STATE FOCUS
ANDHRA PRADESH: MARITIME HUB IN THE MAKING

SECTOR WATCH
PHARMACEUTICAL EXPORTS SURGING AHEAD IN SLUMP

TECHNOLOGY
FIGHTING PIRACY TO THE FULL

maritime
gateway
ports • shipping • logistics

February 2010 Rs.100 www.maritimegateway.com

Interviews

Scoring with Stores&Stocks

B B Pattanaik
Managing Director,
Central Warehousing Corporation

THINK Different

Xavier Britto
Chairman, Indev Group

Taxation

Relevance of PE to FSCs

Southeast Asia

Indonesia Ports Reforms and Progress

Sharia Solutions in Ship Financing

Middle East

Can India Move Past the UAE? A reality check

coastal shipping

more coast less cost

With growing containerisation and the establishment of transshipment terminals & port-based SEZ projects, coast-to-coast shipping could well thrive as the preferred and economical mode of transport vis-à-vis rail and road.

Strategic Location

- Located in the Rajpuri Creek on the West Coast of India
- Advantageously positioned along International Shipping Routes
- 42 Nautical miles South of Mumbai
- 160 kms from Mumbai by road
- 42 kms off NH 17 and the Rail Network
- Identified node on DMIC & DFC

Immediate Hinterland
Roha, Khopoli, Mahad, Patalganga, Nagothane, Navi Mumbai, Mumbai, Thane-Belapur, Nasik, Pune

Secondary Hinterland
Goa, Madhya Pradesh, Gujarat and the land locked States of North India

Connectivity

By Road
Northern Shore SH 96, SH 92 and SH 90
Southern Shore SH 97 and SH 98

By Rail
Connectivity - Northern and Southern bank
Proposed Alignment: Agardanda - Indapur - Mangaon

Development Potential & Planned Facility

Phase I - 5 Berths :

- 4 Multipurpose Berths, 1 Ro Ro Terminal
- Capacity to handle 30 million tonnes
- Dedicated Approach Channel with a depth of 14.5 m chart datum
- Extensive land bank for development
- Waterfront encompassing Northern and Southern Banks

SEZ & FTWZ

Port based multi-product SEZ inclusive of FTWZ
Dedicated world-class infrastructure for warehousing & logistics
State of the art cargo handling equipment transportation & support infrastructure facilities

Cargo Potential

- Containers
- Steel
- Automobiles / Automobile Components
- LNG
- POL
- Minerals
- Coal
- Chemicals
- Fertilizers
- Cement
- Iron Ore
- Edible Oil, etc...

BIPL
Balaji Infra Projects Limited

AN INTEGRATED INFRASTRUCTURE INITIATIVE

PORT DIGHI
Dighi Port Limited

Gateway To Maharashtra

Regd. Off.: New Excelsior Building, 6th Floor, A.K.Nayak Marg, Fort, Mumbai - 400 001 (INDIA)
T: +91 22 22074824 / 25 ; F: +91 22 22072124 ; E: info@balaji.co.in ; W: www.balaji.co.in

CONTENTS

Anti-Piracy Technology offers comprehensive, integrated and non-lethal solution in fighting back the pirates, claim developers.

AP is making its presence felt in Indian exim trade with the increasing focus on developing maritime infrastructure and proactive industrial and investment policies.

Pharmaceutical sector has become a hit in the western nations for quality drugs at cost-effective prices and India is poised to become manufacturing hub soon.

The concept of Permanent Establishment in the form of a 'dependent agent' (popularly known as 'Agency PE') and the tax consequences thereof are discussed.

The third fastest growing economy in Asia, Indonesia is set to witness the fastest ever renaissance in the port sector.

Sharia financing is a viable, attractive alternative to conventional financing in ship financing.

Lmj Logistics Limited

HEAD OFFICE

DELHI

MARG karaikal port

The New Gateway To Tamil Nadu

Karaikal Port is the fastest way to reach the hinterland of Tamil Nadu. We offer berthing on arrival. We turn around Gearless Panamax vessels in record time. Our 3 railway sidings allow for multiple rake-loading. We have National and State Highways within a kilometer from our gates. We have reduced the paper work and increased the security. We have done all this and more so that your cargo reaches its destination safe and on time, every time.

COAL RAW SUGAR FERTILISER CEMENT PROJECT CARGO
POL AGRI-PRODUCTS CHEMICALS CONTAINERS

Karaikal Port Pvt. Ltd.
Dev's Ark, Door No. 284/1136, Rajiv Gandhi Salai, Chennai. 600096
Phone – 044 45985252/55 Fax – 044 45985298
Email – business@karaikalport.com Website – www.karaikalport.com

A crucial year has passed and the economy is looking over the horizon for better times ahead. As the announcement of the Rail and Union Budgets is fast approaching, it is time to take stock of the ground realities in the logistics sector. The efficiency of the supply chain largely depends on these critical activities and needs immediate government attention.

The logistics sector has developed into a major service sector as all major businesses, including automobile, FMCG, pharmaceutical sectors, are increasingly depending on it. This helps companies to concentrate on their core activities as their logistics requirements are taken care of by third-party logistics companies like TCI. It is necessary to set up a separate regulatory authority for the logistics sector on the lines of the Insurance Regulatory & Development Authority or the Telecom Regulatory Authority of India as it would enhance coordination among the various ministries for an integrated policy.

Going into the specifics, warehousing should be treated at par with infrastructure projects and should enjoy similar benefits. There is need for long-term investment commitments from public and private players alike for developing warehousing facilities. It would also involve land reforms which will help in setting apart lands for logistics facilities.

Multiple toll points on highways reduce efficiency and adversely affect the turnaround time of trucks. Moreover, the lack of uniformity in toll charges owing to different stretches on BOT basis creates irregularities in the cost structure. A centralised toll mechanism is needed to ensure uniformity in the toll charges paid by truck drivers at various checkpoints.

Further, there is a need to bring in uniformity in the sales tax structure on processed foods and to bring down the high import duty on cold chain equipments. The industry should be given exemption/subsidies to encourage investment in cold chain infrastructure. Since time-definite delivery is critical, inter-state checkposts should have a clearance passage for refrigerated transportation.

Railways have become an important mode of transportation. The Government must expedite the development of the dedicated rail freight corridor and multimodal logistics parks to give the much-needed fillip to the rail freight sector. Modernisation of rail terminals and handling facilities should be commissioned for a quicker turnaround of non-container rakes. There must be time-scheduled freight trains on all major routes akin to passenger trains.

It is high time that the Ministry of Railways followed a PPP model. It should undertake the building the network, tracks, terminals and haulage points and pass on the responsibility of running freight trains to private players.

Loading and unloading times must be increased for full wagons. Pay-and-use system can be incorporated for improving handling at terminals instead of using pre-approved labour force, who work at their own pace and charge high rates. Allowing outside labour will reduce the time spent on loading / unloading of rakes leading to a quicker turnaround time.



Ennore-Manali project

Chennai Port to invest its equity portion of Rs 139.80 crore in the Ennore-Manali Road Improvement project and calls for tenders at the earliest.

The Ennore-Manali Road Improvement Project (EMRIP) and the Elevated Four Lane Corridor Project (EFLCP) from Chennai Port to Maduravoyal (Maduravoyal Elevated Expressway) are likely to be completed in another two years, Union Shipping Minister G K Vasan said recently.

The Rs 600-crore EMRIP and the Rs 1,655-crore EFLCP from Chennai Port are aimed to improve the connectivity of Chennai and Ennore Ports for the fast transportation of import and export of cargo.

The Shipping Ministry conducted a joint review meeting with officials of State Shipping Ministry, National Highways Authority of India (NHAI) and Chennai Port Trust and Ennore Port Trust.

Speaking to reporters after the meeting, Vasan said, "the Ministry of Shipping is taking all steps to accord the necessary approvals to Chennai and Ennore Ports to expedite implementation of the two projects. The joint review meeting discussed all the issues relating to the two projects."

Stating that there has been some delay in implementing these projects due to issues involved in land acquisition, relief and rehabilitation of the project affected families and escalation of cost, Vasan said EMRIP cost has been revised from Rs 150 crore to Rs 600 crore. Also, the conversion of planned two-way lane to four-way lane road has led to rise in cost.

He said due to revision of costs, the cost of equity contribution by Chennai Port Trust in the project has been increased to Rs 139.80 crore from the earlier Rs 38 crore and for Ennore Port it has been enhanced to Rs 34.02 crore from the Rs 17.50 crore.

Port development

The Public Private Partnership Appraisal Committee (PPPAC), chaired by Finance Secretary Ashok Chawla has cleared four port expansion projects at an estimated investment of Rs 4,120.29 crore.

The projects include development of:

- A mega container at the Chennai Port in Tamil Nadu at a cost of Rs 3,125 crore.
- A container terminal at New Mangalore in Karnataka on BOT basis at a cost of Rs 275.82 crore.
- A multi-purpose berth to handle clean cargo, including containers, on BOT basis at Paradip Port in Orissa at a cost of Rs 387.31 crore.
- North Cargo Berth II for handling bulk cargo at Tuticorin Port in Tamil Nadu on DBFOT basis at a cost of Rs 332.16 crore.

Since its constitution in January 2006, the PPAC has granted approval to 141 projects, with an estimated project cost of Rs 148,807.56 crore.

Meanwhile, the government has removed cap on the number of players who can participate in financial bidding for port expansion projects under PPP to minimise litigations and get better returns.

Until now, the government allowed only five technically qualified players to participate in financial bidding, which led to litigations and slowed down projects.

Port of Le Havre

Le Havre has been organising trade meets across the country to highlight the advantages of the port for trade. The second biggest French port and the fifth biggest North-European port which handled 74 million tonnes in 2009, Le Havre accounted for 13.43 lakh tonnes of trade with India in 2008.

India is a significant partner of the port for oil and container trade, said the port officials and hoped India would utilise the large capacities of the port to handle containerised trade. The port has an advantageous maritime location and can, with its draft of 14 m, accommodate large container ships of more than 10,000 TEU, the officials informed. A third terminal is coming up to handle containers and improve service quality, they added.

Maritime education

The Indian Maritime University has established a campus in Cochin to promote maritime education in the coastal state. The first batch of BSC nautical science with 40 students has begun classes in August 2009 and a new batch is starting in February 2010. According to experts, the campus will be able to provide manpower and training to the LNG Petronet project and the container terminal project at Vallarpadam.

While the IMU Centre will be opened in 10 acres of land with 'in-principle' approval of the Planning Board and the Executive Council of the IMU, other facilities like a training centre, workshop, fire station and hospital will be made available by the Cochin Port Trust.

Meanwhile, the IMU Chennai campus is constructing a new engineering workshop at a cost of Rs 1.2 crore to train cadets of marine and nautical science. To come up in 10,000 square feet of land, the workshop will house modern machinery, equipment with all safety arrangements, said vice-chancellor Dr P Vijayan.

Bangladesh Maritime

Bangladesh Prime Minister Sheikh Hasina unveiled her government's massive plans to develop and modernise all sea, river and land ports of the country in addition to setting up a deep-sea port to boost Bangladesh's economy.

Chittagong and Mongla ports will be prepared for the use of neighbouring countries, including India, by implementing plans such as construction of new container terminal, purchase of modern equipment for the two ports and carrying out of capital dredging from Sadarghat to the third Karnaphuli Bridge.

The government also plans to construct new river ports at Noapara, Bhairab-Ashuganj and Barguna and a new inland container terminal at Pangaon. Besides, land ports at Teknaf, Hili, Banglabandha and Bibirbazar will be made operative after development work, Hasina said.

"Only 40 per cent capacity of Chittagong Port and 10 per cent of Mongla Port is being currently used. Revenue earning will be more than double when the usage is increased," she said, adding that the earning will be increased further when neighbouring countries will be allowed to use the two seaports. This will also generate new employment opportunities.

On setting up a deep-sea port at Sonadia Island, Hasina said in light of a cabinet decision work is on to prepare detailed design of the port and explore foreign fund.

The premier said her government plans to introduce computerised container terminal management system at Chittagong Port, construct backward linkage at terminals 4 and 5 at New Mooring container terminal and appoint private global operator for running the terminal.

Navy war game

The multi-nation naval exercise focussed on humanitarian assistance and disaster relief and promoted understanding and cooperation in the areas of common interest and safeguarding of sea lanes of communication from poaching, piracy and terrorist activities.

The seventh edition of exercise Milan was held in the first week of February within the context of the Indian Navy's 'Look East' policy and naval interactions. The 2010 edition of the exercise took place from February 4-8 at the coast of Port Blair.

Chief of Naval Staff Admiral Nirmal Verma said the Navy preferred to work together with other navies in the Indian Ocean region rather than assume leadership as envisaged by the US.

Nine foreign ships and delegations from 12 countries including Australia, Brunei, Bangladesh, Indonesia, Malaysia, Myanmar, New Zealand, Philippines, Singapore, Sri Lanka, Thailand and Vietnam arrived at Port Blair for the 7th edition of the exercise. The Indian Navy was represented by INS Kesari, the largest Landing Ship Tank, a Fast Attack Craft and other ships in Exercise Milan.

The naval officer in-charge of the Andaman and Nicobar command, Commodore P Suresh, took the salute from naval ships of different countries during the passage exercise.

Commenting on the successful conclusion of Milan, Commodore P Suresh said: "The achievement of Milan is that our navy is capable of hosting an event of this nature, building friendship across the seas and to obtain more interoperability."

Besides cooperation, the exercise also promoted interoperability to the extent possible and engaged in joint search and rescue and humanitarian operations.

"The significance of the passage exercise is that it allows us to streamline communication procedures so that in future if we have to operate together the first and foremost thing is communication interoperability followed by mutual understanding," said Captain Sunil Kumar, commander of INS Kesari.

So far six Milans have been held, in 1995, 1997, 1999, 2003, 2006 and 2008.

Admiral Verma said creating awareness among the fishing community to threats from the sea has started yielding results.

Offshore production

Mercator Lines Limited, India's second largest private sector shipping company in terms of tonnage, has signed a seven-year contract to charter out a 'Mobile Offshore Production Unit' and a 'Floating Storage and Offloading Unit' through its wholly-owned subsidiary in Singapore. The charter is expected to commence from September 2010 and the estimated value of the contract is about US$ 225 million or nearly Rs 1,000 cr. Recently, Mercator has also signed a five-year contract with BG India to charter out 'Floating Storage and Offloading Unit' (FSO).

Bharati Shipyard

Bharati Shipyard Ltd. posted a marginal 3 per cent rise in quarterly net profit on higher sales. During the third quarter of 2009-10, Bharati registered income from operations of Rs 33 crore, as against Rs 23 crore in the corresponding period of the previous fiscal, thereby recording a growth of 38.1 per cent.

