fewer sailings** by container ships from China

Shipping lines blank **46 per cent of capacity** in the Asia-Europe trade

**20-25 per cent drop** in global shipping industry throughput

The number of port calls at **Shanghai and Yangshang declined by 17 per cent in January**, compared to the same period in the previous year.

Carriers have blanked **21 sailings on the US-Asia Pacific** trade route due to weak demand in China.

California's Long Beach Port: **Handled $38 billion in Chinese goods** last year. This year the activity has declined to **more than half** from normal levels.

China's Shenzhen port: business has fallen off by an **estimated 50 to 75 per cent**.

Yangshan port in Shanghai: **business declined by almost half**

As the pandemic spreads to Europe and the US, the shipping industry will now have to contend with falling demand there. Following the US-China trade war that had slowed down the pace of global trade growth to its slowest pace since 2009, the Corona virus outbreak has given the next shattering blow to the global trade. As per data published by Allianz Research, in the first quarter of 2020 the global trade has suffered damage equivalent to a full year trade war between US-China. The loss in trade of goods and services is estimated to be $320 billion per quarter of business disruption. Export losses are expected to peg at $161 billion as demand from China and Europe is expected to be subdued till the end of April. The return to normalcy of trade is expected to be very gradual and losses to the transport sector are forecast to be atleast $33 billion.

This trade shock is already visible in early trade indicators, which signal a trade recession in volume terms both in Q1 (-2.5% q/q annualized) and Q2 (-1%) 2020. After a slight rebound by 1.6 per cent in Q4 2019, global trade is expected to contract by -2.5 per cent in Q1 (q/q annualized), and certainly to stay in negative in Q2. Global trade in volume terms edged down in January 2020 and plummeted in February, following dire activity reports in China but also deteriorating new export orders elsewhere, notably in Europe and Asia.

The International Chamber of Shipping estimates that the Covid-19 outbreak has removed more than 350,000 containers from global trade. There have been 49 per cent fewer sailings by container ships from China in the last four weeks, according to the European Commission. The unprecedented scale of the disruption has forced carriers to blank 46 per cent of capacity in the Asia-Europe trade. The forecasted drop of 20-25 per cent in global shipping industry throughput will have a corresponding impact on the port terminal industry.

A strong dollar, lower commodity prices and depressed demand will keep nominal trade in recession for the full year 2020. A -10 per cent drop in the S&P GSCI commodity price index since the beginning of the Covid-19 outbreak signals a continuation of 2019 deflationary pressures. This coupled with the appreciation of the dollar in a context of high uncertainty would push prices down. In value terms, trade should also contract in the first half of the year, keeping the full-year figure in negative territory after -1.5 per cent in 2019.

## Disruption to maritime trade

The coronavirus outbreak has led to a decline in the number of ships calling on Chinese ports including Shanghai and Yangshan in January, as factories across the country remain closed or operating at low capacity. The number of port calls at Shanghai and Yangshang declined by 17 per cent in January, compared to the same

period in the previous year. Carriers have blanked 21 sailings on the US-Asia Pacific trade route with the primary reason being weak demand in China. The cancellations are in addition to 66 cancellations that took place during the Lunar New Year resulting in 199,000 teu units of reduced capacity. On the Asia-Europe trade route, a total of 61 cancelled sailings have been announced, representing a 151,000 teu capacity reduction.

The US and EU being the major export markets of China have seen major disruption in maritime trade. California's Long Beach Port that handled $38 billion in Chinese goods last year has seen activity decline to more than half from normal levels. Los Angeles' ports have seen 50 blank sailings since the outbreak began.

Even as Beijing relaxes its containment measures, demand is falling elsewhere as the virus spreads. From Singapore to Rotterdam, many ports are seeing sharp falls in activity. At China's Shenzhen port, the fourth-largest in the world by container volume, dock workers have informed that business had fallen off by an estimated 50 to 75 per cent. Yangshan port in Shanghai has experienced similar declines. The number of trucks coming in and out has dropped off by between 40-50 per cent. Rotterdam, Europe's largest port and one of the world's busiest, saw traffic from China fall 20 per cent from a year earlier. In Singapore, a critical hub for crude oil shipments to China, figures for February show that throughput has taken a serious beating, said Peter Sand, chief shipping analyst at Bimco.

## Measures taken by ports

All major ports across the world have adopted a 14-day quarantine period for vessels arriving from or transiting through China. Vessels arriving from China are required to report regarding the health of the crew members and passengers prior to berthing. Some of the restrictions placed by ports across the world are detailed below.

## China

China is home to seven of the busiest ports in the world. Although loading and unloading operations are functioning normally, barge service is delayed at all ports. Few container depots in Shanghai, which is the busiest port in the world, were closed until February 10.

The government has implemented restrictions on some of these ports to contain the spread of the disease. Crew disembarking has been completely restricted at all ports. Any vessels berthing at Tianjin, Dalian and Xiamen ports are required to provide a health declaration before berthing. Vessels with crew from Wuhan or the Hubei province are restricted to berth at the Putian and Quanzhou ports. At the Ningbo Port, such vessels will be placed under isolation for 14 days before berthing.

Substitution of crew at the Shanghai, Xiamen, Ningbo, Tianjin, Dalian, Qingdao and Guangzhou ports has been prohibited. Wearing facial masks and temperature checks everyday has been initiated as a preventive action for coronavirus.

## United States

The US Coast Guard issued a notice on 02 February 2020 stating that any passenger vessels or vessels carrying passengers, which have been to China or embarked passengers in China in the last 14 days, will be denied entry into the US. Any passengers who exceed the 14 day period

### India may impose duties on Chinese imports

The Commerce Department is considering imposing duties on over 100 products that India imports heavily from China in light of the Covid-19 outbreak. The government is currently walking a tightrope, balancing its demand priorities with the ambition to knock out Chinese goods and push domestic products in local markets. It aims to quickly leverage domestic manufacturing when Chinese factories remain closed by raising import duties on semi-finished or manufactured products.

However, India's production capabilities remain limited for many of these items. "It's tricky to increase imports at such a time. If the situation does not change quickly and prices of industrial components begin to rise, an increased import duty will have the opposite effect on both consumers and growth," a senior official said.

The Confederation of All India Traders has warned that stuck shipments for basic commodities have started to quickly deplete available inventories at wholesalers and retailers, and that prices might rise if the situation doesn't improve. On the other hand, industry bodies have also warned that importers haven't been able to put in new orders since mid-January.

China is India's largest source of imports with $70 billion worth of products reaching Indian markets from Chinese shores. Despite this, a significant share of Indian importers across a broad range of sectors have continued to rely on regular trips to manufacturing hubs in China to place orders for products. With these visits now called off, importers fear they would lose out once the situation normalises and importers from other nations scramble to call in their own orders.

and are symptom-free will be allowed entry into the US.

Non-passenger vessels are allowed to operate in the US with restrictions if they have been to China or embarked passengers in China within the last 14 days under the condition that there are no sick crewmembers. Any vessels with sick crew members are required to notify the nearest Coast Guard Captain of the Port.

## Singapore

The Maritime and Port Authority of Singapore (MPA) has implemented temperature screening at all sea checkpoints, including ferry and cruise terminals. Visitors having a travel history in Hubei or possessing PRC passports issued in Hubei, will not be allowed to enter or transit through Singapore.

## Australia

Australia initiated additional border screening and isolation measures on 01 February. Any vessels that have left China or transited through the country after 01 February and less than 14 days prior to the date will be required to meet coronavirus requirements set by the government.

The same applies to vessels with crew of passengers, vessels with ill passengers and vessels having crew of passengers who have come in contact with confirmed cases.

Passengers or crewmembers on all vessels departing or transiting through China will not be allowed to disembark from the vessel until a biosecurity officer screens them for coronavirus and other infectious diseases. Based on the advice of the biosecurity officer, the passengers will either be asked to self-isolate as a preventive measure or undergo further tests.

**In the first quarter of 2020 the global trade has suffered damage equivalent to a full year trade war between US-China. The return to normalcy of trade is expected to be very gradual and losses to the transport sector are forecast to be atleast $33 billion.**

## Turkey

Turkey has taken coronavirus safety measures to contain the spread of the infection by restricting cruise ships from Chinese ports from docking in the country. Cargo ships have been permitted to dock although they will undergo strict inspections. The country has placed 33 health inspection centers at various ports to carry out screening procedures.

## Escaping the COVID-19

Part of the solution may be to flee from high-risk areas. The US appears to be shifting away from China as a sourcing country, and the coronavirus will likely strengthen that trend, given the single-country risk that it has exposed. Container lines are expanding capacity on Asia to the North American East Coast services and limiting interim port calls in the Middle East and Europe to make the services faster; that is a direct reflection of the shift to southeast Asia sourcing. The compound growth rate of US imports from southeast Asia between 2011 and 2019 outpaced the rate of growth of US imports from China by a wide margin.

The CAGR of volumes from Southeast Asia to the United States rose 9.9 percent, compared with a 2.7 percent growth in China volume, according to IHS Markit. However, the volume from southeast Asia to the US is just one-third of the volume from China, and the production and freight infrastructure capacity of southeast Asia is already showing its limits.

However, industry experts believe the prolonged shutdown will be followed by an overwhelming surge in business resulting in likely capacity shortages that will materialize once factories are back to full production, fulfilling demand for a still very strong US economy. Such a scenario could result in a sharp rebound in trade.

# ELECTRIC SOLUTIONS FOR TERMINAL OPERATIONS

Conductix-Wampfler India has electrified more than 125 RTGs in India, reveals Kishor Dagia, Managing Director of the company, as the market leader continues to innovate solutions for terminal automation

Diesel powered rubber tyre gantry cranes (RTGs) account for nearly 60 per cent of a terminal's diesel consumption. Lured by savings in energy costs and reduced emissions, terminals around the globe are reassessing the financial case for converting existing diesel RTGs to electric operation. Terminals in India are aggressively deciding to convert their existing fleet to run on electricity.

**Kishor Dagia**, Managing Director, Conductix-Wampfler India says, "Most Indian terminals desire maximum productivity from yard equipment and hence RTGs are not allocated to specific stacks, but rather moved around the yard in line with operational requirements. The drivers for this change over are the financial case and reduction of $CO_2$ emissions." Asked about the return on investment, he says this is dependent on the port operation in which the RTGs are involved, essentially coming down to number of stacks, RTGs and the monthly teu throughput. "However, on average, we would suggest an ROI is possible within around 3-5 years," says Dagia.

**"Most terminals desire maximum productivity from yard equipment, switching from diesel power to electric power saves diesel, maintenance costs and improves operator efficiencies by creating a more silent environment."**

**- Kishor Dagia**
Managing Director, Conductix-Wampfler India

Although large terminal operators in India – Adani, DP World and APMT have provided Conductix-Wampfler with conversion work, its contracts have by no means been limited to this size of the company. Continental Warehousing Corporation (Nhava Sheva) for example, is a rather small CFS operator, moving towards all-electric operation. Switching to electric power saves diesel, maintenance costs and improves operator efficiencies.