The net profit was up 3.55 per cent during the same period of 2009-10, when it stood at Rs 329 crore, against Rs 318 crore in the corresponding period of 2008-09. Bharati now reportedly holds 44.26 per cent stake in Great Offshore following the acquisition of 21 per cent, or 7.8 million shares, at Rs 590 a share through an open offer.

As on December 31, 2009, the total order book of Bharati Shipyard stood at Rs 4,987 crore and order book pending execution stands at Rs 2,472 crore, said the company in a stock exchange filing. However, its subsidy income fell to Rs 17 crore in the December quarter from Rs 24 crore, a year ago. The company is also looking at defence orders as it bagged Rs 290 crore order in the last nine months.

Meanwhile, the Bharati Shipyard management has not taken any decision for another open offer to take control of Great Offshore, BSL Managing Director P C Kapoor told reporters in Mumbai recently. -Agencies

Mutual benefit

State-owned Steel Authority of India (SAIL) and Shipping Corporation of India (SCI) announced that they will set up a joint venture (JV) "very soon" that would provide shipping-related services to the former.

"We are making very good progress to set up the joint venture and hope it would be established very soon," SCI Chairman S Hajara said. Echoing similar view, SAIL Chairman and Managing Director S K Roongta said the companies are making good progress on setting up the JV. However, both the officials declined to give a specific timeline for the JV or the investment planned.

Hajara also said SCI will double its current fleet strength of 79 vessels in the the next 5-7 years with an investment of US$ 3.5 billion. SCI is planning to increase its borrowing strength to Rs 120 billion from the present Rs 50 billion. The Board has decided to obtain the approval of the members to increase its borrowing power.

GMB-Japan tie-up

Gujarat Maritime Board (GMB) has signed a memorandum of understanding (MoU) with Japan to upgrade infrastructure at Asia's largest ship dismantling yard at Alang in Bhavnagar, a top official said.

GMB, which operates and regulates ports in the state, is seeking technology transfer and financial assistance to upgrade the yard at Alang to international standards.

"We will undertake modernisation and mechanisation of the ship dismantling works at Alang yard, which we want to make IMO (International Maritime Organisation) complied ship recycling yard in the world," a senior GMB official said.

The MoU also includes construction and operation of a common hazardous waste removal pre-treatment facility, modernisation of recyclable goods market and development of human resources.

Japan External Trade organisation and Japan Development Institute will carry out a feasibility study of the existing set up at the yard and suggest various ways and methods of upgrade, the official said.

"The project will be completed by 2012-13 and subsequently we will be getting ships from Japan for dismantling," he said, adding, that Japan owns more than 15 per cent ships in the world.

Meanwhile, Alang has seen revival in ship-dismantling works, which had dipped following the global economic downturn.

"At present, more than 130 ships are lying in various plots in Alang. In the last three months, around 100 ships have arrived for dismantling," a GMB official from Alang said.

According to him, there are 132 shipyards operational in Alang and more than 15,000 workers engaged in dismantling ships. –PTI

Marine recruitments

Frontline, the Bermuda-based world's largest tanker company, will set up office in India to race for hiring Indian marine officers. Frontline will be the first global tanker company to set up its own operations in India, according to Jens Martin A Jensen, CEO and Managing Director, Frontline Management AS, which has nearly 80 large tankers in its global fleet.

Frontline had till now outsourced its ship operations with officers and crew recruited from India and other countries such as Russia and the Philippines. "But as the outsourcing companies are struggling to recruit quality professionals, we decided to have our own presence in India," Martin said to a leading newspaper recently.

SeaTeam, a Singapore-based 100 per cent subsidiary of Frontline, has set up its presence in Chennai with Capt G Ramaswamy as CEO to recruit seafarers from India for the company's global fleet. The use of agents, and in particular, the use of crewing agents, can in some instances distance the shipowners from the crew.

Vessel delivery

The Shipping Corporation of India Limited (SCI) has signed a contract for the construction and delivery of two medium range (MR) product tankers, of about 47,000 DWT each, with Chinese shipyards. The company has also taken delivery of a MR product tanker – M T Swarna Pushp – of 47,795 DWT capacity.

SCI plans to take delivery of six large vessels worth US$ 400 million in the coming months. The vessels comprising of long range (LR) product tankers with a capacity of 73,000 tonne each are likely to be delivered between April and July.

SCI, which had put its order plans for vessels on hold, now is gearing up to place new orders in the next two months. "We had put on hold our plans to place orders. With the economic environment now improving, we will again enter the market in the next 2-3 months," a senior official said. -PTI

Gulf to Japan

Crude oil freight rates on major routes were mostly down in the first week of February as analysts said charterers had begun to exert pressure on shippers to charge less.

The world's benchmark Very Large Crude Carrier (VLCC) export route from the Middle East Gulf to Japan DFRT-ME-JAP fell to US$ 62,765 a day from US$ 75,078 a day last week. "Charterers appear to be winning the psychological high ground in the VLCC market, and thus, even though we have recently seen more cargoes, rates continue to drop in all loading areas," shipping consultants Astrup Fearnley wrote in a research note.

Brokers said more than 30 fixtures were completed recently, but Atlantic basin shipping rates had not flourished.

"The Atlantic has been another story, however; activity has been virtually nonexistent which has put Suezmax rates under severe downward pressure," broker P F Bassoe said in a report.

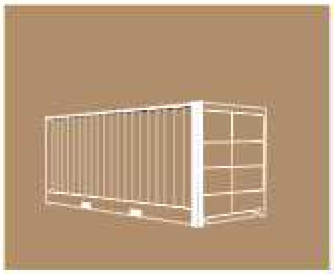
Weather related factors that had bolstered tanker rates and tied up vessels in port delays had begun softening, brokers said, and rates eased back nearly 50 points for Black Sea SuezMaxes.

Fearnleys said it had noticed "a slightly firming trend" in Mediterranean and Black Sea rates, which "now appear poised for a turnaround."

Meanwhile, according to experts, the crude tanker market is swinging in favour of charterers, who see no reason to hurry in and take cover as there would be enough VLCCs to cover their remaining positions, according to a latest report by London-based EA Gibson Shipbrokers.

A slow drip feed of end-month enquiry has resulted in owners pushing for employment creating their own downward spiral, the report released said.

Although VLCC availability remains tight for natural tonnage, up to first decade of March this size of vessel still remains priced out of the market for US Gulf discharge. Rates would need to come down to around WS 60/65 to compete with the Suezmax tonnage.



Mid-course correction

The ministry announces privatisation of core operations of the railways and increase in cargo loading target.

During her pre-budget interaction with captains of industries and representatives of industry and commerce bodies, Railway Minister Banerjee categorically stated that everything in the railways would be opened to the private players with the stress that without their cooperation and vision, the forward journey of the railways was not feasible.

The minister has called for public private partnership for:

- Laying new railway lines
- Manufacturing rail wagons and coaches
- Building world class stations
- Passenger amenities including toilets.

The minister has also increased railway cargo loading target to 900 million tonnes from the earlier estimated 882 MT for the year 2009-10. It may be recalled that Mamata Banerjee, in her Rail Budget presented in July 2009, wanted a mid-course correction of the prevailing freight target set by her predecessor stating that the freight target set is not sustainable.

An increase in industrial production resulting in a double digit growth in transportation of bulk commodities such coal and cement has helped the railways to set the new target. According to railway officials, if industrial production continues to

grow, the target could well be crossed.

The Railways, she pointed out, proposed to construct 2,500 km of rail lines every year and, urged the industry to participate in Railway's effort to build Rs 14,00,000-crore infrastructure projects over a decade.

Electrification of rail-links and improved output of workshops are expected to help the Railways achieve the increased target. With the demand for commodities including iron ore, foodgrains and containers having increased, the need for more freight transport is felt.

Meanwhile, the Railways has asked its electric locomotive production unit, Chittaranjan Locomotive Works (CLW), to speed up production of locomotive engines to meet the annual target. Since CLW has produced only 122 locos till November 2009 as against a target of 230 engines this year, the fall in output has had an adverse impact on freight loading.

In another development, the PHD Chamber of Commerce and Industry, in its Memorandum to the ministry for the Railway Budget 2010-11, has highlighted the need for initiatives to make railways a premier logistic and passenger solutions provider.

Arshiya International

Arshiya International Ltd., the global supply chain and logistics infrastructure solutions company, announced consolidated total revenue of Rs 133.60 crore for the quarter-ended December 31, 2009 as against Rs 114.16 crore in the corresponding quarter (Q3FY09) registering an increase of 17 per cent.

Additionally, consolidated EBITDA for the current quarter is Rs 22.61 crore as against Rs 18.02 crore in the corresponding quarter showing an upside of 25 per cent. Operating net profit for the current quarter stood at Rs 14.13 crore, an increase by 9 per cent as compared to Rs 13.03 crore in the corresponding quarter.

Arshiya's Rail Infrastructure division currently operates 7 rakes and delivered total revenue of Rs 12.58 crore in Q3FY10 with an EBITDA of Rs. 3.25 crore for the current quarter. Arshiya Rail Infrastructure expects to operate 10-12 rakes by March 2010.

Om Logistics

Om Logistics Ltd. launched its state-of-the-art logistics park in Bavla, Ahmedabad in the vicinity of Tata Nano plant. Covering an area of 4 lakh square feet, the high-tech logistics park will provide its clients with cutting edge warehousing facility, transshipment and 3PL services.

According to Ankur Minda, project head - warehousing, the Ahmedabad warehouse, located on NH 8A, will cater to the warehousing needs of companies located in and around Ahmedabad and across state borders.

Fashion logistics

Uniworld Logistics has recently made a foray into fashion logistics to service the fashion and lifestyle retail sector. According to MD & CEO Prem Kumar, the concept 'Source to Stores' will involve collecting, sorting, labelling and distribution of fashion products for both exporters and importers in India.

Uniworld's modern warehousing facilities for storing garments for both Indian and European markets have come up in Chennai, Bangalore and Delhi in India and Amsterdam, Rotterdam and Helmond in The Netherlands. The concept is being developed more as a product than as a brand name, Prem Kumar added.

World ranking

The World Bank's 2010 Logistics Performance Index (LPI) has placed india on the 47th slot in the efficient logistics parameters. Out of 115 countries that were assessed for their efficient logistics systems, India came to occupy the 47th slot with a score of 3.12 out of a possible five. According to the World Bank's 2010 Logistics Performance Index (LPI), Germany has topped list as the most efficient in the world with a score of 4.11, marginally ahead of Singapore (4.09), Sweden (4.08), the Netherlands (4.07), and Luxembourg (3.98). Completing the top 10 list of most efficient logistics nations were Switzerland (3.97), Japan (3.97), United Kingdom (3.95), Belgium (3.94) and Norway (3.93).

Hong Kong landed 13th place with a score of 3.88, beating the US in 15th position with a rating of 3.86. China Mainland is in 27th place with 3.49 points and the Russian Federation ranked 94 with 2.61 points. At the bottom with 1.34 is Somalia in 155th place. LPI uses more than 5,000 individual country assessments made by nearly 1,000 international freight forwarders to compare the trade logistics profiles of 155 countries.

The 2010 LPI provides a snapshot of selected performance indicators in nearly 130 countries, including expanded information on the time, cost and reliability of import and export supply chains, infrastructure quality, performance of core services, and the friendliness of trade clearance procedures.

CBEC call

Government urged to revisit SEZ Act 'comprehensively' and put a ban on transfer of common property, agricultural land and other exemptions.

The Central Board of Excise and Customs (CBEC) has recommended an overhaul of the Special Economic Zone (SEZ) Act 2005 saying it has detected gross violations of duty and tax concessions causing it to suffer a revenue loss of Rs 1,75,000 crore to date.

Broadly, the CBEC report has sought the removal of numerous exemptions, drawbacks and concessions that have turned SEZs into tax-avoidance conduits for importers and exporters without any business to back them.

Official sources said this report forms part of the board's recommendation to the ministry of finance for amendments in Budget 2010-11.

The CBEC's revenue loss estimate Rs 1,75,000 crore has been derived from concessions extended for capital goods and raw material procured by functioning SEZs developers and those that have been approved and are being set up (SEZs in the process of starting operations have to provide import estimates).

The CBEC had estimated an overall revenue loss of Rs 3,50,000 crore in the creation of all SEZs since 2006, when the Act was passed.

- The SEZ Act should make it mandatory to earmark at least 75 per cent of the area in an SEZ for import and export processing.
- The developer and co-developer of the SEZ should execute a bond-cum-legal undertaking that includes a bank guarantee of at least 5 per cent of the import value.
- The term 'exports' be redefined by deleting the provision that allows supplying goods from one unit to another in the SEZ.
- The finance and commerce ministries should reach a consensus before an SEZ is notified.
- The Customs Act and Central Excise Act should be made applicable to SEZs for recovery of interest, fines or penalties if a unit fails to utilise exempted goods for authorised operations or is unable to account for the goods it imports.
- Provide for the valuation of goods under the Custom Valuation Rules 1988, surprise checks of goods and the introduction of documents for SEZs that get goods domestically.
- The direct delivery facility should be restricted to emergency cargo and units with impeccable track records.
- Cargo, vehicles, documents and people passing in and out of SEZs should be made open to custom surveillance as an anti-smuggling measure.

Surat jewellery export

The Surat Special Economic Zone (SurSEZ), India's first private sector SEZ at Sachin, is looking at 20 per cent growth in its export target in the current year with the exports till January 2010 crossing the Rs 16,900 crore mark, for the first time since its inception in the year 2000.

Almost 70 per cent of the export turnover of Rs 12,000 crore has been generated by the diamond and jewellery manufacturing units. However, the robust jewellery and polished diamond demand in the Middle East, China and Hong Kong is set to contribute heavily to the export target of Rs 18,000 crore for 2009-10.

At present, there are about 45 jewellery units including big players like Gitanjali Group, Gemstar, Firestone Group, Dharam Exim, JB Enterprises, Sanghavi Exports, Kiran Jewellery and Gunjan Exports which export to Middle East, US, Europe, China, Hong Kong and Africa.

Sources said the export turnover is expected to register a 20 per cent growth in 2009-10, compared to 2008-09. Last year the total export from SurSEZ in 2008-09 stood at Rs 15,306 crore. Currently, 198 units are functional in the zone and another 14 projects are under implementation.

Stimulus package

The Commerce and Industry Ministry has urged the Finance Ministry to retain the stimulus package in the forthcoming budget, stating that its withdrawal may "unsettle" the industry and impede the growth momentum. In its budget proposal, the Commerce Ministry has suggested that the fiscal incentives given to the industry in 2009-10 in the wake of the global economic downturn be continued. Commerce and Industry Minister Anand Sharma cautioned against the 'abrupt' withdrawal of the stimulus package for exporters.

"The same level of CENVAT (excise duty) should be continued for some more time, otherwise it may unsettle the industry and impact business calculations in such a way as to disrupt the pace of industrial growth," he added. The government had reduced excise duty by 6 per cent across-the-board and service tax by 2 per cent in different phases, beginning December 2008, to boost domestic demand which was impacted due to the global financial meltdown began in October 2008.–PTI

MSME exports

FIEO president A Sakthivel, while commenting on the 7.2 per cent growth estimated during 2009-2010 vis-à-vis 6.7 per cent last year stated that to sustain a growth of 8-9 per cent, a credit growth of around 25 per cent is required. However, at present, credit growth as per RBI data released on February 5 is well below the mark at 13.9 per cent and below the growth of 22 per cent in the previous fiscal and revised target of 18 per cent set by the Reserve Bank of India for this fiscal. He stated that it does not do justice to the momentum of GDP growth that needs to be sustained at current levels.

Sakthivel urged that the MSME export sector would need tax breaks on investments in plant machinery; 100 per cent depreciation on purchase of machinery for R&D / upgradation of technology; 'profit plough-back' exemption from income tax besides allowing deduction on expenditures related to tapping of new markets etc. to address the larger issue of financial inclusion for the MSME export sector.

The government may soon make it mandatory for the state-owned companies to buy at least 20 per cent of their total purchases from micro and small enterprises.

"We are preparing a Cabinet note to encourage the micro and small sector," Secretary in the Micro, Small and Medium Enterprises Ministry Dinesh Rai told reporters recently.

Ban curbed

In a government to government deal, India has allowed exports of 50,000 tonnes of wheat to Nepal signalling the government's confidence about another bumper harvest this year. India, the world's second-biggest producer of wheat, banned exports of the grain in early 2007. It lifted the restriction for a few days in July 2009 before re-imposing it.

The Directorate General of Foreign Trade, an arm of the commerce ministry, said the state-run Food Corporation of India will export the grain from government stocks. On January 1, wheat stockpiles were 23.0 million tonnes, nearly three times the targeted 8.2 million. When the new marketing year begins on April 1, wheat stocks are expected at 14.7 million tonnes, Farm Minister Sharad Pawar said last month, versus a target of 4 million tonnes.

Traders said the partial lifting of the ban on wheat exports indicates the government's confidence about a higher wheat harvest, the main winter food crop of the country. The outlook for India's wheat crop has improved after recent rains in the three leading producing states of Uttar Pradesh, Punjab and Haryana, agriculture officials said. /Reuters

The third annual Bengal Tiger Line Golf Tournament was held at the beautiful Aamby Valley Golf Course recently. The weather, excellent conditions of the course and the bonhomie set the scene for yet another great outing. Representatives of some of the world's great container lines and container terminals participated in the tournament.

1st nett Champion – Leo Huang of Wan Hai Lines
2nd nett Champion – Simon Trobe of APL
3rd nett Champion – Suraindran of PSA
1st gross Champion – Richard Hew of OOCL
Longest drive – Hiroshi Maniwa of NYK Line
Nearest to the Pin – Richard Hew of OOCL
Best Tiger Line – Hank Chang of Yang Ming Line
Best Dressed – Col S K Sinha of Aamby Valley

The Tigers move on to the next BTL golf tournament to take place in Kuala Lumpur, Malaysia in March.

The NISAA cricket tournament saw the dawn of a new champion - NYK. The final between NYK and PMA was nothing short of a potboiler.

Vijay Dahiya, former international cricketer, was the chief guest. He, along with Capt Ram and Capt Kaura handed over the winners' trophy to NYK and the runners-up trophy to PMA. Mukesh of NYK was awarded the Man of the Match and Man of the Tournament. P V Manoj of PMA was adjudged the best bowler, and Kshitij of PMA the best batsman of the tournament.

Capt Ram Ramchandran, President of NISAA, thanked the organising committee spearheaded by Ravi Nair, and assisted by coordinators, for a spectacular tournament.

A new CFS in Kochi Port to support the Vallarpadam container terminal.

"We have signed an MOU with FACT (Fertilisers and Chemicals Travancore Ltd.) to develop a CFS there. FACT will provide us 25 acres of land and we will provide capital and expertise," B B Pattanaik informs.

1. The port warehouse in Pipavav is being converted into rail-based CFS to take the rail network into the CFS there.
2. An open yard is being added at the CFS in the choked Kolkata Port by the end of fiscal 2010-11.
3. Additional capacity of 20,000 sq m is being created in Nhava Sheva to feed Dronagiri Node by 2010-11.

"We are also going into rail logistics. Although we started running container trains since 2007 – 3 per week between JNPT and Loni and handled 225 trains in 2008-09, we slowed down due to the economic slowdown. But now we want to bounce back," Pattanaik notes. CWC has signed an MOU with Arshiya International for providing rail logistics, he informs and elaborates: "We want to link Delhi and Visakhapatnam by container trains. We have a rail-based warehouse in Nabha (in Punjab), created in the late 70s to handle food grains. We got the clearance to run container trains back and forth in the sugarcane belt between Nabha and Muzaffarnagar (in Uttarakhand) to handle both domestic containers and cargo feeding the port. We will start operations soon."

The coming year, CWC will handle containerised and also non-containerised cargo from Nabha, Muzaffarnagar and Mirag to handle both containerised and non-containerised cargo, he adds.

Q

Well, 30-35 million tonnes of capacity is general for all cargo. We in the food grains sector (including FCI, CWC and the Ministry of Food) have identified 14 million tonnes for the food grains sector. Obviously, CWC and FCI cannot create this capacity so soon and ideally should not in these days of private sector partnership. It is best to involve private players for building warehousing capacity.

FCI identified creation of 12.6 million tonnes through PPP – in producing states like Punjab and Haryana, and in consuming states like Tamil Nadu, Maharashtra, Karnataka.

In addition to that, we are creating close to 1 lakh tonnes in the correct fiscal and our plan for the next year for food grains and agriculture logistics is 2 lakh tonnes more. We want to add another 2 lakh tonnes for industrial warehousing and CFS.

So, CWC on its own, will be creating 5 lakh tonnnes by the end of 2010-11. It has also promoted and created 17 subsidiaries in the states. Today, SWCs run in 1,500 locations across the country and have a storage capacity of 21 million tonnes. So the combined capacity of CWC+SWC is close to 31 million tonnes.

As equity participation, we have earmarked Rs 4 crore for injection as equity to SWCs so that they are able to create storage capacity required in their respective locations. This is how a joint endeavour is being made by us and the state governments to create additional capacity.

Also, we are able to survive because we have a wide commodity base. We store close to 400 commodities in our warehouses – agricultural products like cereals and pulses and commercial ones like jute, cotton, tobacco and fertilsers.

That is how we have weathered the economic slowdown. In spite of the slowdown, we posted a growth of close to 10 per cent in our turnover because the food grain stockholding has increased and other commodities like cotton and maize have helped us out.

Our overall physical capacity utilisation increased from 73 per cent to 82 per cent last year. In the current year, we are so far 90 plus and I hope, by the way the stock position is building up, we will end up with 92 per cent capacity utilisation, which will the highest ever in the last one decade.

As for the turnover, we are slightly worried because our main business coming out of container has been affected at JNPT. However, we will achieve our MOU target of Rs 918 crore this year.

Q

It is possible and is already taking place occasionally for some cargo. Some of our facilities have handled bulk commodities like wheat in containers with zero pilferage or seepage, but this was for domestic cargo.

Q

My hope is that it will be less costly. Because at one end you can carry traditional cargo and in the return haul compatible cargo like food grains, it is a cost-competitive proposition, taking place in the domestic sector. That is why we are encouraging our facilities in Nabha and Muzaffarnagar to handle container trains.

Q

The biggest challenge for us is modernisation of infrastructure and delivering the most efficient service in terms of time vis-à-vis what the private sector is doing. Today, a customer is asking for competitive price and hassle-free delivery. Over a period of time, we have built conventional warehousing capacity that deals with bulky, low-value, high-volume cargo. Therefore, the key will be to modernise warehouses, inventory management, traceability, barcoding and networking the warehouses. We have taken up a massive project with the help of NISG to guide us to connect all our warehouses on a web-enabled, real-time basis. It will be implemented in the next three years.

Q

Our subsidiary – Central Rail-side Warehouse Company – has been created to develop rail-side warehousing complexes across the country. Of the 22 complexes earmarked, only 14 are operating with a capacity of close to 2.3 lakh tonnes. The remaining eight are in the pipeline.

“

”

We want to convert our earlier food grain storage-based depots (7-8 large warehouses created for FCI with railway sidings in the mid-70s with World Bank aid) to handle domestic container trains.

Q

We have identified five locations where there is basic infrastructure which can be converted into cold chamber. Given the network of CWC, we can perhaps give the most wide and efficient network of cold logistics.

We are present in Himachal Pradesh where a lot of apples and potatoes are produced, in Nasik where grapes are grown and in Nagpur where oranges are grown. We are actively considering our plans to set up cold logistics there. MC


gateway
WHAT IT
TO BE THE
gateway
Engines of
Growth

Despite proving to be an efficient and effective mode of transport and growing at a steady pace during the last five years, coastal shipping still accounts for only 7 per cent of the total domestic cargo transported, thanks to regulatory, fiscal and infrastructure hurdles. But with growing containerisation and the establishment of transshipment terminals & port-based SEZ projects, coast-to-coast shipping is in for opportunities and could well thrive as the preferred and economical mode of transport vis-à-vis rail and road.

As the United States grapples with a difficult recovery and its infrastructure runs out of capacity, think tanks say it's time to boost public investment in highway, bridge, rail, and air projects to help the country out of the worst recession in 70 years.

"Intelligent investment in infrastructure projects could literally pave the way for a sustained economic rebound as the country seeks efficiencies from its transportation network to compete in the global economy," sums up US Chamber of Commerce CEO Thomas Donohue.

The insight holds good for India too as the country is forced to put up with lack of adequate infrastructure even as huge capital investments made in several projects are yet to showcase the efficiency of logistics highways such as expressways seaports, road and rail links.

Given the fact that India's logistics costs are around 13 per cent of the GDP, the country could promote coastal shipping as a viable mode of transportation, both in fiscal and environment terms. As experts point out, coastal shipping could also drive transshipment at Indian ports which could in turn enhance the price competitiveness of Indian exports and help reduce carbon emissions.

However, shippers need to be persuaded about the benefits of coastal shipping, and the reasons why they prefer road need to be properly assessed, opines Lakshmi Venkatachalam, Director-General of Shipping. An overhaul of the Multimodal Transportation of Goods (MMTG) Act could facilitate coastal shipping becoming part of an integrated transport system, she notes.

Coastal shipping vessels operating in India have grown from 458 on March 31, 2005 to 658 as on December 1, 2009 with gross registered tonnage (GRT) growing from 8,10,591 to 9,75,507. During the same period, the number of overseas vessels increased from 228 to 308 with the GRT growing from 72,02,364 to 84,12,226.

While the share of coastal shipping vessels operating in India has hovered between 60 and 68 per cent during the last five years, the GRT has been almost stagnant at around 10 per cent. Currently, around 7 per cent of domestic cargo is transported through coastal shipping.

The movement of cargo is predominant in the south-bound stretch from Pipavav and Mundra in Gujarat to Kochi in Kerala and other ports and back, from Chennai to Chittagong/Yangon through Haldia /Kolkata and the Inland and coastal movement in and around Goa.

While petroleum, oil and lubricants (POL), thermal coal and crude account for around 80 per cent of total coastal traffic, food grains, cement and containerised cargo including cotton yarn, automobiles, automotive spare parts and steel are the other key commodities. A small portion of general cargo and finished products are also transported through the coastal corridor.

It may be noted that the Indian coastal trade hinterland comprises 40 districts spread across five states on the West and four in the East, plus Puducherry, all covering an area of over 380,000 sq km. Added to this is another 8,300 sq km of coastal hinterland covered by Lakshadweep in the Arabian Sea and the Andaman and Nicobar in the Bay of Bengal. These islands, for obvious reasons, depend on shipping for cargo and passenger movement to and from the mainland and between islands.

Describing the sector as being in a challenged state, B Sridhar, member of the CII National Logistics Council and director of Bengal Tiger Line, calls upon stakeholders to come together and develop a common understanding on the challenges and opportunities and take the initiative forward. As part of his call, the CII had recently convened a day's conference to focus on coastal shipping as an integrated, multimodal transport chain.

Experts pointed out that coastal shipping, despite the inherent advantages and the promise of viability, could not take off owing to regulatory, fiscal and infrastructure hurdles coming in the way.

Coast-to-coast transportation of goods is no doubt less expensive. For instance, it costs around Rs 0.25 per tonne km by a coastal shipping carriage as against Rs 1.20 by road and Rs 0.60 by rail. However, as experts point out, cost-efficiency is not being realised because of insignificant volumes and the inefficiency of first/last mile connectivity.

Also, a sum of Rs 20 billion can be saved and harmful chemicals and pollutants can be reduced by diverting 5 per cent of cargo through sea-borne transport.

The key shortcomings in policy formulation and implementation are the lack of a cohesive implementation framework and advocacy support. In this context, S K Shahi, president of All India Barge Owners Association and managing director of SKS Logistics, recommends some measures: "Strict implementation of cabotage, tax holiday for the first 10 years, 30 per cent subsidy for shipowners, soft loan financing, reduced duties on bunkers and spares, 10 per cent of window/berth space to coastal vessels at ports, simpler manning scales, diversion of government cargo to coastal shipping up to the level possible, and a separate Indian Coastal Register for coastal shipping vessels."

His views are endorsed by Sanjay Shroff, Director, Ernst & Young. "Infrastructure status for coastal shipping can open the doors to easy funding and government subsidy. And coastal shipping needs an integrated policy for its development," he adds.

According to a recent report on coastal shipping by Ernst and Young, the key trends that are going to drive coastal shipping in India are:

The share of container freight in total sea freight has increased from 13.9 per cent in FY03 to 17.5 per cent in FY09. Containerisation is expected to boost the volumes shipped through coastal cargo. Due to the consolidation of large volumes, container cargo is suitable for transport through coastal shipping.

The location of transshipment terminals makes them ideal for the inter-coastal movement of domestic Indian containers through coastal shipping. The successful implementation of container transshipment projects in Vallarpadam and Vizhinjam ports is likely to drive Indian coastal shipping, since container volumes are likely to flow to all the ports more rapidly than before.

Atul Srivastava, head-commercial, Gati Coast to Coast, agrees. "Improved coastal shipping," he says, "can boost transshipment at ports and give them the competitive edge, as well as act as a catalyst for the development of an efficient and integrated transport system."

The Vallarpadam International Container Transhipment Terminal (ICTT), which is scheduled for a soft opening in June, would have all the requisites to attract mega international shipping lines and vessels, says Anil Singh, Senior Vice-President and Managing Director of DP World.