Conductix-Wampfler is also aware that terminals are seeking to side line diesel generators on board their RTGs and are choosing from a variety of solutions, ranging from conductor rails to cable reels and battery based hybrid solutions. According to Dagia, "Conductix Wampfler is investing in R&D to further its solutions package as is envisaged from our unique Auto-plug in / plug-out cable reels used in Hybrid systems where the RTG operates fully on battery pack and uses only a small diesel generator to move between blocks. Where there are a lot of stacks – 30 or above – and fewer RTGs – 12-18 with many block changes the conductor rail system is usually preferred. But in smaller terminals on the east coast where there are very few stacks, the cable reel possibly makes more sense. Battery Hybrid or Plug-in type solutions are ideal for CFS operations which have 1-3 RTGs and 1-2 blocks."

With more than 125 RTGs electrified in India by solutions engineered at the Center of Excellence in Germany and executed by Conductix-Wampfler India, as a market leader Conductix-Wampfler is aware of its responsibility to innovate and prepare solution for future terminal automation. Conductix-Wampfler has innovated with the ProfiDAT® solution. "We designed the system so that any terminal with our Conductor rail E-RTG solution could retrofit and upgrade with the ProfiDAT® solution," says Philip Wasmer, Global Market Manager – Container Handling at Conductix-Wampfler. The integrated data-transmission system combines a data-transmission channel with a conductor rail that can also be used as a ground conductor rail. "The conversion can therefore be carried out without any great installation effort, since the existing ground conductor rail is simply replaced by the combined profile without the need for additional installation space," says Wasmer.

# IMO 2020 AND THE COVID-19 CURSE

The COVID-19 outbreak has shaken and stirred the already volatile bunker market. While the refiners adjust their capacities and shipping lines choose their path to compliance, the market dynamics are yet to reach an equilibrium

Few months back towards the end of the year 2019, the maritime industry was abuzz planning to comply with the IMO 2020 emission norms. Shipping lines were busy choosing among scrubbers and different fuel blends, shippers had kept their fingers crossed to calculate the additional fuel surcharge cost that they would have to shell out and the bunker suppliers were busy gearing up their production operations to meet the sudden surge in demand for low sulphur fuel. The shipping industry consumes about 4 million barrels per day (bpd) of marine bunker fuels and the rule changes impacted more than 50,000 merchant ships globally, opening a significant new market for fuel producers. India's marine fuel demand is estimated at about 1.7 million tonnes per year, largely supplied by State-owned companies. Out of this, some 0.965 mmtpa is high sulphur furnace oil, while the rest is distillate fuel. At the start of 2019, low-sulphur fuel sales accounted for just 8 per cent of total sales compared with a jump to 70 per cent in December.

"Majorly all global bunkering ports are keeping the maritime industry fuelled with IMO 2020 compliant low sulphur fuel oil (LSFO). Out of 34 major bunkering hub ports, only Sydney in Australia is not yet servicing the request of LSFO," opines Capt Vivek S Anand, Director, NYK Line (India) Pvt. Ltd. "Usually the preferable bunkering port is where there is minimum diversion in trading route with competitive prices. However, preferred bunkering port is Singapore because of its strategic location and price of $290 or Fujairah with a price ranging around $280. India is well equipped to supply IMO 2020 compliant low sulphur fuel oil (LSFO) with 0.5 per cent sulphur as marine fuel at all Indian major trading Ports."

Owing to the uncertainty over the level of preparedness of the industry in dealing with the change, Captain SIAK Azad, Deputy Nautical Advisor at the

Mercantile Marine Department, said that the regulator's priority in the first few months will be ease of doing business. "Trust and common sense will be applied and we won't go just by the letter of the law," he informed.

## Asian refiners have the upper hand

Asia is set to benefit from IMO 2020 more than any other region due to its surplus of gasoil and relatively high complexity of its refineries, reports S&P Global Platts. Asian refiners have continuously upgraded operations, achieving greater yields of low sulphur products, thus they are on a better footing to adjust for IMO 2020. China and India are well-placed to take advantage of the bunker specifications change with their high ratios of coking and hydrocracking versus crude distillation capacities. Japan is a major LSFO producing and consuming country in Asia while South Korea is a major gasoil exporting country. Both stand to benefit from high distillate cracks. Singapore, as the world's largest bunkering hub, will have to make major changes as it is a major importer of HSFO. Singapore's product demand composition will undergo a drastic change, with HSFO demand dropping in 2020 while demand for MGO and LSFO rises.

In 2020, Singapore will still be a net importer of HSFO, supplying to vessels installed with scrubbers, but most of its demand will switch to 0.5% LSFO and MGO, creating new challenges to its supply chains. Overall, the changes are likely to benefit refining in Asia, which is long on gasoil, and the major bunker suppliers and China are developing supply options for LSFO.

India's conversion ratio – or the amount of more complex conversion capacity, such as fluid catalytic cracker (FCC), resid catalytic cracker (RCC), hydrocrackers (HCU), or coking capacity relative to CDU capacity – has improved the most among Asian refiners. It is expected to reach a new high after a series of upgrading works to prepare refineries for a nationwide rollout of the Bharat VI standard, which applies to gasoline and gasoil and mandates a limit of 10 ppm sulphur, equivalent to Euro 6, in April 2020.

However, China's conversion ratio is still ahead, although the improvement has slowed over the last few years. China implemented the Nation 6 standard with 10 ppm sulfur levels (equivalent to Euro 6) nationwide in January 2019. Japan's refinery conversion ratio has improved due to CDU closures as part of the METI's Refinery Ordinance. Japan is well ahead in its preparations as it has substantial residue desulfurization facilities, which were originally built mostly to make LSFO for power generation. South Korea's conversion ratio also improved over the years due to upgrading.

## A look at top global suppliers

### China

Sinopec Corp. is producing very low-sulfur fuel oil (VLSFO) at 10 refineries in China, including Zhenhai Refining and Chemicals Co, Jinling Petrochemical Co and Hainan Petrochemical Co. The company aims to reach the 10 million tonnes VLSFO capacity per year by 2020, further increasing it to 15 million tonnes by 2023. It will supply to Zhoushan and other major ports in China, while covering Singapore, Hambantota and 50 key overseas ports around the globe.

PetroChina aims to a 4 million tonnes of VLSFO in 2020, to be produced from its Jinzhou, Jinxi and Dalian refineries in China's northeast, and Guangxi refinery in the south. China Marine Bunker secured minimum 4 million tonnes of VLSFO for the fourth quarter of 2019 and the first two quarters of 2020, while it also began supplying all major Chinese ports from bonded storage.

### North Asia

SK Energy, the first of South Korea's refiner, started supplying MGO from October last year, aiming to produce up to 27,000 bpd of marine gasoil. Additionally, the company is constructing a vacuum residue desulphurisation (VRDS) unit that can produce 40,000 bpd of LSFO, which will come into force in March or April 2020. SK Trading International, its affiliate, inked six-month contracts with some shippers in order to supply 90,000 barrels of VLSFO, beginning from Q4. Hyundai Oilbank is producing up to 50,000 barrels of LSFO per day.

In Japan, Fuji Oil Co Ltd, Cosmo

## BUNKERING AT INDIAN PORTS


**INDIAN OIL CORP HAS BUNKERING OPERATIONS AT**
**VLSFO:** Kandla (including Sikka/Vadinar/Mundra anchorage), Mumbai, New Mangalore, Cochin, Tuticorin, Chennai, Visakhapatnam, Paradip & Haldia

**LSMGO:** Kandla (including Sikka/Vadinar/Mundra anchorage), Hazira, Magdalla, Mumbai, Mormugao, Karwar, New Mangalore, Cochin, Tuticorin, Chennai, Kakinada, Visakhapatnam, Paradip, Haldia & Port Blair.

Bunker fuel supplies are made through pipelines, barges and tank-trucks.

**COCHIN PORT**
- Handled 45,301 MT of low Sulphur fuel in January and February 2020. The future demand is expected to remain around 25000 MT/month.

**PARDIP PORT**
- Current stock of low Sulphur fuel is 19,000 MTs
- Current demand is around 2000 MT/month and is expected to reach 4000 MT/month.

**DEENDAYAL PORT TRUST, KANDLA**
- Current stock of low Sulphur fuel: 36,498 KL
- Handled total of 52,889.11 MT of low Sulphur fuel in January and February 2020. Demand is expected to remain at 300,000 MT for the year

**MURMUGAO PORT**
- Current stock of low Sulphur fuel is 3550 KL
- Handled total of 15,550 KL of low Sulphur fuel last year and the demand is expected to remain almost same.

**VISAKHAPATNAM PORT**
- Current stock of low Sulphur fuel is 24,800 KL and VLSFO – 43000 MT
- The volume of demand expected is 166,400 MT per annum

Energy Holdings Co Ltd and Idemitsu Kosan Co Ltd began shipping IMO-compliant fuels in October last year. Idemitsu Kosan is planning to increase capacity at its 190,000-barrel-a-day Chiba refinery's residue crude hydro-desulphurizing unit, to boost output of LSFO or other IMO-compliant fuels.

## Singapore/Southeast Asia

About 400,000-500,000 metric tonnes/month of low-sulphur fuel oil cargoes have been coming to the Singapore region in the fourth quarter of 2019, while the volume was 100,000-200,000 metric tonnes/month earlier. Singapore, the world's largest bunkering hub, used to receive 6 million mt/month of high-sulphur fuel oil until the first half of 2019. Towards the end of 2019, Royal Dutch Shell loaded its first VLSFO cargo from its Pulau Bukom refinery. Singapore Refining Company (SRC), a joint venture of Chevron Corp and Singapore Petroleum Co supplied its first VLSFO cargo.

Chevron is about to double its VLSFO and MGO supply in Asia in the next one to two years. Vitol is building a 30,000 bpd crude processing unit, located in Malaysia, which will begin supplying VLSFO in May 2020. IRPC Pcl is producing 60,000 tonnes of VLSFO, making it Thailand's first refinery to produce IMO-compliant fuel. About 65 per cent of the output will be sold in Thailand while the rest will be exported.

## India

Indian Oil Corporation released its first deliveries of 0.5 per cent LSFO bunker in November at Kandla, Cochin and Paradeep ports. The compliant fuel is also being made available at Mumbai, Mangalore, Tuticorin, Chennai, Visakhapatnam, Paradip and Haldia Ports. According to Platts, IOC aimed to supply more than 1 million mt/year of cleaner fuel from its Haldia refinery on the eastern coast and the Gujarat refinery on the western coast. IOC has a market share of 60 per cent in ship bunker in India. Further, IOC's product is a straight-run residual and not a blend with any distillate, and, therefore, friendly to shipboard engines and fuel-handling equipment. Regarding other properties like viscosity, density and pour point, the new compliant fuel would be similar to the old fuel and is compatible with tried-and-tested ship machinery.

The first batch of Hindustan Petroleum Corporation Limited (HPCL's) VLSFO was produced in December at Visakhapatnam Refinery that can produce 5,000-10,000 tonnes per month to begin with. Infrastructure will be upgraded soon to cater to the demand. The oil major operates another refinery on the west coast in Mumbai. The product meets the Residual Marine Grade (RMG) 0.50 Specification and ISO 8217:2017 standard requirements. HPCL's new compliant fuel product is also a straight-run residual.

In February Bharat Petroleum exported its first low sulphur fuel cargo from Kochi Port to Singapore. P Murali Madhavan, Executive Director (Kochi Refinery), BPCL said they are also supplying the compliant fuel to tankers calling at Kochi Port.

## Middle East

Qatar Petroleum is supplying VLSFO at its ports since October last year. Uniper Energy DMCC is responsible for two crude units in Fujairah, which produce on an annual basis more than 4 million tonnes of VLSFO. Brooge Petroleum and Gas Investment Co (BPGIC) is developing a 25,000-bpd capacity low-sulphur fuel refinery in Fujairah.

## Europe

Peninsula Petroleum, the biggest supplier in the fuelling hub of Gibraltar, is doubling its VLSFO deliveries to 60,000 tonnes. It supplies bunker to the ports of Gibraltar, Algeciras, Barcelona, Amsterdam-Rotterdam-Antwerp, Canary Islands, Malta, Panama, U.S. Gulf Coast and Los Angeles.

## United States

The majority of US Gulf Coast refiners are already processing heavy crudes to make IMO-compliant marine fuels. Motive Enterprises updated its Port Arthur, Texas, refinery to produce compliant fuels. PBF Energy restarted a coker at its Chalmette, Louisiana, refinery that had been idled nine years.

## Changing market dynamics

The International Energy Agency (IEA) has forecast VLSFO demand to reach 1 million bpd in 2020 and 1.8 million bpd by 2024, while marine gasoil demand will peak in 2020 and reduce to 1.8 million bpd by 2024. Contrary to the speculations on initial shortage of the compliant fuel supply, IEA has confirmed that the preferred compliant marine fuel supplies at key hubs is adequate. An expected surge in China's VLSFO production as a result of its new tax policies has also helped ease concerns about tight supplies.

As the IMO 2020 compliance deadline came close, ship operators rushed to buy large quantities of compliant fuels to ensure adequate supplies, piling pressure on bunker suppliers and pushing premiums for delivered fuels to record highs. The strong demand for VLSFO led to a sharp increase in its price which sharply narrowed its spread with the more expensive marine gasoil. Thus, refiners around the world responded by boosting VLSFO production. Preliminary estimates from The Maritime and Port Authority of Singapore and BIMCO indicated that sales of low-sulphur fuel oil and low-sulphur marine gasoil in the bunkering hub, rose by 51 per cent month-on-month in December 2019 to 3.13 million tonnes, compared with the 1.27 million tonnes of high-sulphur fuel oil sold in the same month. At the start of 2019, low-sulphur fuel sales accounted for just 8 per cent of total sales compared with a jump to 70 per cent in December. "Price for LSFO ranges from $230 in Rotterdam/Antwerp, Kaliningrad, Murmansk/Archangelsk to $590 in Ecuador. Going forward, we do see a downward trend in prices with increase in Production of LSFO at major refineries and competitiveness among major players battling to grab a bigger share of the market," informs Capt. Vivek Anand.

Adding to this surge in VLSFO demand are the delayed scrubber installations, which mean that ships expected to run on high-sulphur fuels also had to jostle to secure VLSFO supplies and meet the IMO rules. There is currently a four-to five-month backlog of vessels that should have been retrofitted by the end of last year. Installations have been delayed chiefly by material shortages and limited shipyard capacity further complicated by the shortage of personnel at Chinese yards due to the recent pandemic outbreak.

Prices of 1 per cent sulphur fuel oil also gained ground this year, as the shipping industry uses it for blending to produce 0.5 per cent sulphur fuel oil. Many bunker suppliers have even stocked it for using in the marine fuel pool in 2020. Previously 1 per cent sulphur fuel oil was mainly used for power generation.

**Going forward, we do see a downward trend in prices with increase in Production of LSFO at major refineries and competitiveness among major players battling to grab a bigger share of the market.**

**- Capt Vivek S Anand**
Director, NYK Line (India) Pvt Ltd

But in the subsequent months Asia's market for VLSFO retreated from its record highs witnessed near the start of the year, as demand for the compliant fuel crumbled under seasonal factors and due to the Corona epidemic. However, industry observers also point at a trend of more ships switching to burning marine gasoil instead of VLSFO which weakened the VLSFO market.

"The market environment for marine fuels has been very volatile over the past months. While our IMO 2020 fuel sourcing strategy focuses on compliant fuels for the vast majority of our fleet, we have decided to invest in a number of scrubbers to mitigate risk and familiarise with the technology in case it turns out to provide significant cost benefits compared to compliant fuels. Thus, scrubbers form a secondary part of our overall IMO 2020 fuel sourcing strategy to ensure compliance and spread the risk of fuel price uncertainty in 2020 – for the price spread between high and low sulfur fuels and for the price of future 0,5% compliant low sulfur fuels," reveals Steve Felder, Managing Director - Maersk South Asia.

Bunker traders are of the view that the IMO 2020-led marine gasoil demand has started to finally kick-in but the virus situation is restraining demand. The market is stabilising and people are hoarding less and buying bunkers as and when needed.

## Refiners to trim low sulphur fuel production

A major disruption to marine transportation due to the corona virus outbreak has cooled down the rally in prices of low sulphur fuel, making refiners particularly in Asia to scale back production of the compliant fuel. Refiners particularly those in Thailand and Taiwan are now grappling with narrowing margins amid the slump in demand for low sulphur fuel.

Early bets by refiners to produce LSFO at the cost of other products paid off handsomely as benchmark 0.5 per cent

marine fuel prices in Singapore surged to a premium of more than $327/mt to 380 CST high sulphur fuel oil on December 26. But crack spreads for LSFO that trumped both gasoil and gasoline for much of the past two months have corrected sharply in recent sessions, and signs are beginning to emerge that refineries are adjusting output in response. It is reported that refiners in India, Japan and South Korea that also tweaked refinery operations to sell an occasional LSFO cargo were likely to follow suit as MF0.5 per cent cracks come under pressure.

In Thailand, where much of the switch to produce LSFO came via a move from high-sulphur crudes to low-sulphur ones, traders say refiners may take longer to scale back production. The country currently exports around 150,000-200,000 mt/month of low-sulphur fuels, one of the highest outflows in the region.

## Scrubbers remain a viable option

Shipping companies are pushing ahead with multi-million dollar investments to install scrubbers, despite concerns that a narrowing spread between high and low sulphur fuel prices could delay the return on those investments. The strategy has paid off well initially as prices of high sulphur fuels declined as compared to low sulphur fuel. As reported by S&P Global Platts towards the 2019 year end, Singapore 380CST HSFO was at a discount of $327.47/mt compared to Singapore marine fuel 0.5 per cent, but by March 2020 the scenario changed and the spread between the two fuels had crunched to a five-month low of $108.84/mt, thanks in part to tighter supply of high sulphur fuels and soft LSFO fundamentals. The decline in cost of HSFO has been slow as compared to LSFO.

**While our IMO 2020 fuel sourcing strategy focuses on compliant fuels for the vast majority of our fleet, we have decided to invest in a number of scrubbers to mitigate risk and familiarise with the technology in case it turns out to provide significant cost benefits compared to compliant fuels.**

**- Steve Felder**
MD, Maersk South Asia

According to fuel price reporting agency Argus Media, the price of 0.5 per cent VLSFO in Singapore is now 37 per cent below what it cost on January 1, reaching $393.25 per tonne on March 2. That compares with 3.5 per cent fuel oil at $314 per tonne, down 6 per cent over the same period. The slow decline in the price of HSFO can increase the payback time for fitting scrubbers. Still some shipowners are opting for scrubbers as a strategy to hedge bunker fuel risks, even though installations at some Chinese shipyards are getting delayed due to the Corona Virus outbreak.

The pandemic has further slowed down the trade and has brought down freight rates so much so giving another reason for shipping lines to opt for scrubbers. The losses in terms of revenue when a ship is sitting in a dockyard for retrofitting scrubber have decreased a lot this year as compared to last year. Last year a shipping line would have lost $20,000/day if a ship was launched for 40 days to fit a scrubber, the same loss has now come down to around $2,000/day with the fall in freight rates. Further, over the months the installation costs for scrubbers have also said to come down.

As far as tankers are concerned, some scrubber-fitted ships are still commanding a premium over non-scrubber ones, making a positive case for installing the technology. It is reported that for modern VLCCs, the premium is currently around $7,000/day. A scrubber-fitted and non-scrubber VLCC is currently being offered around $44,500/day and $38,000/day. The corresponding numbers for a one-year time charter are closer to $43,000/day and $36,000/day. Ships that retrofitted scrubbers before the compliance deadline will continue to reap greater benefits as the price of HSFO continues to fall. mg

# DATA YOU CAN BANK ON!

LDB uses big data, analytics and IoT to bring in a holistic change in the supply chain, building efficiencies at an end-to-end level

There is no denying to the fact that India is one of the fastest-growing economies in the world and is home to some largest manufacturing facilities, delivering goods in both domestic and international markets. However, there was a time when a poor logistics system was crippling this growth story. Transporting goods around the country used to take weeks altogether with incessant delays. There was no mechanism to track the goods in real-time. To combat 'running out of stock' scenarios, manufacturers started overstocking the inventories. This unnecessarily added to their expenses and made attracting foreign investments a difficult proposition. Realizing that this rapid economic growth was outstripping the capabilities of the logistics system, the GOI (Government of India) started with a series of initiatives to empower their infrastructure. This lead to the birth of DMICDC Logistics Data Services (DLDS) – a joint venture between GOI represented by National Industrial Corridor Development and Implementation Trust (NICDIT) and Japanese IT major NEC Corporation, with 50:50 equity participation on 30th December 2015.

## The LDB Project

The LDB (Logistics Data Bank) project is the flagship project of DLDS which aims to bring visibility and transparency in the Indian logistics system through an IoT, Big data and cloud-based visualization platform. It works by affixing RFID tags to shipping containers starting from their import journey and detaching them when they leave the ports. Positional information of the containers is tracked through the RFID readers installed at locations such as toll plazas on the expressways, port entrances and exits and inland container depots (ICD) and container freight stations (CFS) where custom inspections are carried out and cargo is reloaded. This information is uploaded on the cloud and shared with other logistics systems such as the port management systems. To track the consignment, stakeholders need to log into the website (www.Ldb.co.in) or mobile application using the container numbers.