Port-based SEZ projects depend on coastal shipping for their logistical requirements as it is the least expensive and the most viable form of transportation for SEZ developers.

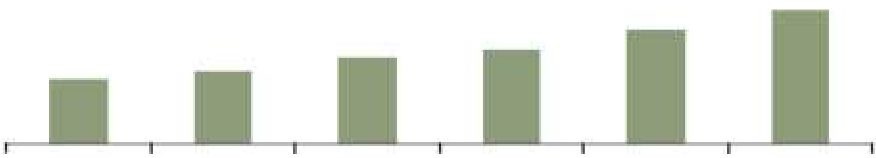
- Many port-based SEZ projects are being developed in Mundra, Rewas and other ports.
- The proposed petroleum, chemical and petrochemical investment regions (PCPIRs) in Gujarat, Karnataka and Andhra Pradesh are also expected to drive the demand for coastal shipping.
- Port-based power projects rely on coastal shipping for the transportation of coal.

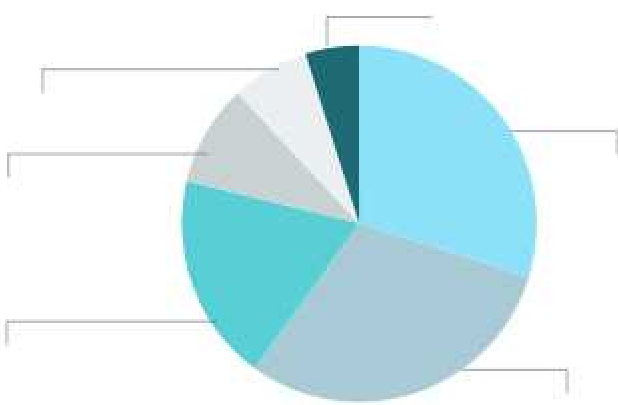
According to the NMDP, investments worth US$ 7.7 billion are being made in minor ports in the Eleventh Five Year Plan. On the importance of minor ports, Ashwani Kumar, CEO of Maharashtra Maritime Board says MMB will gear up to increase the handling capacity of its ports from the present 11 million tonnes to 300 million tonnes through the BOOST model in the next few years. "Rewas-Aware, Dighi, Sindhudurg, Jaigad and Redi are some of the ports for which the concessions were signed and the facilities are in different stages of development and operations," he adds. Sridhar of BTL too opines that the development of non-major ports would give an impetus to coastal shipping.

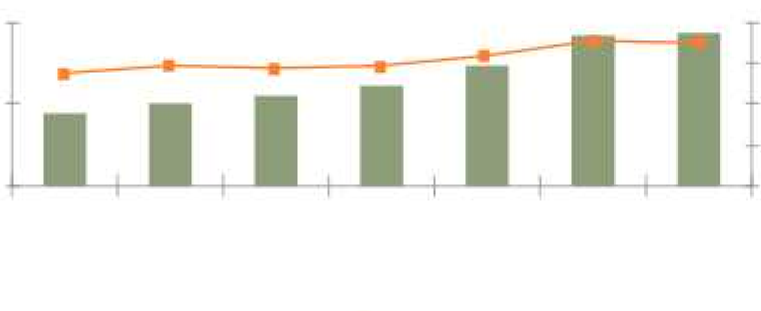
The latest River-Sea Vessels Notification of the Directorate General of Shipping is hailed as a big boost to coastal shipping activities in general and building of vessels suited to coastal business in particular. The notification, say experts, is likely to facilitate upgrading of vessels registered under the IV Act to make them suitable for sailing out into the seas within the 12-mile Indian territorial waters.

According to Lakshmi Venkatachalam, the new guidelines, formulated towards the end of 2008, have the potential to give a great thrust to the shipping segment.

John Mathews, managing director of Master Shipyard Pvt. Ltd., is all for the new regulation as he sees it as a critical positive step for coastal shipping. "It would ease construction and operations of such vessels and,







so a standard product within certain specifications, price and performance parameters needs to be developed," he says.

Also, there is a need to focus on the specific benefits of coastal shipping to involve the policymakers too, opines D T Joseph, former secretary in the Ministry of Shipping.

Coastal shipping needs the development of a strong, integrated transportation network, stresses Dr Satish Agnihotri, Joint Director-General of Shipping. "Implementation of a carbon credit policy is necessary in coastal shipping, whereby every dollar earned in savings could earn a dollar of subsidy," he suggests.

As per estimates, fuel consumption per tonne kilometer is 31.33 grams by road, 8.91 grams by rail and 4.82 grams by coastal shipping.

The government earmarked US$ 492 billion on infrastructure and it plans to utilise 30 per cent of the capital for power projects, 15 per cent for roads and bridges, 13 per cent for railroads and 4 per cent for ports. As these projects require the movement of heavy equipment and material across the country, coastal shipping can be of immense help in providing project cargo services.

As the Indian wind power industry is likely to witness a growth of more than 25 per cent the next five years, more and more global companies are motivated to set up shop in India. Experts predict that this development will create further demand for project cargo services involving movement of large windmills.

Also, India could spend US$ 300 billion on oil exploration and production in the coming decade and this will boost the demand for project cargo services to ferry drilling, production and project material.

With the development of coastal infrastructure, the feasibility of roll-on/roll off (RORO) services is likely to be improved on several routes. The use of such services, say experts, could help save fossil fuel and provide manufacturers and traders with a transportation alternative.

As per the Cruise Shipping Policy in 2008, India is being promoted as a global hub for cruise tourism. Towards this end, Mormugao, Kochi and New Mangalore ports are setting up cruise facilities for ferry of passengers along the coast. Already, plans are afoot in Gujarat to start ferry services for passenger movement. Gujarat Maritime Board is planning to operate such services from Gogha near Bhavnagar to Dahej which will reduce travel time considerably. GMB is also procuring a hovercraft for the purpose.

With development plans in place, the use of larger vessels, construction of new ports, increased focus on coastal and inland transportation and government support are likely to go up and drive the demand for dredging. Of the Rs 558 billion allocated for development under NMDP, Rs 63.1 billion has been earmarked for dredging all the major ports in India, both capital and maintenance.

The India's Merchant Shipping Act, 1957 applies equally to ocean-going and coastal vessels despite the latter being much smaller in size and scale of operation than the former. The provision related to construction, equipment, operation, certification and safety apply to both and so also the crew qualification criteria. But the irony is the income tax exemption for foreign-going ships. However, the crew on coastal trade pay income tax and their operators pay customs duty on ship fuel, spares and stores.

To ease staffing requirements and help coastal vessels avail of exemption, the Directorate General of Shipping has proposed certain conditions in its draft Indian Coastal Ship Safety Code.

One of the proposals is to offer comprehensive exemption to ships less than 3,000 GRT.

Also, the Ministry of Shipping has proposed coastal shipping development fund (CSDF) of Rs 100 billion to develop coastal shipping services. It has also proposed exemption of coastal shipping from service and tax and in this regard, awaits a response from the Ministry of Finance.

Meanwhile, a concessional tariff of 40 per cent is being charged on vessel-related charges such as port dues, berth hire and pilotage and another 40 per cent discount on coastal cargo and container-related charges such as ship-shore transfer and berth to storage yard transfer.

Coastal shipping no doubt offers several advantages over other modes of transportation in terms of cost and volume but it also needs the support of rail and road services to deliver goods to customers from the destination ports. In this regard, collective thought and efforts can go a long way in furthering the cause and now is the time to explore the issue and expand the logistics network in India.

maritime gateway

Presents

As India braces up to be a global player in the maritime sector focussing on the state-of-the-art port infrastructure, sophisticated greenfield ports and competitive trade practices, it's time for a reality check. presents to you the first ever comprehensive and the most up-to-date survey on the Indian ports -

The survey will offer a holistic and indepth analysis of the quality of services at ports and will feature a Customer Satisfaction Index for each of the surveyed ports. It will also value the appraisal of both direct and indirect port users, including exporters, importers, freight forwarders, custom house agents, shipping agents and shipping lines.

The tremendous growth in the export-import trade and increasing competition among littoral nations has forced ports to gear up for the hardsell. While major ports are trying to improve their infrastructure and service standards to attract business, the private ones are emerging with the latest tools and technology to drive volumes. Given the scenario, the survey will be an authentic and authoritative study of the position and the development prospects of Indian ports. It aims to :

- Identify the kind of infrastructure present at the ports
- Measure the servicing standards and quality of service
- Offer insight into quality parameters, and
- Help in creating benchmarks for the industry.

Above all, the survey will act as a reference guide and help users make informed business decisions on a port.

Please contact our regional team

Most people consider the container market as a commodity or mass production. Two major events that affected the market structure are the end of the conference era and the financial crisis. This led to a large overcapacity of tonnage, which is expected to balance again only perhaps by the start of 2011.

Consequently, the market faces a large overcapacity. Some carriers reached a situation that they needed large cash injections from their shareholders/ governments in order to survive and some others are in a bad financial shape and their survival is uncertain.

The common view suggested by experts is that we have to expect further market consolidation. Large carriers with deep pockets will swallow smaller or financially weak companies and at the end of the day we will remain with less and larger mega carriers.

The question is: Do other market structures exist which may evolve naturally from the existing consortiums or are there other innovative companies which take this a step forward and try to reshape the industry to another form.

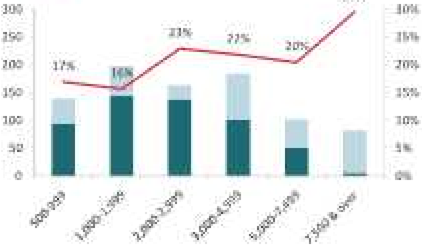
One theoretical possibility or possible change could be that the shipowning/ operating business is separated from the container operating and marketing/sales part.

This means that shipping companies operate vessels without containers. These will be only shipping platforms on which every company which owns containers or which can hire containers can load their equipment.

When concentrating on the core business of ocean transport, such companies will probably run with a small shore overhead staff, more traditional agency services and will not have extensive sales/ marketing activities.

Therefore, they probably will sell or book spaces or slots only in large amounts of containers. Such companies will act invisible to the consumer or merchant.

This way, today's carriers could strongly integrate their forwarding arms and concentrate on their marketing/ sales with the affiliated container management and on possible value-added services like door-to-door transport. Their status will change to something like NVOCCs.



On the other hand, large forwarding companies could also purchase or hire equipment and more easily position themselves in an equal position to these carriers. Under such a new market constellation, the function of global container hire companies would also change when they start to hire their equipment to various small or medium forwarders and/or to large importing, exporting or trading companies who may prefer not to use intermediate services.

Theoretically, the container ship hire today is quite low. Instead of letting their ships stand idle and rot, some shipowners (not carriers) will establish an entity which will provide services on some major trade lanes. This development could also be a natural step following today's consortia of carriers. Furthermore, there are also sufficient containers available free for hire, for possible customers to use such services. Forwarding companies may not like this idea since today they don't have the burden of the container management/owning with relevant cost. But maybe carriers would like it since they can get rid of the difficulty in finding optimal cost algorithm between container management and fleet management and repositioning equipment/unbalanced trades.

Also, this will decrease the entrance barriers to the market, because one doesn't need containers and an established marketing or sales system in order to offer ocean transport

services. This can, vice versa, affect the forwarding market by establishing entrance barriers due to the need to own or hire containers.

There may be pros and cons to such a market structure alternative. For instance, a few industry players might say that managing valuable equipment – how to sell it off, to whom and which entities – will be a challenge in itself.

But they don't have to think what to do with their containers, since the latter will move in another direction. If such a model develops, carriers can act as NVOCCs and at the first step, think what do with their ships – either to own the fleet or hire it from global hire companies.

This is not to suggest that box carriers will not own containers. The idea is that they will not own ships. The ship operation will be separated and offered without boxes, sales/marketing and container management. The ship operation will become a subcontractor activity in the background.

The Indonesian market for port and shipping capacity is nothing if not "challenged". Water depth, berth length, inadequate handling equipment and poor onshore transportation infrastructure are among the problems that plague existing ports in the world's largest archipelago. The new Shipping Law (Law No. 17/ 2008) adopted in 2008 provides a framework for addressing these problems and, importantly, among the principles enshrined in the new law is the promotion of competition and private sector participation. One result is that private sector port operators and financial investors now have much improved access to business and investment opportunities in Indonesian ports and associated transportation logistics.

Under the new law the state-owned port corporations – Pelindo I-IV – still remain responsible for operating public ports but are stripped of their conflicting role as port regulatory authority. Once the implementing regulations to enact the new law have been formally adopted, although this tends to be a rather slow procedure in Indonesia, competitive tender procedures should be in place to create a "level-playing field" between Pelindo and private sector port operators, even at public ports. Moreover, "special ports" may already be owned and operated by the private sector and this is facilitating growth in production of important commodities such as coal, CPO, and other bulk cargoes. Under the 2007 Investment Law (Laws No. 76 & 111/ 2007) and the associated "negative list" of sectors in which foreign participation is limited, there is no restriction on domestic or foreign private ownership of special ports.

Private sector investment in special ports – whether container handling facilities on the island of Java or bulk cargo handling terminals and strategic storage facilities on the other main islands – has the potential to transform Indonesia's port infrastructure. Not only does the archipelago consist of more than 17,000 islands extending through three time zones and spanning 5,120 km east to west, but it encompasses the world's busiest waterway – the Malacca Strait. Indonesia is also well-integrated into the world economy with exports accounting for approximately 25 per cent of GDP. Major exports are natural resources – not just oil and gas but also coal, timber, cement, rubber, chemicals, and palm oil from the outer islands – as well as manufactured goods from the industrial regions of Java.

Indonesia being the third fastest growing economy in Asia, after India and China, economic imperatives are reshaping the nature of private sector and foreign participation in Indonesia's port sector. Historically, most foreign participation in the Indonesian port sector has focussed on container handling and on the oil & gas industry. The requirement to partner with Pelindo has represented a significant constraint on foreign activity. The critical need for additional container throughput capacity in Java and for the development of a network of efficient "feeder" container ports ensures that container handling will remain an area of interest. Increasingly, however, private sector opportunities present themselves in the development of bulk commodity terminals and storage facilities.

Even a cursory glance at the 25 major public ports of Indonesia reveals the significance of port infrastructure to the country. Largely as a result of the structural problems characterising Indonesian ports, the Directorate General of Sea Transportation at the Ministry of Transportation (the "DGST") is re-drafting its ports Master Plan. Once promulgated, the Master Plan is expected to identify no more than 25 "strategic" ports; others ports will not be open to international traffic. The list of strategic ports may differ in important ways from the 25 major public ports that exist today, not least because of the need to allow selected special ports the ability to export directly to overseas markets. Large-scale and efficient coal terminals to service the coal-producing regions of East Kalimantan or Sumatra, for instance, would certainly merit consideration as strategic ports.