In addition to this, LDB analytics reports are designed using Data Platform for Hadoop (DPH) and IoT solutions. These reports are published on a monthly basis and provide insights into the stakeholders' performance across the competitive landscape. Also, analytical reports on congestion analysis and performance benchmarking are provided to all stakeholders to identify bottlenecks during transit and improve the system more holistically. In words of DS Bharara, VP Operations ACTL ICD "LDB's Performance benchmarking reports with respect to the competition is helping us focus on streamlining our processes to be the best in the industry."

LDB with the use of big data, analytics and IoT has brought in a holistic change in the supply chain and set new benchmarks for each of the stakeholders. It has strengthened the focus of supply chain management companies in building in efficiencies at an "end-to-end" level as against a "piece" level approach taken by individual logistic players.

## Growth and future of LDB

LDB started as a pilot project across the busiest container port of the country- the Jawaharlal Nehru Port (JNPT) on 1st July 2016. The port was highly fragmented with container movement being recorded at multiple non-interconnected terminals. There was no centralized system to monitor the cargo in transit.

LDB streamlined the system and brought single-window container visibility into the supply chain. Within a year, it witnessed great success in tracking containers at JNPT and was asked to extend its operations across the port terminals of Adani in Mundra and Hazira. Today, LDB works across 25 port terminals and handles over 96% of the container volume of the country. LDB has provided visibility to more than 23 million EXIM containers to date and has more than 55 toll plazas and 139 + CFS and ICD's under their belt. The dwell time of export and import bound containers has seen an improvement of 15% and 42.86% respectively.

This growth curve in streamlining the Indian logistics segment made a global impression. In 2017, India jumped up 30 notches to reach the top 100 rankings in the World Bank's 'Ease of doing business' index. The Logistics performance has improved from 54th rank to 35th under the World Bank's Logistics Performance Index (LPI).

DLDS has recently received revised TAMP (Tariff Authority at Major Ports) notification for extension of services. Further, they are planning extensive coverage in these 2 years to connect hinterlands with all ports of India and extend services to Nepal and Bangladesh to maximize visibility and increase customer value. mg

# THE MARITIME COOL FUEL

All the major ports in India are serving the compliant fuel, supplied by state owned oil companies. **Dr Abhijit Singh**, Executive Director, IPA explains the fuel dynamics

**Q. Which of the seaports in India are offering bunkering service and which of them are supplying low sulphur fuel?**

The premier state owned Oil Companies M/s IOCL, HPCL and BPCL or their authorized agencies have been allowed to offer bunkering activities at the major ports. Bunkers in Major Ports are supplied to ships mostly through a bunker barge or fuel supplying vessels. Bunkering has been permitted round the clock at the Paradip Port and Cochin Port. At Paradip, pipeline is laid from IOCL Terminal to North Oil Jetty which is approximately 10.5 kms and vessels / barges can be loaded with bunker fuel (VLSFO) directly through pipeline. Cochin Port offers bunkering through pipeline at berth and also through barges. As of January 2020, IOCL has confirmed that among 8 ports covered by them there is already sufficient stock. BPCL has stock in Mumbai and HPCL has stock at Vizag with barges equipped to make supply within ports. IOCL also offers bunkering at Kamarajar Port from their foreshore terminal facility at Chennai Port Trust through barges and trucks. In order to boost the bunkering trade at the ports dedicated bunkering facility is being planned at Paradip, DPT and Cochin. At VPT currently bunkering takes place through 3 modes, bunkering through pipelines, through barges at New Bunker jetty and truck bunkering is done by loading Tank Trucks at black oil terminal and later trucks pumping the bunker fuel to vessel at respective berth.

All the Major ports have started offering low sulphur fuel to vessels/barges as per the new IMO 2020 regulations.

**Q. What is the volume of demand expected at each port for low sulphur fuel?**

Bunker Fuels demand at Indian ports is about 1 per cent of the global demand. Majority of the demand comes from defence ships, domestic vessels, coastal vessels and a small portion of international ships calling at Indian ports. On an average, 27,000 ships call at Indian ports and this number is expected to grow by 7 per cent.

As per the statistics from Ministry of Petroleum and Natural Gas (MoPNG), 1.38 MTPA of HFO, HSD and LDO deliveries were made; 0.42 MTPA to international bunkers and 0.96 MTPA to coastal bunkers. Indian bunker segment is majorly distributed between defence, trading, direct sales and exploration & dredging. IOCL is the largest bunker provider with 41.6 per cent market share with Adani, HPCL and BPCL contributing to 18 per cent, 15 per cent and 10 per cent share respectively.

As per the available data for few Major ports, the demand scenario for low sulphur oil is as follows:

- Cochin Port handled total of 45301 MT of low sulphur fuel in the month of January and February 2020. The future demand is expected to remain around 25000 MT/month.
- For Paradip Port, the current demand is around 2000 MT/month and is expected to reach 4000 MT/month.
- Deendayal Port Trust, Kandla handled total of 52889.11 MT of low sulphur fuel in January and February 2020. Demand is expected to remain at 300,000 MT for the year
- Murmugao Port handled total of 15,550 KL of low sulphur fuel last year and the demand is expected to remain almost same.
- At Visakhapatnam Port Trust the volume of demand expected is 166,400 MT per annum.

**Q. What is the volume of stock of low sulphur fuel available at each of these ports?**

During 2018-19, sales of marine bunker fuels in India (FO & Marine Gas Oil) is 1840 million MT. The consumption remains at the same level of 2017-18 (1842 million MT).

Outlook projects increase in bunker consumption from 955 thousand MT (FO) to 1060 TMT by 2024-25. VLSFO consumption will start from last quarter of 2019-20 and will pick up by 2024-25. HSFO will not only be replaced by VLSFO gradually but some vessels are expected to shift to marine gas oil in 2019-20. Consumption of MGO will increase to 65 in 2020-21 but will start reducing thereafter to reach a level of 20 TMT by 2024-25. HSFO will show sharp decline by 2020-21 to 70 TMT but is expected to increase (after installation of scrubbers pick up the pace) to 195 TMT by 2024-25.

IOCL is supplying VLSFO in Indian markets from September 2019, ahead of MARPOL 2020 time line. Its Gujarat Refinery will produce MARPOL compliant 1.0 million MT per annum VLSFO from LS residues. VLSFO will be meeting ISO 8217:2017 RMG 380 with viscosity between 220-300 CST. And sulfur 0.5% m/m. This will be made available at all port locations having bunkering facilities in India through coastal movement from Kandla where it will reach through rail route.

The stock availability for low sulphur oil at few major ports is as follows:

- Deendayal Port Trust, Kandla has stock of 36,498 KL available at the port
- Mormugao Port has 3550 KL of stock available at port
- Volume of stock of low sulphur fuel available at Paradip Port is 19000 MTs
- Visakhapatnam Port Trust has stock of 24,800 KL and VLSFO – 43000 MT. mg

**Sale of bunker fuel in India during 2018-19**

(Thousand MT)

| | FO | HIGH FLASH GAS OIL | TOTAL |
|---|---|---|---|
| PSU Co. | 793 | 845 | 1638 |
| Pvt. Co. | 162 | 40 | 202 |
| Total | 955 | 885 | 1840 |

*Source: HPCL Presentation*


# CONTAINER LOGISTICS COST: MYTH VS FACTS

India's logistics cost is high and there are several elements in the logistics chain which add to the logistics cost. Sunil K. Vaswani, Executive Director, Container Shipping Lines Association (INDIA) brings to the fore some of them

**SUNIL K VASWANI**
EXECUTIVE DIRECTOR,
CONTAINER SHIPPING LINES ASSOCIATION (INDIA)

While on the one hand, India aspires to be a USD 5 trillion economy by 2024-25, on the other, it's cost of logistics remains high at 14 per cent of the GDP, as compared to 8/9 per cent in the case of the developed economies of the world. The reasons for these are varied, some of which are commonly known while the others, although equally important if not more, are not generally talked about.

Here are some of the spots where the shoe really pinches:

## HIGH PORT CHARGES

India's port charges remain amongst the highest in the world.

**TOTAL PORT CALL COST** of a vessel of the same size calling at Indian ports viz-a-viz the foreign ones – The Vessel Related Charges at Indian ports are far higher than those at Foreign ports. Vessel related charges work out to $108,437 at the New Terminals at Nhava Sheva ie BMCT / NSIGT & $64,592 at the Old Terminals at Nhava Sheva ie JNPCT / GTI / NSICT, as compared to $12,043 at P Klang, $16,158 at Jebel Ali, $17,235 at Singapore & $19,308 at Colombo. These charges at Indian ports will increase even further if the tariffs are revised.

**TOTAL CONTAINER RELATED COST** – These costs too are much higher at the New Nhava Sheva Terminals (BMCT & NSIGT), Mundra & Pipavav, as compared to those at Foreign ports. Again, these costs at Indian ports could increase further, including the ones at the Nhava Sheva old terminals, should the Indian ports go ahead with a revision in their tariffs.

**UNIT COST PER MOVE** – Even at the existing rates, the UNIT COST PER MOVE, works out much higher (approximately double or even almost triple the cost) for a vessel calling at Indian ports, as compared to her calling at Foreign ports.

Under the circumstances, it is not only economically challenging for the shipping lines to call at Indian ports but also difficult for Indian exports to be globally competitive. A reduction in the Indian port charges would therefore help in bringing down the cost of logistics.

## DUAL CHARGE

Some of the ports like JNPT for instance, charge a dual charge to the lines calling there.

This is with reference to the MBPT dues paid by all the shipping lines at Nhava Sheva. Presently, all the container vessels call at either of the five container terminals at JNPT. During the period 1st January to 30th November 2019, a total of 1586 container vessels called at the Five Terminals at JNPT.

Since the inception of JN Port during the year 1989, all the Shipping Lines have been paying both the MBPT as well as the JNPT Dues. Earlier the MBPT dues were not so unaffordable due to the smaller size of vessels and the lesser number of calls at JNPT. Now with the sizes of vessels having increased from 2700 teus (26,000 GRT) to the range of 9000 teus (109,712 GRT) / 14,000 teus (128,000 GRT), the MBPT dues are indeed getting to be unaffordable for the shipping lines.

In order to allow larger parcel size vessels to call at Nhava Sheva, JNPT carried out capital dredging, thereby enabling vessels with 15 mtr arrival draft and 14000 teu capacity (over 100,000 GRT) to call at the port. While the cost of the capital dredging was borne by JNPT, with no contribution from MBPT, it still recovers a significant chunk of the port dues through JNPT, from vessels calling therein. The vessels entering into JNPT, are managed by the JNPT Marine Department and no services whatsoever are provided by MBPT.

MBPT DUES
**2,468,90,817**

JNPT DUES
**6,443,94,603**

TOTAL
**8,912,85,420**

(INR)

Given above are the details of JNPT and MBPT dues paid by the leading four major shipping lines, from January till December 2019. The quantum recovered by MBPT from vessels calling at JNPT, directly impacts the bottom line as far as the cost of logistics is concerned.

Due to the prevailing market scenario, most of the vessels are in any case under-utilised and these additional costs further impact the bottom lines of the vessels calling at JNPT. The above port costs therefore prove detrimental towards the Government’s initiative of reducing the Transaction Cost and further improving India’s ranking in the Ease of Doing Business.

**IMO REQUIREMENTS** of usage of fuel with no more than 0.5 per cent Sulphur from the 1st of January 2020 has put pressure on fuel costs for the shipping lines. With fuel contributing towards 65 per cent of the cost of operations, no line can afford to ignore this cost.

**HIGH INLAND HAULAGE CHARGES:** With rail operators padding on margins, which can go up to about 20 per cent, over and above the rail freight, the increased cost impacts India's exports & imports adversely.

**FRAGMENTED MARKET** spread across the length & breadth of the country calls for infrastructure development, efficient and cost-effective inland transportation, first & last-mile deliveries, modern warehousing, etc.

**CARGO MIX:** The country's import & export commodities have different transportation requirements. While India's imports are mostly 40ft driven, it's exports need, by and large, 20ft boxes. This creates an equipment imbalance which poses both operational as well as financial challenges for the shipping lines.

**INTERMEDIARIES:** Thousands of so-called logistics providers have mushroomed across the country. However, barring a few, the remaining essentially tend to pad on margins without offering any real value to the end customer, thereby adding significantly to cost of logistics of the country.

**SHORTAGE OF SKILLED MANPOWER:** With limited availability of recognised courses and preference of the younger generation for other professions, shortage of trained manpower in logistics continues. This gap can be bridged, to an extent, through on-line programs, simulation models, on the job training, etc.

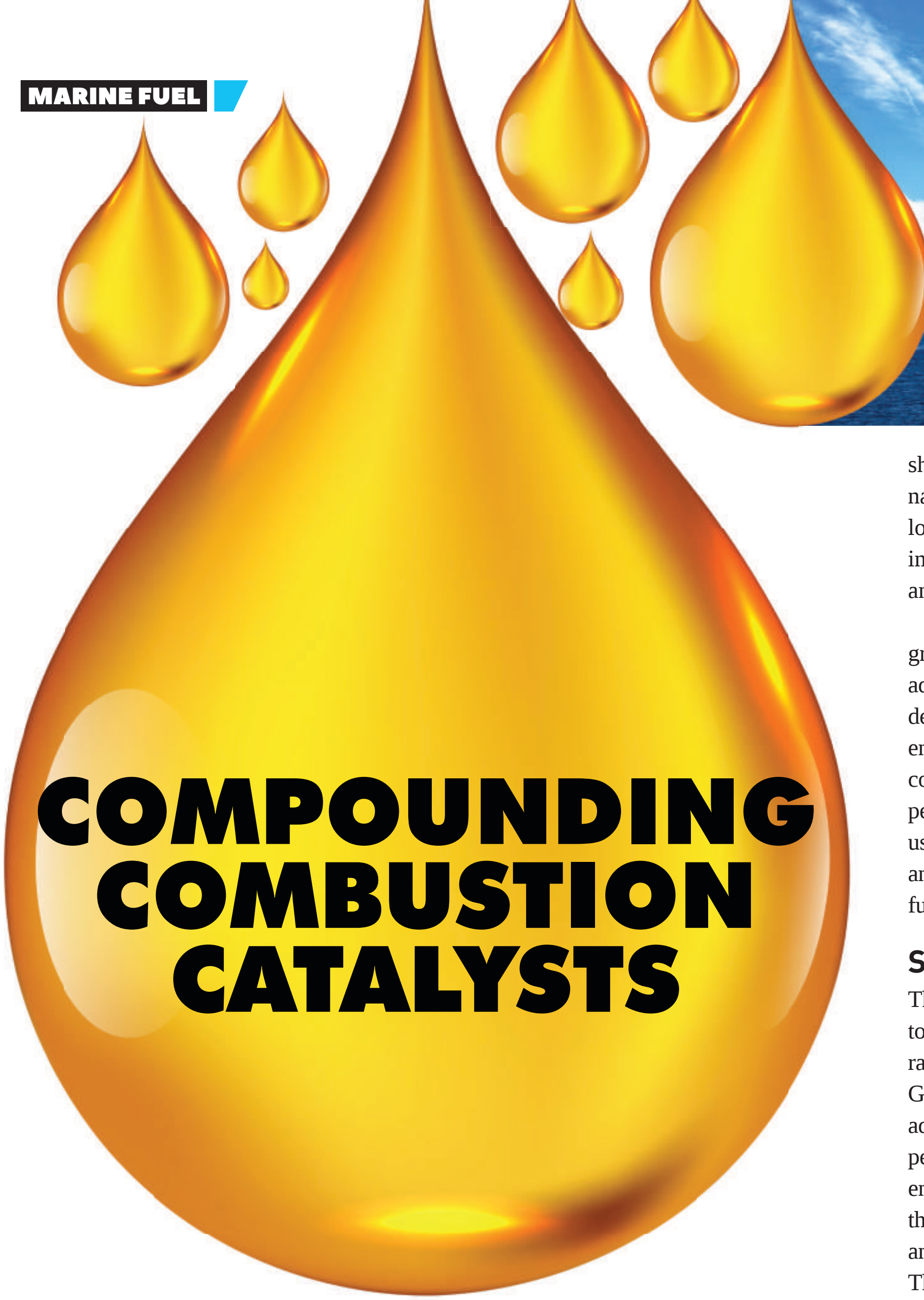
**DIGITALIZATION** - the way to go. Elimination or at least minimization of manual intervention would help improve efficiencies and thereby help towards reduction in the cost of logistics. Certain positive steps have already been taken in this direction but a lot still needs to be done.

India is doing economically better than many other countries of the world. However, understanding where the real problems lie and addressing those systematically, would help improve efficiencies and reduce the cost of logistics. mg

**COMPARISON OF MARINE & CONTAINER RELATED COSTS IN VARIOUS INTERNATIONAL PORTS**

(US$)

| | | GRT | 91,410 | NRT | 43,851 | AVG. Moves per call | 2500 | |
|---|---|---|---|---|---|---|---|---|
| Basis of Charge | Colombo | Jebel Ali | Singapore | Port Kelang | Nhava Sheva Old Terminals (JNPCT/GTI/NSICT) | New Terminals (BMCT/NSIGT) | Mundra | Pipavav |
| Port Dues | 4,159 | 5,231 | 3,987 | 1,973 | 13,245 | 13,245 | 4,717 | 15,357 |
| Other Port Dues/Towage | 2,400 | 4,360 | 5,342 | - | 4,698 | 4,698 | - | |
| Pilotage | 4,159 | 5,363 | 1,378 | 5,228 | 24,508 | 24,508 | 71,848 | 39,215 |
| Berth Hire | 5,484 | 1,008 | 6,528 | 1,649 | 10,969 | 54,815 | 19,086 | 11,847 |
| Other Misc Costs | | 196 | - | 261 | - | - | - | - |
| GMB Dues | | - | - | - | - | - | 8,953 | 8,953 |
| Light Dues | 3,107 | - | - | 2,933 | 11,171 | 11,171 | | - |
| **Total Port Call Cost** | **19,308** | **16,158** | **17,235** | **12,043** | **64,592** | **108,437** | **104,604** | **75,371** |
| Total Container Related Cost | 171,363 | 163,486 | 188,757 | 111,441 | 162,443 | 210,700 | 241,244 | 241,395 |
| Average Number of Moves Performed per call | 2.500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 |
| Unit cost per move | 76.27 | 71.86 | 82.40 | 49.39 | 90.81 | 127.65 | 138.34 | 126.71 |



# COMPOUNDING COMBUSTION CATALYSTS

Combustion catalysts and additives are gaining demand in the shipping industry as the sector realises their crucial role while combusting various blends of low sulphur fuels in compliance with IMO 2020 regulations

BY RAKESH ORUGANTI

The demand for catalysts is envisaged to rise significantly, triggered by International Maritime Organisation (IMO) 2020 regulations for sustainable environmental practices. Upward trend of the catalysts/additives industry is majorly driven by the petro chemical refining sector, fuel combustion processes in power generation and marine applications. The global catalyst market is flourishing with huge impetus from technological advancements, optimisation and increased efficiency in achieving operating goals. Catalysts/additives are used in combustion process of power generation, followed by rail locomotives, motor vehicles, gas pipeline compressors, Automobiles and Aviation industries. The catalysts bring economic benefits to the ship operators by handling the key issues namely fuel stability, fuel compatibility, low temperature operability, lubricity improvement, combustion improvement, and corrosion protection.

Key drivers for global catalyst demand growth are upward trajectory of capacity additions trend in downstream, driven by demand for fuels and petrochemicals to enhance efficiency of downstream processes conversion level, yield of target products as per change of market dynamics, and better use of all sources and stringent environment and safety regulations worldwide both for fuel specifications and composition.

## Supply and demand

The global catalyst market is projected to flourish at a compound annual growth rate (CAGR) of around 5% by 2026. Growth of this industry will be driven with advancements and upgradations in refining, petrochemicals, chemicals and evolving environmental factors which are cementing the demand for more catalysts and additives, and investment in research & development. The global sale of all catalysts is growing by 3.6% per annum. Refining catalysts segment dominates the market with its contribution of $4.7 billion this year.

Combustion catalysts industry is highly fragmented with number of players.

| Combustion Process | Additive Used |
|---|---|
| Pre-Combustion treatments | Demulsifiers (breakdown fuel-water emulsions) |
| | Dispersants (prevents tank sludge formation and improves purifier separation) |
| Bacteria growth in distillate fuel during storage | Fuel microbiocides preventing bacteria growth |
| Combustion improvers | Organic or organo-metallic compounds improve fuel and oxygen mixing that improves combustion |
| Post combustion | Ash modifiers to prevent sticking |

Presently, Shipping lines are focusing more on complaint fuel (Very Low Sulphur Fuel Oil), usage of Combustion catalysts and usage of scrubbers in order to comply with IMO norms. The combustion Catalysts are majorly used in HFO (High Sulphur Fuel Oil) & MGO (Marine Gas Oil) for optimized results to comply with IMO norms and also to increase the efficiency of combustion process of bunker fuel. The ratio of combining catalysts in bunker fuel is hovering between 1-5 litres of catalyst: 1000 litres of Bunker fuel. Approximate volume of bunker fuel requirement globally is 250 million tonnes / $100 billion annually. Hence, an estimate of 200,000 tonnes/ annum of combustion catalysts/additives is required for marine applications.