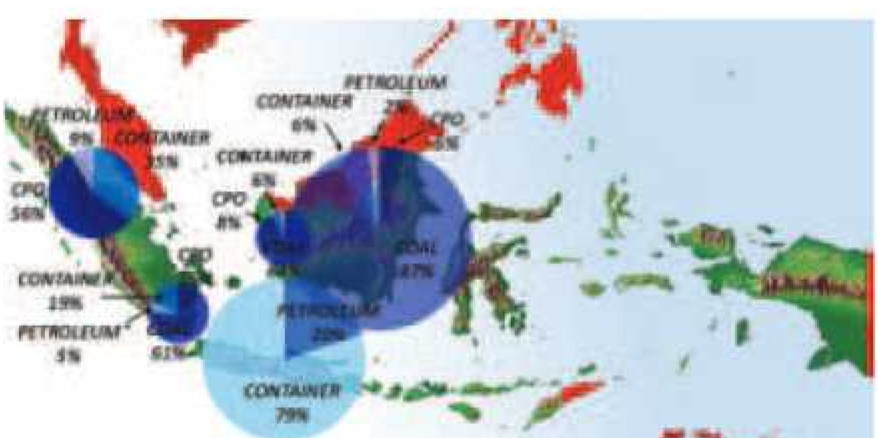
At present there is not a single port in Indonesia capable of handling Cape Size vessels. The deepest natural port in Indonesia is Bitung Harbour on the northern tip of Sulawesi, near Manado with water depth of 12 m. There are, however, strategic locations for other ports, especially those handling bulk commodities that merit development – not least because of their ability to handle even the largest vessels. Improved throughput capacity, based not only on water depth but also on improved design, adequate equipment, and efficient operations is what Indonesia requires to achieve its potential in terms of natural resource export targets. The incorporation of processing facilities at special ports, such as coal blending and washing, is an important and necessary step in developing the value-added services that are called for in the new Mining Law (Law No. 4/ 2009), among other places.

One of the significant factors that will influence the development of these special ports is the devolution of regulatory authority to regional governments. The DGST will assume responsibility from Pelindo as the National Port Authority, but regulatory authority for ports located in particular regions will fall under the auspices of the regional governments. To be sure, development of sufficient expertise for regional governments to exercise this regulatory authority effectively will pose a new challenge, but the direct responsibility of regional governments for economic assets in their region lends a degree of accountability that has been lacking within the port management system. Regional governors have a clear and direct economic and political interest in fostering effective development of

their port infrastructure, roads, power production and distribution, and water irrigation systems to name but a few critical areas where their focus on local needs exceeds what can be hoped from the government.

The development of an effective organisational model to be applied in devolving port regulatory authority to regional governments may be achieved through using one area, such as Surabaya, as a test case. The port of Tanjung Perak is one of the most efficient and well-organised ports in Indonesia, assisted by the excellent layout of its container yard, storage facilities and its access arrangements. As a consequence, "lessons learned" in Surabaya about what areas to concentrate on in the development of a regional regulatory function would derive from a critical focus on regulation and not be as heavily influenced by the need for constant problem-solving that hampers less efficient port facilities. Once clear principles and training requirements have been highlighted, the organisational model could be adjusted accordingly and the DGST would be in a superior position to rollout its devolution strategy.

Among various other issues still to be resolved through the enabling regulations, in addition to concession tenders and port regulations, are the role of the Harbour master, the rights and responsibilities of organised labour working in port facilities, issues surrounding land ownership, and customs clearance arrangements. Far from waiting on DGST to issue enabling regulations, Pelindo II, which operates Tanjung Priok, in Jakarta, appears to be actively addressing these matters, under the new leadership of Richard Jose Lino. At a November conference in Jakarta titled "Jakarta as an International Hub Port", Pelindo II presented the case for including Jakarta on the international container circuit as part of its plan to reduce or eliminate the requirement for transshipment through ports in Malaysia or Singapore. International participants at the conference were sceptical and the general view was that international transshipment via an Indonesian port is more likely to have market demand if the critical hub port is on the island of Batam, near Singapore, or in the Malacca Strait, on the north shore of Sumatra; the best existing candidate ports there are Belawan and Dumai. In the process, many of the weaknesses and inefficiencies of Tanjung Priok were pointed out.



In November Pelindo II has announced the planned expansion of the Tanjung Priok container terminals through more efficient use of space, new handling equipment purchases, and improved organisation of and efficiency in onshore transportation. An inland "dry port" planned within the Jababeka complex at Bekasi, 30 minutes to the East of Jakarta is another innovation intended to help improve the efficiency and throughput capacity of Tanjung Priok. It is conceivable that in the future container customs clearance will be conducted at this dry port, about 1.5 hours away from Tanjung Priok, with the sealed containers then going straight onto loading vessels once electronic customs seals applied in the dry port have been verified. The potential reduction in waiting times is meaningful, and dramatically increased by the decision in December to begin operating Tanjung Priok on a 24 hours basis. Limited working hours of labour unions, low crane lifts per hour, and idiosyncratic customs procedures have been a few complaints against Tanjung Priok, one of Asia's least efficient and most expensive container terminals.

Such is the demand for increased container throughput on Java that many of the conventional harbours at Tanjung Priok that were traditionally used for bulk cargo, have been "containerised." Consequently, the need for bulk terminal capacity in Java is also significant. The "crash program" for the construction of coal-fired power stations, which form an important part of the plan for increased power production at the

National Electricity Company (PLN), also specifically requires the construction of additional coal storage facilities. Liquid fuel terminals and "bunkers" for strategic storage are also in demand, particularly in and around the Malaccan Strait. Storage facilities and refining capacity already exist and are co-located in Singapore, but additional storage, especially on the western end of the Malaccan Strait, would improve efficient distribution of liquid fuels by allowing smaller more manoeuvrable vessels to navigate the Strait, thereby permitting VLCCs to concentrate on their transoceanic route.

One technical challenge of expanding the port network on Java is that the abstraction of ground water there has been causing the northern shore of the island to sink, contributing to the difficulties of developing sufficient water depth and stable infrastructure foundations. Also, in East Java the existence of a gas pipeline in the Madura straits prevents dredging. Nevertheless, two new ports are planned for the Madura straits. A new container terminal at Lamong Bay, just north of Tanjung Perak, has long been planned by state-owned PT Pelabuan Indonesia III ("Pelindo III"), in partnership with DP World. Across the Madura straits, in Madura, a regional port is planned, with the idea that cargo can be shipped from Java via the new Suryamadu bridge connecting Java and Madura.

The scale of Indonesia's port infrastructure development requirements depend on the pace and quantum of private sector participation. In the face of the economic imperatives to increase commodity output, rationalise the associated distribution and storage network, expand container throughput capacity and improve overall port efficiency, it is hardly "business as usual" in the ports.

GAC agreement

The GAC Group has entered into a partnership agreement with the top Formula One (F1) motor racing team, AT&T Williams, to develop cost-efficient logistics services in support of their efforts to meet the demands of an industry-wide cost reduction programme. The strategic partnership will help the AT&T Williams team respond effectively to increasing pressure to reduce costs in the sport.

Under the AT&T Williams agreement, GAC will provide logistics support in connection with the company's Formula One freight requirements and oversee the management of the equipment for a challenging global programme that visits 19 countries on five continents in nine months.

Malaysian media reported that the country has received a US$ 12.7 billion foreign direct investment (FDI) boost intended to be used to aid plans to turn south east Johor in a regional oil and gas hub, with facilities for processing, refinery, storage, fabrication bunkering shipyard and marine related industries.

Two companies, one from Qatar and the other from Iran, seem to be the principal investors. Both companies are involved in mid-steam activities and a total of 1,800 jobs would be created as a result of the investment. Malaysia is steadily building up the Iskandar Malaysia region housing the country's leading ports of PTP and Pasir Gudang with the aim of streamlining port operations and attracting more cargo. To foster that, Kuala Lumpur is giving off tax and other incentives to get companies to locate in the region and is reportedly building a bunkering facility in the Tanjung Bin area.

Bein Hoa City in Dong Nai Province in Vietnam has inaugurated the new Long Binh Tan Container Port. The US$ 4 million port is the first container port in the province and boasts a 5,000-tonne wharf, two fixed container cranes with handling capacity of 40 tonnes, and a three-hectare container yard. Additionally, the Dong Nai Port Joint-Stock Company which operates the port, plans to build more cranes to raise the port's loading capacity to 250,000 containers per year. There are further plans to expand the container yard to ten hectares. The company aims to handle 3 million tonnes of goods this year, up 700,000 tonnes from 2009.

Shipping is a capital-intensive industry. Prices of vessels can reach heart-stopping levels as their size grows, the onboard equipment and systems get more sophisticated, and raw materials such as steel and oil become costlier.

As such, raising adequate financing at reasonable rates in structures that best meet the needs of shipowners is one of the foremost questions on the their minds. Without financing, there would be no vessels, hence no shipping that transports much of the world's trade. In shipping, and indeed!

As world trade grows and demand for shipping services rises in tandem, shipowners have expanded their fleet of vessels in many types of shipping trades. The global recession and credit crunch notwithstanding, demand for vessels is not expected to let up too dramatically in the long term. True, certain shipping trade such as container and bulk shipping took a massive hit during the recession, as demand for goods, commodities and materials carried by boxships and bulk vessels hit rock bottom. However, the demand for essential consumer products and raw materials will always be high. On account of the fact that shipping will, by a long shot, remain as the most economical and effective means to carry much of the world's trade, the demand for vessels to facilitate much of the world's trade is expected to be high in the foreseeable future.

Given this, the financing requirement in the shipping sector is not expected to grind to a halt even in the face of the worst economic slowdown. For as long as nations trade, demand for shipping services will always be significantly high. As such, the corresponding demand for the funds to facilitate the construction and purchase of ships will ensure ship financing to be a prominent play among FIs and investors for a long time to come.

It is common knowledge that much of ship financing activities is dominated by debt financing involving straightforward, bilateral deals between lender and borrower. However, as vessel prices increase, banks cannot be expected to adequately meet the growing financing needs of shipowners to meet their fleet expansion, working capital requirements and business strategies. Furthermore, in the wake of the credit crunch and financial crisis, financial institutions have tightened their purse. They are now subject to more stringent regulations and have trimmed down their exposure to capital-intensive sectors.

With this in the background, it is expected that the demand for alternative financing structures and solutions by shipping companies will be on the up. Already, there are fewer loan financing deals being transacted since the recession began. This underscores the need for a wide spectrum of financing options for shipping industry players to fall back on in lean times.

Step up Sharia financing, or financing based on interest-free structures in accordance with Islamic principles. Sharia financing is different from its conventional counterpart on account of the former forbidding the charging of interests in lending.

In the last two decades or so, Sharia financing has grown in prominence in facilitating the growth in the shipping sector. Over the years, several high profiled ship financing deals have been transacted using Sharia principles. They involved marquee names both on the lending / arranging side and the borrowing side. For example, MISC, Malaysia's national shipping line which is the world's largest owner / operator of gas tankers, regularly raises finance using Sharia principles.

The increasing popularity of Sharia financing in ship financing stands testimony to its viability as a worthy, if not more attractive, alternative to its conventional counterpart. The framework of Islamic banking, financing, insurance, tax and other finance-related areas have been strengthened to such an extent where Sharia financing has emerged as a lucrative industry on its own with its own high financing, accounting and ethical standards which are highly regarded even by conventional financing practitioners.

The involvement of Islamic financial institutions in ship financing used to be – and to a large extent, still is – dominated by privately held banking institutions. However, over the years, we have seen more participation by publicly held FIs including development financial institutions (DFIs), as in the case of Bank Pembangunan in Malaysia which manages the Shipping Fund introduced by the government.

"Sharia financing has emerged as a lucrative industry on its own with its high financing, accounting and ethical standards which are regarded even by conventional practitioners."

When Islamic banking began to be involved in ship financing transactions in the 90s, it was noted that Sharia financing activities in the shipping sector were traditionally dominated by privately held banks. This was not surprising given that shipping was not prominent on the radar of Islamic banks which tend to focus on consumer banking and in areas considered as their 'bread and butter' such as property, infrastructure development and project financing.

Among the key Sharia financing principles that are commonly used in ship financing are:

Ijara – which is comparable to its conventional counterpart, leasing – is a very popular concept that has wide application in Sharia financing. Despite being one of the classical concepts in Islamic banking and finance, Ijara is one Sharia financing structure which bears the closest resemblance with any conventional financing structures. Even the documentation of Ijara contracts looks like the mirror image of conventional leasing and hire purchase / conditional sale and purchase agreements. As such, Ijara structures, risks and dynamics are easily understood even to the novice in Sharia financing. On this basis alone, it not surprising that Ijara is the most recognisable of all Sharia financing structure in the world.

In Ijara financing, the lenders assume ownership of the assets being financed and hence assume the risks involved in the financing. This provides much comfort to borrowers as FIs tend to have more muscle and appetite to assume the liabilities compared to the borrowers. However, Ijara also allows the means for the lender to also 'pass' some of the risks back to the borrower, for example in the form of a sale and leaseback mechanism. Here lies one of the key attractions of Ijara in that it carries fewer risks to both lender and borrower compared to debt financing. A prime example of an Ijara-based financing in shipping is the As-Safeena Islamic Marine Fund introduced by Amanah Raya and Asia Finance Bank Malaysia in June 2008, Malaysia's first ever Islamic shipping fund. The US$ 0.3-billion close-ended fund incorporates a sale and leaseback element that enables it to draw its earnings from the lease and sale of vessels under its portfolio.

Musyaraka is a partnership between two or more parties. It provides the cornerstone of Islamic financing and investment system, and allows a wide degree of flexibility in financial engineering and structuring within the Sharia context. FIs involved in arranging Musyaraka financing in shipping can structure deals featuring limited or full equity participation for a period of investment within an agreed period on a clearly defined profit sharing ratio.

Musyaraka-based shipping funds are a relatively new phenomenon in Sharia ship financing; but given their attractiveness to both lenders and borrowers, they are poised to play a more prominent role in the future. There have been several shipping trust funds introduced using the Musyaraka structure. There are a variety of such funds but the most common ones feature open-ended trust funds which are invested in particular types of vessels.

Murabaha denotes a 'cost-plus' transaction, wherein the seller of an asset expressedly states the cost he had incurred on the said asset before selling it at a profit or marked-up cost known to the buyer. It is a transparent transaction whose attraction lies in the fixed profit margin that provides the lender with a predictable income stream.

An example of a Muarabah transaction in ship financing is the issuance of Medium Term Notes by MISC, Malaysia's national carrier, in September 2007. The US$ 700-million issuance, with tenure of 15 years was used to finance MISC's capital expenditure and purchase of vessels.