Compliance with IMO 2020 is estimated to cost the container liner industry alone an additional $15 billion per year. The savings for correct usage of combustion catalysts is in between to 6-12% but results would vary based on engine design, exact fuel specs etc. As per current IMO regulations Ship owners are focusing on stabilising the use of the low sulphur products and adding of catalysts to comply with norms. On the other side, catalysts consist of higher volume of cat fines can cause engine wear which needs to be addressed by the industry. Increasing the efficiency by usage of additives will pick up the momentum when modern tonnage comes.

## Combustion Catalysts/Fuel additives market size

The overall fuel additives market size was around $7.2 billion in 2018 and is projected to reach $8.7 billion by 2023, at a CAGR of 3 per cent between 2018 to 2023. The growth of fuel additives market is primarily triggered by huge demand from end-use industries such as power generation, manufacturing, automotive and shipping industry in the APAC region. The automotive industry accounts for major chunk of the industry with 60 per cent of the overall fuel additives market.

### FUEL ADDITIVES USAGE AND FUNCTION

| Product Type | Product Function | Application |
|---|---|---|
| Fuel stabilizer sludge conditioner | Reduce sludge formation minimizes fuel instability and incompatibility in storage tanks | Heavy fuel oil and distillate fuel oil storage tanks |
| Low-Sulphur (0.5%) fuel conditioner | Minimizes instability during storage, reduces tank sediment formation, provides lubricity & reduces wear | All low Sulphur fuel oils storage tanks |
| Ultra-Low Sulphur (0.1%) fuel treatment | Prevent deposits and corrosion of fuel injectors (ECA compliant fuels) | Prevents fuel injector deposits and corrosion |
| Combustion improver and deposit modifier (organo-metallics) | Improves combustion, prevents vanadium deposits, reduces Sulphur trioxide formation | Heavy fuel oil and distillate fuel oil storage tanks |
| Exhaust gas deposit modifier and remover | Catalyzes exhaust gas deposits, prevents deposit formation | Exhaust gas boiler economizer |
| Pour point depressant | Low temperature flow improver | Marine gas oil ultra-low Sulphur diesel |
| Fuel microbiocide | Inhibits microbiological growth in storage tanks and fuel lines | Heavy fuel oil and distillate fuel oil storage tanks |

## Challenges

- High cost of fuel additives and number of players in the marine industry.
- Constant upgradation and advancements for better engine manufacturing techniques might hinder the Catalysts market growth.
- Despite fuel additives claims that improve fuel efficiency, boost engine performance and reduce harmful emissions, in flip side loss in mileage, water attraction and absorption coupled with problems such as phase separation, microbe production and corrosion are anticipated to act as restraints for the growth of global marine fuel additives market.

## Usage of scrubbers

Apart from usage of Combustion catalysts and additives, usage of scrubbers is also growing in 2020. Open loop scrubbers and closed loop scrubbers are two categories widely used in marine industry. Open loop scrubbers have disadvantage due to discharge of waste water in to sea. Some ports are not encouraging this practice. Fujairah Port banned the use of open-loop scrubbers in its port waters. Other countries namely China, Singapore, Belgium, California and Massachusetts in the US, along Germany's Rhine River as well as the Irish Port of Waterford banned the usage of scrubbers in their port waters. Despite some scepticism towards open-loop scrubbers, Japan has decided it will support their use. Another issue with scrubbers is their high capital costs that range between $2 -$10 million per vessel. For example, if any shipping line is planning to outfit scrubbers for its fleet of around 100 vessels at an average cost of $5 million per vessel, this would amount to $0.5 billion.

Most shipping companies earlier considered combustion catalysts and additives as an obscure part of the global marine fuel market. But now the maritime industry has come to terms with the advantages of additives for better performance of their fleet. This is bolstering the market as new shipping regulations require vessel owners to switch to cleaner fuels. At least some new low-sulphur fuels contain ingredients that can separate over time, potentially making them liable to clog equipment. Some of the new, cleaner versions may contain asphaltenes, which can form a sludge, especially when different fuels are mixed together. That's prompted shipping lines to turn to the additives they once passed over as unnecessary, including compounds to improve a fuel's lubricity and others to keep it stable and prevent it from breaking down. The key players in additive market reported doubling in sales of marine-fuel additives. The trend is likely to continue as ships use mixtures of various low-sulphur fuels from different sources. There have been significant efforts to comply with the regulations, including cleaning tanks and fuel systems as well as using additives to ensure that there are no residual non-compliant fuels. mg

# BRINGING THE MODAL SHIFT

The freight corridors will take off 70 per cent of freight load in the form of goods trains from the passenger network and the logistics cost will be trimmed by 50 per cent

Over the past many decades since 1950s, the Indian Railways has been losing market share to road transport because of inadequate infrastructure and poor services. In 1970, railway was carrying nearly 86 per cent of the total freight volume, which has now come down to 33 per cent. On the other hand, freight traffic by road has jumped from 14 per cent to 59 per cent. Now compare this with countries like China and United States, where railway freight share is 47 per cent and 48 per cent respectively. As on date, 90 per cent of India's passenger traffic and 65 per cent of its freight uses road transport and these shares are growing, as per DFCCIL. India is placed at fourth position in the world in railway freight traffic after China, US and Russia.

The Dedicated Freight Corridor Corporation of India Limited (DFCCIL) is developing the eastern and western DFCs as part of the Golden Quadrilateral connecting New Delhi, Mumbai, Chennai and Kolkata. While the western sector will be connecting all major ports, including Mumbai, Kandla, Pipavav and Mundra, the eastern corridor will connect most of the coal fields. The haulage charges on DFCs network will be 50 per cent lower compared to the freight tariff in the Indian Railways, said Anurag Sachan, MD, DFCCIL.

"We will be running all the trains at 100 kmph on a fully automated signal system," he said. The dedicated corridor will also help improve the efficiency of the passenger trains which will no longer have

to negotiate time schedules on account of commercial freight trains. As of now the freight trains move at 25 km per hour on an average due to the traffic load on account of passenger trains. Once they shift to DFCs their average speed will go up to anywhere between 60 to 70 km per hour on an average with a capacity to go up to 100 km per hour. “We will be running 120 trains each way a day with total carrying capacity of 13,000 tonne. So, we will not let this capacity to be underutilised,” said Sachan. The corporation is in talks with the Ministry of Railways to pass on some part of lower freight charges to the customers, he said.

“As so much capacity is being created and as per the concession agreement with the Indian Railways, we will also allow private players to come and run their own trains. There will be a regulatory body, like in the developed countries, and there will be a non-discriminatory access to these private players to operate. So, there will be a very fair competition between private players and the Indian Railways.

Eastern DFC will cover a length of over 1,800 kilometre between Ludhiana to Kolkata, while Western DFC will ply between Dadri and JNPT (1500 km). The two corridors are expected to be completed by December 2021 and once fully operational they are expected to take over a bulk of freight traffic from the Indian Railways and thus help in making the passenger traffic more efficient and smooth.

The two corridors with an expected cost of ₹81,000 crore ($12 billion) are being partly funded by the World Bank (eastern lane) and Japanese government's investment arm JICA (western lane). DFCCIL has spent around ₹34,000 crore on this project in the last six years. The portions which have been completed along these corridors are already being operationalised for the automated running system. The operation control center (OCC) at Prayagraj in Uttar Pradesh will be the command centre for the entire route of EDFC. Equipped with first of its kind Integrated Train Management System (TMS) and Supervisory, Control and Data Acquisition (SCADA) System in India, it is built on ICONIS (Integrated Control and Information System) platform. This centre hosts a 90 metre long digital wall with officials monitoring it on a 24x7 basis to manage the automated goods trains running system.

Nearly 1,000km of freight corridor is almost ready. In the first phase, 64km of track between Rewari to Palanpur in western freight corridor is almost completed, and 351km between Khurja to Bhaupur in eastern corridor is ready for formal inauguration.

DFCCIL will start survey of the remaining corridors of the Golden Quadrilateral, and begin work by the time the western and eastern corridors are completed by December 2021. “The government, after seeing the progress on these two corridors, have decided that it is the right time that we should plan to take up the future corridors so that by the time we finish these in two years, these corridors are also planned for execution,” he said.

Three more corridors are lined up – East Coast corridor from Kharagpur to Vijaywada (about 1,000 kilometres); South-East to West corridor from Bhusawal to Dhankuni (near Kolkata) and North South sub-corridor from Vijaywada to Itarsi (in Madhya Pradesh). The total length of these three corridors is about 4,000 kilometres.

## MMLP connecting DFCs

Kanpur in Uttar Pradesh and Nilje in Thane District may be developed as the first major nodes where Multi-Modal Logistic Parks could be set-up along the ambitious eastern and western DFCs respectively to give an impetus to rail and highways linkages for transportation of goods, create avenues for infrastructure development, value addition and employment. DFCCIL is likely to appoint a consultant by April to carry out a feasibility study and prepare a detailed project report on these two nodes.

As per DFCCIL, the objective of developing these nodes is to provide end to end logistics solution – mapping of potential customers for each location - the prospective industry, the future and current market potential and traffic projections; product/service delivery and infrastructure gap assessment in a radius of 100 km around the proposed node. Thus, DFCCIL sees the logistic parks as a route to build a network through freight terminals to boost the modal shift to railways from road for freight and bring down logistic costs.

Besides, 34 points along these corridors like Palanpur, Mehsana, Rewari, Karchana (Prayagraj), and Gothangam (Surat) have also been identified as potential nodes. DFCCIL is planning to float an express of interest for those keen to invest in such projects. According to Sanchan, the freight corridors once fully operational are pitched to take off 70 per cent of freight load in the form of goods trains from the passenger network along these sectors. This he said is the minimum and if railways at some point plans to shift the remaining goods freight traffic as well, the DFCs are equipped for that.

## Trial runs completed on DFCs

Indian Railways has conducted a trial run of double stack cargo train on Western DFC, on the 306 km long Rewari -Madar Section. A trial run of BOXNS cargo wagons at 110 Kmph has also been completed. The DFC infrastructure has been made in such a way that it utilises the carrying capacity of these freight wagons. At present, Indian Railways' freight trains can carry 61-71 ton weight per freight carriage at an approximate speed of 60 kmph. The newer, advanced wagons can carry weights up to 81 ton per wagon at an approximate speed of 100 kmph. These wagons have a tare weight that is its own weight of 19.85 tons and a carrying capacity of 80.15 tons. These wagons have a 14 per cent more weight carrying capacity than the wagons being currently used on Indian Railways.

With its timely delivery, railways has been targeting e-commerce platforms, and the freight corridor project will also open up doors for the automobile sector.

## Focus on improving automotive traffic

The Indian Railways have recently been witnessing significant decline in transport of coal which has impacted its revenue from the freight segment. The total coal transported by railways stood at nearly 606 million tonnes in 2018-19, as per the revised estimate of 2019-20 its set to reduce to 592 million tonnes. According to the budget document, freight loading by railways in 2019-20 is about 1,223 million tonnes in March and nearly 50 per cent of this is coal. But during 2020-21 this share is expected to reduce to 40 per cent.

The state run transporter is targeting a five-fold increase in its share of transporting automobiles by 2025.

## East coast railway waltair division loads 72 rakes in a single day

East coast railway waltair division has achieved highest ever loading of 72 rakes (3782 wagons) in a single day. Crossing the previous count of 68 rakes per day recorded last year. With consistent efforts of traffic department 147 freight trains interchanged with 92.3 per cent punctuality of mail and express trains. The waltair division is heading towards achieving railway board's target of 68 million tonnes loading for this year. The gross earning of waltair division till the end of January 2020 is ₹7,222 crore, which is 10 per cent more compared to last year.

**As of now the freight trains move at 25 km per hour on an average due to the traffic load on account of passenger trains. Once they shift to DFCs their average speed will go up to anywhere between 60 to 70 km per hour on an average with a capacity to go up to 100 km per hour.**

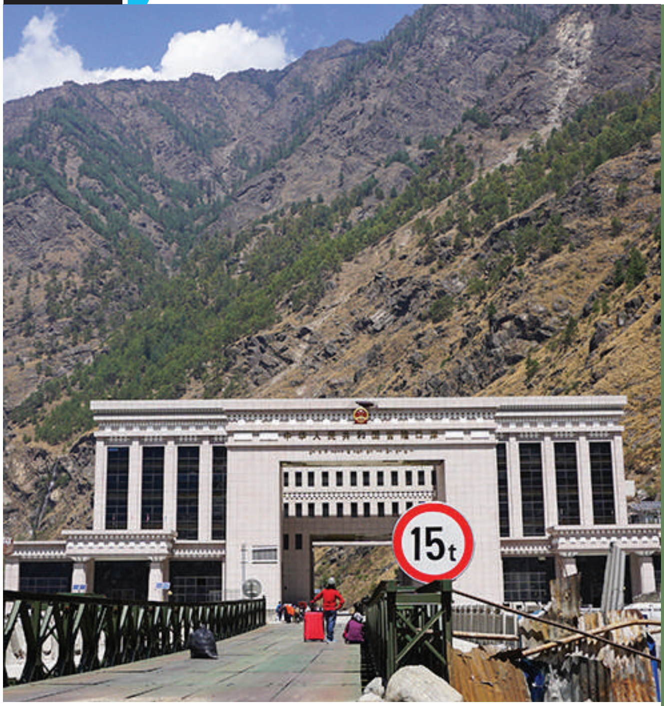
Currently, the bulk of automobile transportation – particularly cars and two wheelers – is through the road network where they are transported from factories to showrooms across the country. The five year vision document of the railway ministry says the current share of automobiles transported through trains is barely 10 per cent.

## Major ports race to connect DFCs on priority

The western DFC will be connecting JNPT with Dadri on the outskirts of the national capital and aims to build a dedicated railway line. It also connects ports, including Kandla, Pipavav and Mundra, in Gujarat with the hinterland. Asserting that the DFC was originally meant for its cargo, JNPT asked the central government to ensure private ports do not get precedence in connectivity through the project. It is reported that at present, JNPT handles 31 per cent of the overall container traffic of India and its share has been declining at the expense of private ports in the region.

## New rail corridor along Delhi-Mumbai Expressway

Piyush Goyal-led Railway Ministry has expressed interest in building a railway corridor along the upcoming Delhi-Mumbai Expressway. A major advantage on this route is that no fresh land acquisition – one of the biggest hurdles for major infrastructure projects – would be required. The Delhi-Mumbai Expressway project is expected to reduce the road travel time between the two major cities to just 12-13 hours from 24 hours at present. The highway project is likely to be completed in three years' time. The proposed new railway corridor along the Delhi-Mumbai Expressway is likely to have a speed potential of 160 kmph, keeping in mind Indian Railways' aim to run semi-high speed trains on the Golden Quadrilateral. Prime Minister Narendra Modi-led Union Cabinet had last year approved the ₹6,806 crore plan to upgrade the existing Delhi-Mumbai Indian Railways route to 160 kmph speed potential. This includes the Vadodara-Ahmedabad stretch as well. The project is expected to be complete by 2022-23. mg




# RASUWAGADI BORDER TO REMAIN CLOSED

Port and logistics operations in China are gradually resuming as the COVID-19 epidemic is being contained, but the Nepal authorities are wary and have refused to reopen the Rasuwagadi border until the virus is completely wiped off

Movement of trade between Nepal and China through the Rasuwagadi border was halted on January 29 due to the outbreak of Corona Virus. While port and logistics operations in China are gradually resuming in the background of strict quarantine measures, but the Nepal authorities have insisted to restrain movement of cross border trade until the virus effect has been completely contained.

The Rasuwagadi border, which is a major trading point between Nepal and China, was initially shut for 15 days on January 29. However, as the coronavirus epidemic showed no sign of abating, the government had decided to continue the closure of Rasuwagadi border until further notice. Hundreds of containers bound for both Nepal and China have been stalled at the border points for months. China falls behind India to be the second largest trading partner of Nepal. Nepal exported goods worth ₹863 million to China in first five months of the current fiscal, it imported goods worth ₹88.6 billion from there in the same period.

Nepal primarily exports handicraft goods to China and imports readymade garments, footwear, chemical fertilisers, electrical goods, machinery parts, pipes, raw silk, telecommunication and TV equipment and parts from China.

The Nepal-China trade was on further rise after the reopening of the Tatopani-Zhangmu border point in May last year. The border point had been out of service since Nepal's deadly earthquake in 2015. Bilateral trade through the border point stood at around $4 million as of mid-July when the 2018-19 fiscal year ended. As of mid-November since the start of the 2019-20 fiscal year, total trade through the route has reached about $20 million.

The value of trade moving through Tatopani-Zhangmu border point was still low compared to that of the Rasuwagadhi-Geelong border point, but officials and traders believed the volume would grow gradually. Nepal exported goods worth around $3 million through Rasuwagadhi-Geelong border point and imported goods worth about $160 million during the first four months of this fiscal year.

"Trade through the Tatopani border point is on the rise, the Tatopani Customs collected revenue worth $2,25,910 in the first month of current fiscal and total revenue grew to $2.43 million during the four-month period," revealed Krishna Bahadur Basnet, Chief Customs Officer, Tatopani Customs.

According to Basnet, most of the imported goods from China through the Tatopani border point were agriculture products such as apples. "Industrial goods have also been imported through this border point but at a very limited quantity," he said, noting that importers have not been confident enough to import through this route because of the prolonged closure before its reopening. A major advantage to Tatopani border is the presence of a dry port at Larcha where stuffing and de-stuffing of containers and documentation work could be easily done without any parking problem for the cargo vehicles. The Tatopani border point had been the main route for inland trade between Nepal and China before its closure in 2015. Around 25 per cent of Nepal's total trade with China took place through this border point as of fiscal year 2013-14, according to the Department of Customs. mg

# BETTING BIG ON BREAK BULK

With a humble beginning in 1950s as freight brokers Freya Shipping has evolved over the years into freight forwarding. "Growth in break bulk cargo movement will also be an area of focus for us," informs **Raj Chopra,** Director, Freya Shipping, as he details on the business operations

**Q. How has been the business last year? Any significant achievements you would like to share?**

Business has been good. We have had a growth of top line and profits of about 10%. As a first, we were able to handle an import of a CAT Excavator weighing about 42 tons from Houston to Kolkata, as a break bulk cargo on regular container vessels. We were supported by MSC in a big way for this import. We intend to grow this business. Other major carriers too have become interested and active players in this line of business. In 2018-19 we as an organisation went through internal restructuring to streamline our operations, create and put robust systems in place which focuses on enhanced customer experience.

**Q. Established in 1999, how has the business at Freya Shipping grown over the years?**

We were traditional freight brokers since 1950 and to align with changing business requirements of our customers, ventured into freight forwarding in 1999. Core values of transparency, honesty and prompt customer services were retained and continue to drive business under brand "Freya Shipping." Exclusive FMC tie up has assisted in addressing a core regulated market.

**Q. To which hinterlands do you provide freight forwarding services? Which are the major commodities being moved by you?**

We started our business from Kolkata - City of Joy and as our Customers expanded their operations whether Vizag, Mumbai, Chennai, we too have followed them by providing services at these locations. Hinterlands served by us are the North eastern states, Orissa, Jharkhand and Bihar. We handle a varied cross section of commodities as Jute goods, Cotton and Jute Shopping bags, CI goods, engineering goods, forging materials, Garments, Shellac, Ferro alloys, Catalysts.

**Q. To which global markets does Freya Shipping connect?**
Essentially we operate in all markets where our shippers buy or sell their goods. Major share of goods is to USA, West Africa, Europe and parts of Asia. We have a set of own and associate partner network in India and globally which enables Freya Shipping to offer seamless door-to-door services.

**Q. While the Customs department has digitalised a number of services, as a Customs House Agent what challenges do you face?**
Unlike rollouts by other government agencies, the roll out of digitalisation by Customs has been quite smooth and has aided in removing quite a few bottle necks faced by the Exim trade.

**Q. Are you planning to offer chartering services?**
We intend to explore adding Chartering capability at right opportune time.

**Q. What are the commodities and volumes being moved to Nepal and Bangladesh? What challenges do you face in moving cargo to these markets?**
Nepal market has shown tremendous growth especially driven by higher imports, approx. 1,00,000 teus market volume for EXIM in 2019-20. Option of Vizag Port aided Nepali Traders in their efforts to reduce transit time and improve the supply chain visibility.

**Major commodities (Import):** Oil seeds, Building construction machinery, Pulses, Food products, Vehicles, Industrial Raw Materials.

**Major commodities (Export):** Yarns, Nepali Tea, Handicrafts, Carpets. Bilateral trade between India and Bangladesh is majorly through Petrapole- Benapole customs LCS. Present barge, feeder services between Kolkata - Haldia & Bangladesh needs to be more regular to enable trade to shift from road. Vehicle spares, paper packages, petrochemicals, machinery, farming equipment, cotton, yarns are some of the major commodities exported out of India.

**Q. How does the track and trace service for tracking cargo function?**
Track & Trace is being accorded top priority with real time data access from carriers website as well as third part websites. We do have systems in place to monitor the progress of shipments and keep customers posted.