Istisna is another fixed-return financing principle in the arsenal of Islamic financing whose application is growing in popularity in ship financing. Istisna contract is commonly used in financing yet-to-exist assets to be built according to the specifications of the buyer and to be sold at an agreed price and to be delivered on a specific date in the future. As such, it is especially useful in financing newbuilding, or construction of new ships.

In addition to the above, Sharia-compliant securities or financial certificates known as Sukuk and their variations, have been issued by several shipping companies over the years to raise financing. As trading of debts is prohibited in Islam, only securities which are backed by existing assets can be issued and traded. Some of these Sukuk have been listed in prominent stock exchanges around the world.

Sukuk provides a lot of comfort to investors as they are asset-backed securities and sold to buyers who then 'rent back' the papers to the issuer for a predetermined rental fee. Sukuk also allow the issuer to make a contractual promise to buy back the securities at their par value in the future.

At the height of the global economic growth just prior to the slowdown, the shipping sector was enjoying a period of prosperity almost unmatched in the history of merchant shipping. One of the contributing factors was the availability of an abundant financing at very competitive rates. However, with the global economic downturn and ensuing credit crunch, financing and investment have not become as readily available as before, especially in capital-intensive activities such as infrastructure development and those involving 'big ticket' items such as aviation and shipping.

Shipping is of course at the forefront of activities that have taken a brunt of the economic and financial crisis. Without funds, shipowners, who have to grapple with so many cost elements, cannot purchase vessels, maintain fleet, run routes and pay wages. As such, they have to work overtime thinking about where to get financing to ensure their companies stay competitive, and in the case of really struggling ones, stay afloat.

Sharia financing has already developed a decent track record for itself as an alternative means of raising financing in shipping. While much of the finances raised in shipping are still interest-based, there is huge potential for Sharia financing, with all its attractions and strengths, to grab a bigger slice of the ship financing pie.

As more Sharia financing deals are successfully transacted in shipping, there will be growing confidence among shipowners and operators of the viability of 'going Islamic'. Islamic bankers and financial dealmakers have proven to be skillful and adept at developing attractive financial structures and engineering innovative solutions in meeting the funding needs of their clients in the shipping markets.

Given the fact that seaborne transport will continue to be the cornerstone of the global trade and economy, ship financing will continue to be prominently displayed on the radar of financial institutions. As the demand for financing in this capital-hungry endeavor grows more voracious, the need to raise large amounts at competitive costs will command the attention of shipowners. What more at a time when banks and investors are taking a wait and see approach amid the gloomy economic weather!

The global recession and financial crisis triggered by the shenanigans on Wall Street provides a reminder of the need to consider alternative and more solid sources of financing. It has been ascertained that a major contributing factor to the crisis that triggered a wave of bankruptcy, insolvency, foreclosure and unemployment is the unbridled greed and excesses of practitioners in a financial system that glorifies being innovative, thinking big and 'winning the deal' at all cost.

Sharia financing, which features highly transparent, no-surprises, pre-agreed financing structures and costs and known risks, is quite contrary to what its conventional counterpart offers. While not always cheaper compared to conventional financing, Sharia financing offers none of the volatility and headaches arising from the 'grey areas' and unpredictable outcomes of the interest-based conventional financing regime. For those involved in capital-intensive industries such as shipping, it is time for them to seriously consider giving Sharia financing a serious thought as a viable, competitive alternative in meeting their financial needs.

Sharia financing has been successfully used in raising sizeable financing for major names in shipping in recent times. As conventional banks strain and tread cautiously under the financial crisis and tighter regulations post-crisis, the demand for interest-free financing solutions and products in ship financing is poised to increase in the years ahead. The emergence of innovative and attractive financing structures based on Sharia principles in shipping in recent years augurs well for its continued contribution to the growth of global shipping and hence global trade and economy. When applied and structured judiciously and creatively, Sharia financing can no doubt stand shoulder to shoulder, if not taller, than conventional financing in raising adequate and competitive financing in shipping.

The Islamic finance industry is still growing thanks to new markets and an inflow of oil money, but it is struggling to leave behind the legacy of the global financial crisis in the form of a real-estate crash in the Gulf Arab region.

Islamic banking, one of the world's fastest growing financial sectors, has attracted more attention in the aftermath of the financial crisis as investors are looking for alternative, ethical ways of investing.

But in the Gulf Arab region, alongside Southeast Asia its most important regional centre, a funding crunch at Bahrain-based Islamic investment house Gulf Finance House shows that the industry still has a long way to go to diversify from real estate products and investments.

"We have the same state of affairs across the region whether the companies are listed or unlisted", says Mohieddine Kronfol, managing director at Dubai-based Algebra Capital. "This situation is common whereby firms have gone out to get short-term funding but then put it into illiquid assets (such as real-estate)," he adds.

Asset management is seen as a key growth area for the industry, but experts say it needs to diversify its products by adding fixed-income components to its funds that are focussed on real estate and private equity.

The industry also needs to create bigger players, with local banks being too small to grab market share from the Islamic windows of Western conventional banks in syndicating loans and arranging Islamic bonds, or sukuk.

"Sukuk issuances in the UK could happen within the next 12 months," Mohamed Damak, Islamic finance credit analyst Mohamed Damak told Reuters.

Q

As far as our company is concerned, during the recessionary period, we have done fairly well. The important reason is we have the required diversifications. Those who were depending on the traditional business got really affected. But then those who have gone in for other services, other diversifications in the same field were able to make it up overall for the recession. As I mentioned earlier, crisis breeds opportunities. And I always look for opportunities wherever our company can do well. During this period, we were in fact promoting a few projects, like going in for hi-tech warehousing facilities, distribution systems and so on.

Q

At the end, networking and connectivity will work. A company which is able to offer all the shipping services under one roof can only survive. The reason is every importer today is demanding a lot. As a matter of fact they want to work with zero stock levels. Because of this they want to talk to one single player who can collect a shipment from China, arrange transportation at reasonable cost, bring it and complete all the local formalities and give it to assemble line or shops.

So for the future, if anybody wants to survive in this industry they should try and develop all the services in-house. Sub-contracting is always costly. Everybody keeps their margin. Accountability will come in if all the services are owned by one company. The fragmented players will have to leave the scene. Bigness is not answer to everything. But bigness helps with its economies of scale.

Q

We do not restrict ourselves to a few segments. Our major clients are Auto industry, engineering products, computers, paper waste, wood pulp and electric appliances. We could survive during recession is because of the diverse clientele we cater to.

Q

As of now, custom broker's job is more challenging. There is liberalisation of policy but I doubt whether there is any liberal attitude. Another challenging area is transportation. We are not able to reach destinations either due to bad road conditions or due to check post formalities. The third challenge is managing labour. We are paying more than what we used to pay and further skilled labour is scare these days. We assure customers that we avoid pilferages, delays and multi-handling. But to a greater extent, we get stuck. With our labourers it is not multi-handling it is mishandling. Pilferage is a major problem. On top of it, labourers are not careful when they handle forklifts.

Q

I never dreamt about becoming an entrepreneur. I wanted to be either a bureaucrat or a college professor. When I was doing a course in an evening college, one of my professors who was working in this industry, invited me to join. I joined on an experimental basis. In my family, there were no businessmen. So I have decided to be the first-generation entrepreneur. I started off a custom-handling company with minimum investment. It was a tough beginning. Most of the people who started around that time still remained as glorified custom brokers. We thought little differently and the diversification begun to happen from 1994.

Q

Indev started with five people and now it has 2,000 people working. We are in almost all the related areas of shipping. My dream is to start logistics Park in Mumbai and take the company public in 2012. After going public I want to build world-class warehouses in all important places across the country.

Q

Born in a village to a school teacher, we missed a lot in life. So, whatever I missed due to lack of opportunities I want to give to people now. We have started a school with 2,000 students. Most of the children of our employees study here. I am delighted to see some of these students excelling in their studies. I am simple and everything gets into my heart not to head. Another dream I have is building a University of Logistics. There is a shortage of skilled professionals in logistics sector in this country. When you make people around you grow, you grow automatically. I believe in this.

Long-term initiatives are being planned by Kolkata Port to increase the productivity of the impounded Khidderpore Dock and Netaji Subash Dock under Kolkata Dock system. The measures include increased mechanisation of the port, decongestion of the port area and, most importantly, undertaking capital dredging of the navigation channel leading to KDS.

The initiatives would be essential for the survival of KDS, India's sole river port. According to a top KoPT traffic department official, "the biggest operational challenge for KDS today is its positioning as a feeder port and that too involving long pilotage distance from the sea and through the river for vessels, countering the tidal and draft intricacies of the Hooghly river. This in turn has proved to be an impediment for scheduled vessels turnaround and also for the dock to accommodate larger number of vessels." It takes 22 hours more to move inward or outward the port.

Pilotage distance to Kolkata Dock System from Sand Heads varies from 221-250 km. This comprises 148 km of river and 75 km of sea pilotage. It takes light drafted vessels seven hours to move inwards to the port from Middleton point up the river, while outward traveling time is eight hours. But for deep drafted vessels, it takes 22 hours more to move inward or outward the port. Rise in pilotage time is often reported with draft variations in the Ganga River, especially during the summer season, preceding monsoon, when the draft recedes to around 5-6 m in the navigation channel, making it difficult for vessels to call at the dock system. Draft at navigational channel leading to Kolkata Dock system varies at 8-8.5 m during monsoon.

The key to counter this challenge lies in increasing the mechanisation of cargo-handling and transportation activities of the dock system. In tune with this, the Kolkata Dock System privatised its container-handling operations in 2004, when ABG Infralogistics Limited was awarded the contract for managing its container-handling operations on own-operate-maintain basis. ABG undertakes container-handling operations through its three MHCs at berth number 4 & 8 of Netaji Subash Dock. Yard planning, however, is done by the dock management.

Deployment of MHC has improved the berth availability for the vessels calling at the dock. This in turn has allowed the port to make up the short fall arising out of space constraints in its container parking backyard. Importantly, MHCs have played a key role in loading and unloading containers from both gearless and geared vessels. This has allowed increased numbers of the gearless vessels call at the dock in recent years, allowing the port in turn to handle enhanced volumes of containers. KoPT handled 4,29,417 TEU in 2008-09, compared to 4,25,405 TEU during 2007.

Encouraged by the success, Kolkata Port is contemplating to mechanise berth 5 of Netaji Subash Dock and the port is in the process of calling expression of interest for it. The private operator to undertake container handling at berth 5 of NSD would be assigned for undertaking end-to-end container handling – container handling through mobile harbour cranes and supporting equipments (ship to shore and vice versa), yard planning, delivery and receipt of import and export containers and evacuation of containers from the storage area. The contract for handling containers would be under a revenue sharing agreement between the dock and terminal operator. Netaji Subash Dock has 10 berths, 20 buoy moorings and 2 dry docks, while Khidderpore Dock has 18 berths, 6 buoy moorings and 3 dry docks.

Apart from MHCs, the docks require more backup container-handling equipments to improve the operational productivity of the port. This has to be ensured through the enhanced availability of existing equipments and hence the port is planning to acquire new equipments. In the Eleventh Plan period, the port would be acquiring assorted container handling equipments. Three MHCs along with 10 Reach Stackers have been inducted at Kolkata Dock System to improve the handling of containers. Five Rubber Tyred Gantry (RTG) Cranes at Kolkata Port have been inducted recently. Additional equipment fleet such as RTG Cranes, Reach Stackers, Hydraulic Cranes and Tractor-Trailer combination are being procured / hired at KDS. An outlay of Rs 202.43 crore has been laid for KDS under the Eleventh Plan period.

While the mechanisation of container-handling activities would be essential for faster vessel turnaround and better berth availability, it would be important for KDS to create additional container storage space. This has to be both in its operating area and its surroundings. Creation of additional container storage space would lead to faster evacuation of containers from its backyard and bring in fresh containers. This would enable smooth functioning of supporting equipments for the mobile harbour cranes and better backyard planning.

Being located in Khidderpore area, a thickly populated and urbanised part of Kolkata city, the dock system has severe space constraints. This leaves the port with negligible room to expand. A top official informs, "…to counter the situation in the long run, we would be encouraging creation of container freight stations through private participation. As a short-term initiative, we have created 40,000 square metre capacity within the port to store containers." Kolkata Port is planning to call for expression of interest early in 2010 for building container freight stations. Presently, there are only two container freight stations that are supporting KDS – Balmer Lawrie container freight station and Central Warehousing Corporation CFS. A greenfield container freight facility has been set up by Century Plywood near the port. Container Corporation of India is also in the process of setting up a container terminal near KDS. Eight new greenfield CFS are likely to come up near the port in near future.

Though new CFS would surely assist in decongesting the port, better road and rail linkages to the berths from the CFS have to be put in place for timely evacuation of the containers to and from the berths. A senior official from CONCOR says, "For smooth functioning of the CFS, legal initiatives have to be taken by the port to decongest the areas located adjacent to the arterial road links from the dock to the proposed CFS." Presently, there is a good deal of encroachment by unauthorised trailer operators and container-handling agents in areas along the arterial roads connecting the dock. This often leads to severe congestions at the port.

To counter the situation, there should be better dedicated rail linkages between the dock system and the CFS. The better linkage would help in undertaking merry-go-round operation leading to better delivery and dispatch of containers from the CFS. The rail linkage should be supported by a separate transit area adjacent to the CFS or near the berth. Therefore, developing road and railway infrastructure, pertaining to railway yards and track backup facilities, has been given much priority under the Eleventh Plan.

Developing the proposed new facilities, in terms of mechanisation and additional storage facilities, holds good in strengthening the position of the port by increasing its operational productivity. However, the commercial sustainability of the new facilities in the long run, created through colossal investments, would depend on assured cargo throughput by the port over a period of time. This would only be ensured, when more vessels call at the port countering the tidal and draft intricacies. And finally, greater accessibility for vessels to the dock system can only be possible when adequate draft is ensured by the port throughout the year.

It has been many years since the port has undertaken capital dredging. Lack of capital dredging has made maintenance dredging insufficient in itself. This has resulted in the reduction of the draft of the river channel. Non-implementation of the capital dredging has in turn pushed up its earlier envisaged cost from Rs 421.06 crore a few years back to Rs 600 crore recently when the port decided to go for fresh tendering process.

Ensuring a permissible draft of 8-8.5 metres throughout the year, which could be made possible through regular capital and maintenance dredging, would be sufficient for feeder container vessels to navigate safely through the river channel from the Middleton point. This is because the present day container vessels (across parcel load capacity) have flat bottom and therefore have minimal under keel restrictions. However, they need to be assured of the permissible draft levels.