There are a whole array of devices which have been embraced and actively promoted by major carriers, who have also introduced solutions leveraging IoT for Geo location, Geo fencing, ETA estimates, shock detection, door opening alerts on the containers, temperature and humidity recording inside the containers. Both the asset owner and cargo owners benefit from these solutions for supply chain management and other benefits. We work closely with the carriers to provide the required solutions for the cargo to provide customers just in-time information on the key metrics.

**Q. What are your growth and expansion plans in 2020?**
We hope to maintain the growth momentum. With an exclusive tie up in the USA, exim from this region will be a key area of growth and expansion with diversified services. Growth in break bulk cargo movement will also be an area of focus for us.

**Q. What is the impact of Corona Virus outbreak on the business?**
This is a big unknown. It has already impacted movement of goods and disrupted the supply chain. During a major carriers' earning call it was estimated that around 30 per cent of its trade will be affected, given the importance of China to global trade. In February within a short span of time, carriers have blanked an additional 31 sailings across Transpacific (21) and Asia-Europe (10). The Covid-19 has caused widespread schedule changes on Asia-Europe and Transpacific.

Another consequence of the shut down or slow down has been wide spread shortage of containers across the globe, which may lead to spike in freight rates. The blanking of services too could lead to spike in rates. In fact major carriers have announced rate increases to and from Asia to Europe and North America in such anticipation. There is a fair amount of uncertainty on how the scenario will unfold in the coming days, as more number of countries come under the impact of this global pandemic virus.

**Q. How do you see the Union Budget 2020 impact the shipping and logistics sector?**
We wait for the Make in India initiative to take hold to boost exports from India.

The Covid-19 impact too, has led Importers to diversify the countries from where they source their goods. We will need major support from the government to assist the Indian trade to achieve the scales which China already has. The budget allocation for funding of Road, Rail and inland waterways has seen higher quantum. Regular volume flow through inland waterways, enhanced coastal shipping will help the trade in reducing logistics cost. mg

# SURVIVING THE COVID-19

Vietnam's border trade with China slowly resumes, but the road to recovery is expected to be slow and painful

China is Vietnam's largest trading partner, representing 20 per cent of the country's imports and exports by value. It imports a third of Vietnam's agricultural production. The outbreak of Corona Virus has put a dent in Vietnam's exports, with local forwarders warning of further trade and manufacturing disruption. Vietnam's key border crossings with China were closed, disrupting cross-border trucking, and all passenger flights to mainland China had been suspended. However, by the month end the Tân Thanh-Pò Chài Border Gate in the northern province of Lang Son has been reopened, allowing cross-border trade between Vietnam and China to resume. Trucks transporting goods from Vietnam's side to China are being disinfected and made to return on the same day. For the time being, only firms that can show they have contractual duties to deliver goods to China are given permission to move across the border. About 21 trucks carrying 315 tonnes of dragon fruit passed Thanh Thuy Border Gate in northern Hà Giang Province, the first convoy permitted to cross into China since the beginning of the year.

At the nearby Huu Nghi border, hundreds of trucks were seen preparing to transport goods to China after being stuck since February 5. The Vietnamese government has announced it will stick to this year's economic growth target of 6.8 per cent and will take steps to ease the impact of the coronavirus outbreak. Fresh fruit and vegetables will have suffered the most damage because they cannot be preserved for long.

Vietnam's January exports were down by 14.3 per cent, year on year, with the Ministry of Industry and Trade reportedly citing coronavirus as a key factor. While Vietnam is a major garment and footwear exporter, large quantities of raw materials for production are imported from China. In other industries, around 50 per cent of components required originate in China. The disruption to sourcing would impact domestic manufacturing, and therefore exports.

However, not all sectors have been negatively affected by Covid-19: the food industry, for instance, saw growth as people stocked up on food amid the Covid-19 epidemic. Many food processing enterprises are in fact requiring to increase production to meet the surge in demand both domestically and in export markets. According to Acecook JSC Company, one of the leading foodstuff companies in the country, the company has increased its production to around three billion packs of noodles a year. Lý Kim Chi, chairwoman of the city Food and Foodstuff Association, said most food processing companies have increased their production to meet the new orders. Vietnamese businesses have the advantage of having abundant raw materials, with 90 per cent of them being domestically sourced.

The General Statistics Office (GSO) forecasts if the coronavirus epidemic ends in the first quarter this year, Viet Nam's industrial production value in the first quarter would increase by 2.68 per cent year-on-year, lower than growth rate of 9 per cent in the first quarter of 2019 and 10.45 per cent in the first quarter of 2018.

Production value of the manufacturing and processing sector, accounting for a large segment in the domestic industrial production, is estimated to increase only 2.38 per cent. If there had been no epidemic, the processing and manufacturing sector was expected to surge by 10.47 per cent.

In addition, other industrial products would also lose production value due to an extended epidemic including textiles, garment, leather and shoes that need imports of raw materials from China such as yarn, fabric, cotton, thread, needle, leather, and other equipment and accessories for the textile, leather and garment sectors.

To stabilise domestic production, GSO director Nguyen Bích Lâm said the GSO had proposed the Government monitor trade activities, especially key export products and markets, and then solve problems of producers and traders of those products. mg

# COLOMBO NORTH PORT ON THE ANVIL

Colombo Port has been ranked the fastest growing container port out of the world's 30 largest ports by throughput in 1H of 2018. SLPA is keenly observing the traffic growth at Port of Colombo which currently has a container handling capacity of 12 million teu per year and SLPA is seeking a long-term plan for the next 30 years to boost the container handling capacity at the port to around 35 million teu.

Growing cargo traffic calls for infrastructure expansion and the Sri Lanka Ports Authority (SLPA) is just in time to come up with a new port plan. The Colombo North Port will be situated in the northern side of the existing Port of Colombo. SLPA has signed a deal with AECOM Infrastructure and Environment based in UK to conduct a feasibility study into the development of the Colombo North Port, as it looks to expand the cargo handling capacity of the country. The study is expected to be completed in 15 months and is being funded by a portion of Asian Development Bank-funded Transport Project Preparatory Facility. Along with expanding its domestic shipping and logistics market, SLPA hopes the Colombo North Port will also help Sri Lanka become a major trade point on the Indian Ocean.

> The proposed Colombo North Port may spread from the Kelani River in the Modara area up to the existing northern breakwater of the Colombo Port and will help Sri Lanka become a major trade point on the Indian Ocean

It is expected that the proposed Colombo North Port may spread from the Kelani River in the Modara area up to the existing northern breakwater of the Colombo Port. It is proposed to handle liquid bulk, dry bulk, RoRo and container traffic.

The maritime nation is maintaining a balanced approach in infrastructure development. On one hand it is planning to expand the seaside infrastructure and on the other hand the infrastructure connecting to the ports is also being upgraded to ensure smooth flow of traffic to the hinterland and vice-versa. Sri Lankan President Gotabaya Rajapaksa and Prime Minister Mahinda Rajapaksa officially inaugurated an extension to the country's extension of Southern Expressway that will link the main ports and airports in Colombo and Hambantota. Chinese Ambassador to Sri Lanka Cheng Xueyuan also graced the occasion. The Southern Expressway is Sri Lanka's first E Class highway and is currently the longest highway in Sri Lanka.

"The extension of Southern Expressway up to Hambantota will connect lives, livelihoods and boost economic activity. It's the key infrastructure that links Hambantota Port and Mattala Rajapaksa Hambantota Airport and supports our vision in building Sri Lanka as a logistic hub in Asia," the president announced. Construction of the extension stretching from Godagama in the southern Matara district to Mattala in the southeastern Hambantota district began in 2015. It will further strengthen Sri Lanka's position on the Maritime Silk Road.

Minister of Mahaweli, Agriculture, Irrigation and Rural Development, Chamal Rajapaksa said the extension would suit his ministry's plans to develop export agriculture as the road would enable transport of produce from farms to port and airports.

Construction of the expressway was undertaken by three Chinese contractors including China National Aero-Technology International Engineering Corporation, China State Construction Engineering Corporation and China Harbour Engineering Company. The consulting and supervision was conducted by China Railway First Survey & Design Institute Group Co., Ltd Some of Chinese construction standards were introduced into this project that represents the advanced level of the Chinese construction and management. mg

# MONGLA PORT ADDS MORE MUSCLE

Mongla Port is expanding its infrastructure and boosting connectivity to better handle the domestic exim traffic and transhipment of goods from India, Nepal and Bhutan

Mongla Port, the second major seaport in Bangladesh is expected to witness a rise in traffic in the coming years. Located in south-western part of the country, the port is set to see a connectivity boost by rail in the next two years. As the Padma bridge gets ready by next year road connectivity from capital Dhaka will also get better. The new connectivity options will make the port much busier and realising this the government has taken up projects for enhancing its capacity. The Executive Committee of the National Economic Council, chaired by Bangladesh's Prime Minister Sheikh Hasina approved a $710 million project for construction of two container terminals, one container handling yard, one container delivery yard, and extension of a service jetty, yard and sheds, among others. The capacity boost will make the port capable of handling the domestic export-import trade and transhipment goods traffic from India, Nepal and Bhutan smoothly.

India and Bangladesh had signed a MoU on the use of Chattogram and Mongla ports in 2015. The MoU envisages transit of goods from Mongla Port to north eastern states of India through waterways, roads and railways. On completion the project will significantly boost connectivity in the BBIN region. India has extended a line of credit for the expansion of the Mongla Port capacity. Out of the total estimated project cost of Tk 6,014 crore, India will provide Tk 4459 crore equivalent to $530 million as Line of Credit for the project.

Rear Admiral Sheikh Mohammad Abul Kalam Azad, Chairman, Mongla Port said completion of the project will enhance Mongla's container handling capacity to 0.4 million teus and cargo handling capacity will be doubled to 30 million tonnes. The new container delivery yard will add capacity by 93,000 square meters and container handling yard will add capacity by 101,000 square meters. Two more jetties are being constructed at the port which will help enhance container handling capacity to 0.8 million teus by 2025.

The Cabinet Committee on Government Purchase approved procurement of three mobile harbour cranes having capacity to handle 14-row containers, two tier-mounted multi-purpose cranes, and two mobile harbour cranes of fiver-meter working radius. German company Liebherr-MCCtec Rostock GmbH and its local agent Maxon Power Ltd will supply the cranes at a cost of $28 million.

The port presently has six straddle carriers, two heavy duty forklift trucks, three empty container handlers, twenty four forklift trucks, two reach stackers, six mobile cranes, five dock site cranes, and sixteen terminal tractors. With these equipment in hand the port has capacity to handle some 0.1 million Teus of containers and 15 million tonnes of bulk cargos.

Mongla port's capacity currently remains underutilized. In fiscal year 2018-19 the port handled 57,732 teus of export-import containers and 1.13 million tonnes of bulk cargos, registering a significant growth. The port's ship handling also increased significantly in the year.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