Assured draft levels would enable shipping lines calling at the dock system to bring down their transportation costs, passing in turn the cost benefit to the shippers. Significantly, it would also make possible to attract mainline vessels to the port, bypassing the transshipment points of Colombo, Singapore and Port Klang, attracting newer investments to the port.

The UAE marine ports industry recorded an impressive 19 per cent growth over the past three years, matching the collective annual growth rate of the Middle East, Europe and Africa. The majority of the country's large marine infrastructure development projects are expected to be completed within the next 10 years, if all the shelved or postponed projects are going to be reviewed this or next year, or as a Dubai World spokesman said, "if market demands justify these planned projects".

The Middle East region, particularly the GCC sub-region, has witnessed a significant, demand-driven increase in the quality and quantity of marine companies and operators, which is making the Middle East, and the Arabian Gulf in particular, one of the most dynamic and vibrant international maritime centres in the world. At the same time, however, the real-estate industry in one of the Emirates of the UAE has been hit hard by the global financial crisis, specifically Master Developer Nakheel of Government-owned Dubai World which recorded a debt of US$ 26 billion.

Marine development projects in the region have really come to the forefront during the past five years, and the UAE has led the way in development projects. The massive economic growth witnessed in the Middle East region, coupled with the coastal location of the GCC countries, is driving major seaport expansion in the region, and over 50 projects worth over US$ 40 billion are underway, with individual budgets ranging from US$ 10 million to US$ 5.5 billion." However Jebel Ali's third terminal has now been delayed and will not resume until 2013.

In the first half of 2009, there were 13 major maritime developments in the Middle East and GCC regions. Of the 13 projects, the UAE boasts four prominent developments: the US$ 2.5-billion Port Khalifa and Industrial Zone in Abu Dhabi; the US$ 599-million Mina Rashid in Dubai; the US$ 560-million Dana Island in Ras Al Khaimah; and the US$ 1.8-billion Al Marjan Island, in Ras Al Khaimah; while KSA has three major projects underway: the US$ 5-billion King Abdullah Economic City Port; the US$ 700-million Ras Al Zoor Port; and the US$ 450-million Red Sea container station at Jeddah Islamic.

The remaining six projects are divided among the Sultanate of Oman (two major projects – the US$ 1.1-billion Duqm Port and the US$ 400-million Sultan Qabus Port), Qatar (two major projects – the US$ 5.5-billion New Meseaid Port and the US$ 1.2-billion Ras Lafan Port development project), Kuwait (the US$ 1-billion Bubian Island project), and Libya (the US$ 2-billion project in the Gulf of Sirt).

Once the economic crisis is over and global markets become stable, further expansion projects are expected to be announced in the Middle East region, and the strategic importance of marine projects will be an important factor in countries' trading activities. These projects will likely have a significant influence on the gross domestic product (GDP) figures of Middle Eastern and GCC countries, in accordance with GDP readings issued by advanced and established global economies in

terms of ports and free zones development projects.

During the last 10 years, India's maritime and related industries have seen an impressive and substantial growth in terms of capacity and quality in several areas such as new port development, shipbuilding and repair capacity and development of international logistic centres.

India has 12 major ports and 185 intermediate ports. India also has the largest merchant shipping fleet among the developing countries and is ranked 17th in the world. There are approximately 55 shipping companies in India, of which 19 deal exclusively in coastal trade, 29 are engaged in overseas trade, and the rest operate in both types of trade.

It has many business opportunities as the maritime industry is booming at a very fast pace. The number of containers has increased by 44 per cent from last year. Many international top players have committed huge investments in port / terminal and logistic /shipping ventures for the coming years, as a result of the India's government stimulus plans on Private Public Partnership (PPP) modalities within the ports and shipping sectors. To build infrastructure for economic development of the country, India has committed to spend US$ 100 billion over the next 10 years on infrastructure projects, with US$ 10 billion to be spent just on the shipbuilding and port sectors within the next five years.

A turnaround has been observed that Indian shipbuilding industry, which was totally domestic and defense-oriented, has now become export-oriented. Today out of around 190 ships on the order book 125 are for the exports. Another important development being witnessed is the involvement of the state maritime boards, which are now competing with the major ports by following land lord port model and corporatisation. In another 5-10 years, India might become the global refinery hub wherein the refinery capacity will be increased to 100 million tonnes per annum.

Apart from the Indian maritime industry, many countries from Europe, North America and Asia are pouring technology, investment and manpower into India. Japan alone has committed US$ 30 billion to India's infrastructure. Norway and

South Korea are also heavily involved in shipbuilding, ship repair and other sectors. Holland, France, Germany and England are involved in port and terminal ventures. Singapore, Hong Kong, Malaysia, Dubai and Australia have made major investments and joint venture arrangements in India's port, terminal operations, and shipbuilding sectors. Shipping lines in India and abroad are ramping up capacity to handle increased container and non-container shipments to and from India.

The Middle East, and specifically the UAE (Dubai), is the most important hub for (containerised) cargo for Asia, and the Far East, not only for its modern and well-equipped ports and warehouse facilities, its efficient well organised maritime service industries and its liberal government facilitated trade policies, but also for its ability to attract quality human resources and top class world players to set up shop in the UAE and transfer their knowledge and experience onto an increasing well-educated, trained and motivated local management and workforce.

The most modern port technology, systems, safety and security regulations implementation, computer hard and software, international best practice using electronic data exchange, are making sure that calling vessels at their ports are benefitting from the shortest possible turnaround times. Although these ports don't advertise their respective Port Performance Indicators, it is well known by the international major players that these ports are in the top 100 of world's best performing ports.

Having said this, we need to ask the question if these positive contributions to become world class ports and terminals are currently valid for the maritime industry in India.

In order to become a serious competitor to the Middle East ports, India still has to go a long way in applying the newest port and terminal technology and systems and comply strictly with international maritime laws, conventions, rules and regulations concerning port and shipping, health, safety and security standards, transparent and logic tariff systems for the services offered, meeting world class standards as well as improve their efficiency through ongoing education and training programs for top, middle management and their workforce.

In this respect, the private maritime sector should work closely together with knowledgeable government maritime agencies, major employers and trade and worker unions. The private maritime sector should, without delay, implement a system of implementing KPIs for all their ports and terminals management and workforce, while the government should continue to promote the private sector with new initiatives such as establishing free zones to enable and continue sustainable economic growth.

With abundant opportunities and challenges in store, it is right time for India to reap the fruits of the current momentum and consequential developments. MG

UAE Minister of Foreign Trade Sheikha Lubna Bint Khalid Al Qasimi had been on a promotional tour of commercial and investment opportunities in the UAE in the city of Mumbai, representing the second leg of an official Indian visit which started in New Delhi. The UAE Ministry of Foreign Trade (MoFT) has been overseeing a tour of four Indian cities with the participation of 43 representatives from ministries, federal authorities, local government departments, and private companies.

In Hyderabad, the minister held discussions with Heavy Industries Minister Kanna Lakshmi Narayana of the Government of Andhra Pradesh on bilateral relations between the UAE and India and ways to upgrade the trade and investment cooperation between the UAE and Hyderabad in particular and with India in general.

The two sides expressed their satisfaction about the level of the trade and investment relations, stressing boosting of the trade partnership. They cited the volume of non oil mutual trade, which stood at over US$ 32 billion.

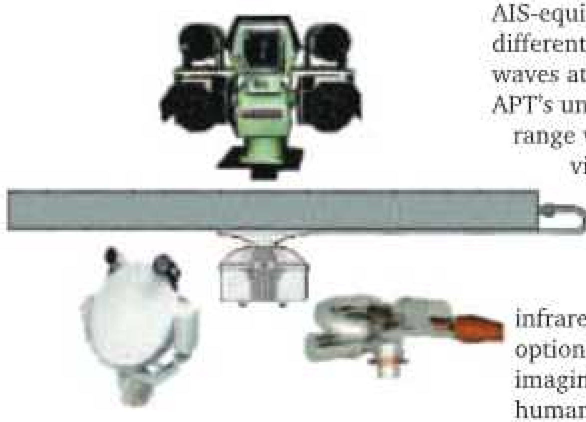
Sheikha Lubna noted that the Indian companies investing and registered in the UAE were over 105 in addition to hundreds of the Indian companies operating at the free zone. –Emirates News Agency

Piracy on the high seas is a serious and growing problem for mariners, exposing the industry to costs that can be measured financially, such as loss of vessel use, lost cargoes, and multi-million dollar ransom payments, as well as the costs that cannot be suitably measured: human lives interrupted, damaged, and lost. According to the International Maritime Bureau, piracy attacks surged 39 percent in 2009 to 406 cases, the highest in six years. Seventy eight vessels were boarded worldwide in the first six months alone, with 561 crew taken hostage and over 20 crewmen kidnapped, killed or missing. "Violence against crew members continues to increase," the report concluded. Attacks in Southeast Asia and the Far East increased 100 per cent from the first quarter to the second quarter 2009, confirming a similar trend seen in 2008. In an attempt – not completely successful – to avoid the piracy issue, some shipping companies are taking their vessels around the Cape of Good Hope, adding 12 to 15 days to their journey at a cost of US$ 20,000-30,000 per day (total additional cost: US$ 240,000-450,000 per trip). The Rand Corporation estimates worldwide losses due to piracy at up to US$ 16 billion annually.

There are a series of conflicting responses to this issue. Carrying firearms presents a range of difficulties for the mariner: ports restrict the entrance of "armed" vessels; crews do not want to encourage fire fights; vessels carrying volatile materials cannot afford exposure to explosive armament. Lesser approaches, such as independently manned water cannon or simply outrunning pirate boats, are often less than effective. The world's navies are attempting to provide some protection to shippers in critical regions, but simply cannot cover the extraordinary territory in which pirates operate. "We are patrolling an area the size of the continental US and we are doing it with 20 police cars," said Admiral Peter Hudson, commander of the EU's Atalanta fleet. While various piecemeal technologies have arrived on the scene to address the piracy issue, an integrated comprehensive solution has been elusive.

One such solution appears to have arrived recently on the horizon. ECSI International, Inc., a US-based security technology company that has been developing comprehensive security solutions for government, military, and other high-threat, high visibility sites and installations for over 30 years, has now come out with APT or Anti-Piracy Technology. It is the latest addition to their perimeter security armamentarium. APT is a comprehensive, integrated long-range anti-piracy system that combines some of the most advanced and reliable radar, visual, thermal and underwater detection and tracking technologies available today with sophisticated software, intuitive user interfaces, and non-lethal deterrence systems that include American Technology Corporation's Long Range Acoustic Device (LRAD™), extremely powerful water jets, and an advanced laser that can temporarily "block" the view of a vessel at a range of 2 nautical miles. APT coordinates all of these technologies through its SECURE™ Safely Enclosed Command Unit and Response Environment, which provides target identification according to pre-defined "rules," with set-and-forget target tracking and deterrence, all from a safe location away from the deck. The technology behind APT was developed in large part to support sensitive and demanding military applications, from search-and-rescue in hostile environments to protecting some of the most secure installations in the world, including locales and facilities related to the nuclear and petroleum industries.

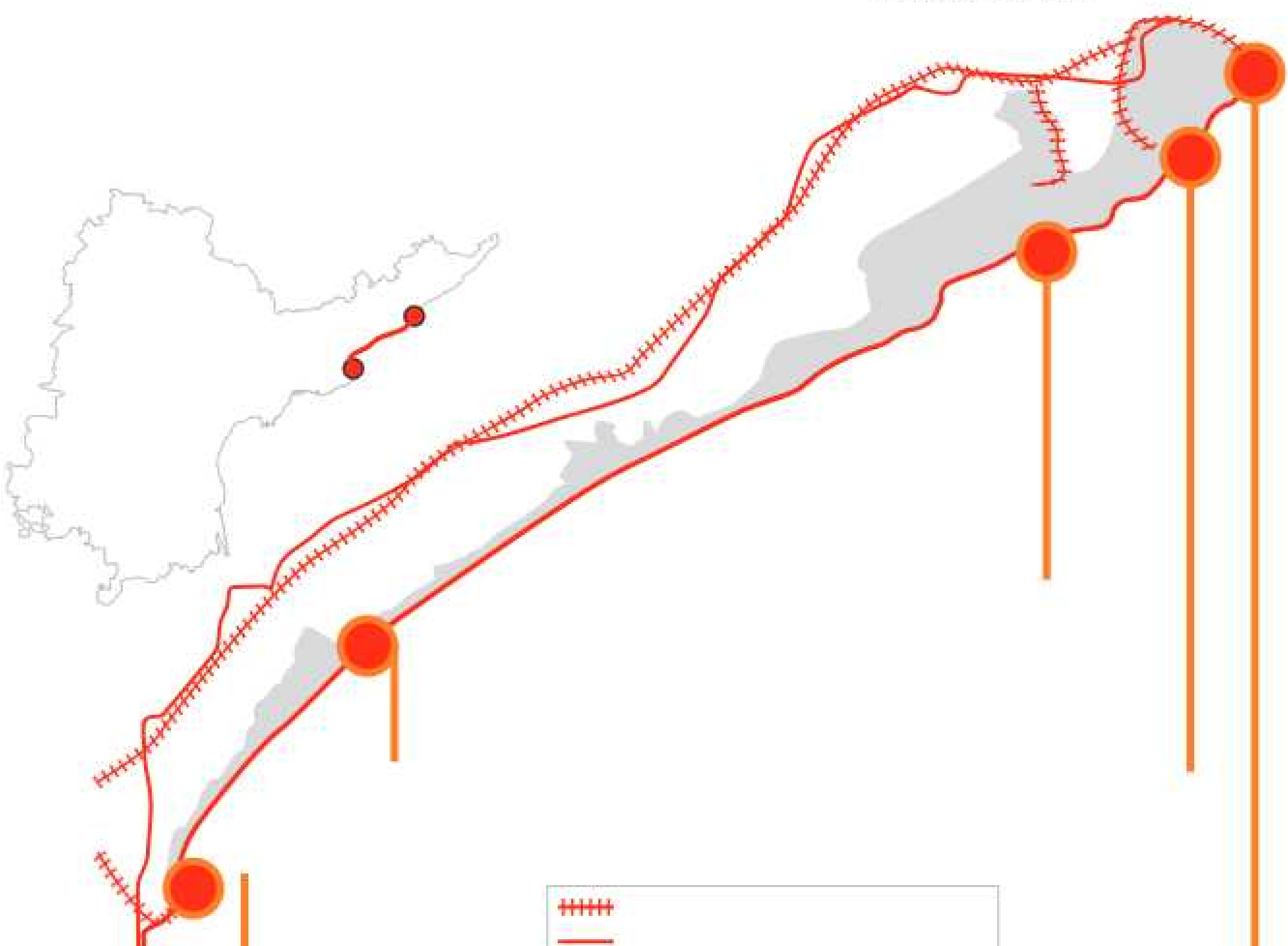
APT's Small Target Radar System provides coverage in a 96 nautical mile radius, automatically identifying AIS-equipped vessels, and can differentiate a 3.5-m boat in 3 m waves at 7 nautical miles. Similarly, APT's unique and proprietary long-range visual cameras provide clear visual target identification over an astonishing 10 miles in the daytime, with clear 5-mile visibility at night using laser and infrared illuminators. Applying optional advanced thermal imaging, APT can detect a single human heat signature at a range of 8 miles. "We believe APT is the ultimate anti-piracy 'insurance policy' to detect, identify, track, record, and if necessary, repel unwanted visitors," said Arthur Barchenko, ECSI CEO. Because of its ability to detect and identify potential threats at long distances, APT provides the ship's crew with vital extra time to react and respond to possible encounters.



APT includes LRAD as a part of its technological mix. When the need arises, APT uses LRAD to warn approaching vessels, or alternatively, to generate highly irritant deterrent tones (up to 150db) at a range of up to 1 nautical mile. In April 2008, the M/V Resolve used an LRAD to effectively repel a pirate attack when the approaching craft was approximately 0.8 nautical miles from the hull. While LRAD has received some mixed reviews in the past with respect to its effectiveness in deterring approach, Barchenko believes that APT overcomes former issues with LRAD's effectiveness by coordinating the technology with APT's advanced radar and camera systems, keeping LRAD focussed precisely on target regardless of the intruder's motions, even in rough seas.

APT offers the same target tracking and "lock" capabilities for its water jet and laser deterrents, which are similarly monitored and controlled from the Command and Response Environment.

The state of Andhra Pradesh plays a crucial role in the country's economic development and is moving ahead to become a maritime hub in the near future. AP has made remarkable progress in the export sector and garners a moderate share of 5 per cent in the overall exports from India. Its exports include agri-products, processed foods, pharmaceuticals, software exports, leather products, marine products, mineral and mineral products, handlooms, textiles and handicrafts. In fact, AP is the second largest exporter of pharmaceutical products, bulk drugs and herbal products and this account for three-fourths of the total exports from the state, according to Pharmaceuticals Export Promotion Council.



Andhra Pradesh's strength lies in its fully diversified industrial base, with the thrust on high-tech sectors including information technology, pharmaceuticals, biotechnology and nano technology. This apart, the state also focusses on the traditional sectors such as textiles, leather, minerals, and food processing. The state government is seriously working towards improving the contribution of its industrial sector to the State GDP from the present 12.9 per cent to 15 per cent. Further, it has also set target to improve the state's contribution to overall exports from current 5 per cent to 10 per cent by the end of 2010.

To achieve this, the state government has offered various incentives to the export-oriented units like sales tax exemption on purchase of raw material and 30 per cent grant for ground rent for participation in international trade fairs. The state government is also known for its investment-friendly policies to attract investment for industrial development and trade promotion.

Andhra Pradesh is one of the largest software exporters in the country today. Hyderabad is home for major IT companies and Fortune 500 firms involved in the development and export of software solutions. Software Technology Parks of India, Hyderabad recently revealed that AP has recorded steady growth rate of software exports achieving 24.5 per cent growth in 2008-09 over the previous year's exports, against the tentative national average growth rate of around 20.65 per cent.

The industrial development has received major thrust with the maritime activity picking up steam in the state. The last few years witnessed the transformation of erstwhile insignificant minor ports into full-fledged, world class facilities filling up the gap in this part of the east coast.

AP has a long coast of 978 km with one major port and 14 minor ports. Till recently, Visakhapatnam was the only major port (operated by the government) that was catering to the needs of the trade in the state. Other minor ports like the ones at Kakinada and Ravva were supplementing to the trade requirements. The government has so far offered 8 of the 14 minor ports to be developed through public private partnership.

The state is among the top three large progressive states in the country and is rapidly transforming into a dynamic industrial economy. With pro-investment policies, the state has become an attractive

investment choice. Among the eight, two ports – Krishnapatnam and Gangavaram – have already been developed into all weather, deep water, world class ports that can accommodate larger ships (Gangavaram can accommodate mother ships with drafts of more than 20 m). While Krishnapatnam Port is situated in a creek in southern part of AP in Nellore district, Gangavaram is perched in a gorge about 15 km south of Visakhapatnam Port. Both these ports add up a whopping 325 million tonnes capacity when they are fully developed. Currently both the ports are in the second phase of development.

The development of Krishnapatnam and Gangavaram ports has initiated the much needed multiplier effect in the state's hinterland. Many export-based industries are coming up in the vicinity of these ports and government has marked lands for the development of special economic zones near them. For instance, a major SEZ is coming up near the Krishnapatnam Port boosting the industrial activity in that region housing export-oriented industries like leather, auto components etc.

AP state has some prestigious maritime projects lined up for the next 10 years. They include the Rs 16,800-crore Vadarevu and Nizampatnam Ports and the Industrial Corridor (VANPIC) project, in Prakasam district and Petroleum, Chemical & Petrochemical Investment Region (PCPIR) between Visakhapatnam and Kakinada.

Located in Prakasam and Guntur districts of Andhra Pradesh, VANPIC Project includes the development of a world class port-based integrated industrial cluster to fuel economic growth and empower regional development. The corridor will have two all-weather, deep water ports Vadarevu and Nizampatnam; a state-of-the-art shipbuilding and repair facility near Vadarevu Port; mega thermal power generating units based on low-ash imported coal; specialised industrial parks, with world-class infrastructure, focussing on various industrial sectors; and an airport facility near project site, fulfilling the captive cargo and passenger demand arising from VANPIC project.

PCPIR would be a specifically delineated investment region with an area of around 250 sqkm planned for the establishment of manufacturing facilities for domestic and export led production in petroleum, chemicals & petrochemicals, along with the associated services and infrastructure. The AP PCPIR is being developed by the Government of AP and Andhra Pradesh Industrial Infrastructure Corporation Ltd. PCPIR has a much larger foot print spanning between Visakhapatnam and Kakinada and abutting Krishna-Godavari Natural Gas Basin (KG Basin). PCPIR is a timely venture that commensurates with the eastward shift of global chemical / petrochemical markets. With rapid economic growth India and China are fast becoming largest consumers of petroleum and petrochemical products in the world.

The AP PCPIR will have five SEZs in it with a combined land area of 7,203 hectares. In addition to the three existing Visakhapatnam, Kakinada and Gangavaram ports, the corridor will have two more ports dedicated to handle PCPIR cargo. Visakhapatnam Port and Kakinada Deep Water Port will also be upgraded to handle the cargo in and out of this corridor.

AP is the first state to submit the application to the central government for PCPIR. As on date, preliminary scrutiny has been completed and Rs 500 crore has already been invested for water, power and roads. L&T-RAMBOLL Consulting Engineers Ltd. were appointed for master planning & project report preparation and technical assistance. While 51,500 acres (around 77 per cent) of the processing area is already in possession including the five notified SEZs, 8,800 acres are ready for immediate allotment.

Andhra Pradesh Trade Promotion Corporation (APTPC) has a mandate to develop logistics facilities in the state of Andhra Pradesh. APTPC is planning to develop logistics hubs in all the SEZs promoted by Government of Andhra Pradesh and we will also develop other logistics facilities in the SEZs, if they demand.

We are operating a container freight station at Begumpet in Hyderabad. It has all the facilities required including cold storage and temperature controlled warehouses. It is entirely exim-based and does not cater to domestic trade. Pharma industries have been our major clients at this CFS and we also cater to those industries which need bonding facilities. Another facility is coming up near Shamshabad airport on the Srisailam highway. It will be catering to Chennai and Bangalore locations because this is the first one that is located on the southern side of the city and we have the distance advantage as it is on the out ring road and state highway. The CFS, which will have sophisticated facilities, will be developed with a strategic partner. We will be investing Rs 22 crore in to this facility and have received RFPs from seven players including CONCOR

A big logistics facility is planned at Apparel Export Park at Gajuvaka, Visakhapatnam. The export park is being developed by Andhra Pradesh Infrastructure Investment Corporation. Our facility will have bonded warehousing, CFS, container stacking and other such facilities needed for the apparel export community. There is one more logistics park that we are planning in Achutapuram ICD in Visakhapatnam. This is currently in a conceptual stage and the feasibility studies are going on to operate this project under public private partnership.

The biggest positive news about the Indian pharmaceutical exports is that despite the global recession, overseas sales have not dipped. Instead of a slowdown like every other export sector, pharmaceutical exports from India actually surged during the first nine months of the fiscal year 2008-09, going up to US$ 1.2 billion. This surge came at a time when the blowback of the global recession was being felt the hardest by every country and market in the world. According to figures available with PHARMEXIL or the Pharmaceuticals Export Promotion Council, exports were to the tune of US$ 8.61 billion during the 2008-09 growing at 28.54 per cent.

Addressing a Indo-Africa Pharmaceuticals business meet at Hyderabad last year, Commerce and Industry Minister, Anand Sharma said, "In recent times, the Indian pharmaceutical sector has emerged as one of the major contributors to Indian exports with export earnings rising from a negligible amount in early 1990s to Rs 29,139.57 crore by 2007-08 … exports of drugs, pharmaceuticals and fine chemicals from India have grown at a compounded annual growth rate of 17.8 per cent during the five-year period of 2003-04 to 2007-08."

Considering the number of Indian companies setting up units and buying off existing companies abroad, the pharmaceutical sector is rightly called a sunshine industry. Earlier, other foreign firms based in Africa started a futile slandering campaign against Indian drugs and pharmaceuticals fearing the onslaught.

Among the major 150 or so countries where the Indian pharmaceutical exports are directed, Canada, South Africa, Europe, the US and Brazil are most well-known markets. According to a press release by PHARMEXCIL Chairman Venkat Jasti, "Indian pharmaceutical sector has performed satisfactorily during April-December 2008-09 by registering a growth rate of 28.1 per cent in rupee terms and 21 per cent in dollar terms over the corresponding period of the previous year."

There is demand from the traditional pharmaceutical export markets leading to a rapid growth in the industry. Consumptions levels have also spiralled up and the Indian industry has fine-tuned its manufacturing and infrastructure to cater to the growing market base. Bulk drugs belonging to major therapeutic groups that require complex technology and manufacturing standards are no problem these days as are adherence to a high degree of GMP (Good Manufacturing Practices) that require compliance to manufacturing of myriad dosages imperative for exports.

In the Foreign Trade Policy last year, the sops offered to the sector were:

(i) Additional resources made available under the Market Development Assistance Scheme and Market Access Initiative Scheme. PHARMEXCIL, the Export Promotion Council has been provided funds for Brand Promotion of Indian pharmaceutical industry in Africa under MAI Scheme.

(ii) Incentive available under Focus Market Scheme has been raised from 2.5 per cent to 3 per cent to benefit the pharmaceutical sector.

(iii) Incentive under Focus Product Scheme up from 1.25 per cent to 2 per cent.

(iv) Market linked Focus Product Scheme (MIFPS) to help exports to Algeria, Egypt, Kenya, Nigeria, South Africa and Tanzania.

(v) Zero duty introduced under EPCG Scheme for ramping up technology.

India is neither a pushover nor is regarded as third world when it comes to buying pharmaceuticals. It can be gauged by the demand in the European market that accounts for more than 23 per cent of our exports. North America and Asia come a close second and these are markets that a couple of decades ago never considered India to be of much value. And, there was a large credibility gap that the Indian pharma industry had to bridge over time.

USA bought more than US$ 1 billion during the fiscal year 2006-07 and the figure has gone up in recent years. Primarily, it is the low cost of production that continues to be the

There are two main differentiators in handling pharma cargo versus other manufactured (non-food stuff) goods via ocean freight. One being the requirement of new and clean container equipment considering pharma cargo is either finished goods for direct human consumption or raw material for manufacture of finished goods. The other is the requirement of temperature control for some types of pharma cargo. Here the requirement is for clean and good condition refrigerated containers, so the required temperatures can be achieved quickly and controlled during transit.

One of the issues faced in carriage of pharma cargo via ocean freight is the high cargo value of a fully stuffed container. Shipping lines usually limit the value of the pharma cargo they can accept in a container to limit their own liability as per their insurance cover. This sometimes results in under utilisation of space in containers. The other is the reluctance of some shippers to adopt an unbroken cold chain right from the manufacturing facilities to save costs. This trend is however changing and shippers are realising the importance of maintaining unbroken cold chain to serve their customers better.

DHL is a large player in pharma logistics in India. We have in-house expertise in carriage of pharma commodities and have set up dedicated competence centres to cater to the growing demands from our customers. The life science industry in India has seen new and stricter regulatory requirements for quality compliance. DHL's Life Science Competence Centers fill the gap in the existing supply chain, by providing improved temperature controlled handling and storage, greater product transparency and visibility, and complete end-to-end logistics capabilities.

The DHL Life Science Competence Centers in Asia comprise a core team of industry professionals who develop solutions for customers to better manage their international supply chains. Currently, DHL has a network of 16 Competence Centers across the globe. With the recent launch of three centers in Asia, DHL will operate 19 Life Science Competence Centers, all of which have been strategically located to ensure proximity and accessibility to customers.

The pharma industry is a fast growing sector and India is poised to gain from this rapid development. Several global and local players are setting up and/or expanding manufacturing facilities in India for domestic consumption as well as for exports. This means that the Industry needs seasoned players like DHL to partner with them and get their goods to overseas destinations safely and in good time.

major attraction for buyers. In terms of production volume, India stands fourth, but ironically, the value of the pharmaceutical produce is thirteenth in the world which explains the cost-effectiveness compared to other countries.

Estimates have revealed a whopping Rs 1,00,000 crore and above worth of bulk drugs and formulations that Indian companies have the potential to produce in the next 10 years. Recessionary pressure in the traditional markets can also witness a rise in wellness products and drugs according to industry experts. CEO Kamlesh Patel of West-Coast Pharmaceutical Works and President of IDMA-Gujarat felt, "Wellness products are the most likely to see an increase during recession … drugs from India are cheaper and in popular demand as people abroad prefer cheaper drugs in times of recession. As such, the Indian pharma industry is set to benefit."

But the problem with the industry is not with markets or in surviving the global recession. The problems lie in liquidity as is the bane with several other sectors involved in exports.

Ajit Kamath, CMD, Arch Pharmalabs, said, "Fortunately, the pharma industry in India has witnessed a double digit growth. There has been no let up in demand … liquidity issues have definitely acted as showstoppers. Though the banking system has been proactive in addressing issues, extraneous factors like forex derivatives losses have plagued the system leading to challenges in receivable collections."

A Federation of Indian Chambers of Commerce and Industry (FICCI) survey showed 16 per cent rise in exports in 2009-10 with 13 per cent overseas sales increase, but lower export growth compared to the last fiscal.

The surge in Indian pharmaceuticals began in 1996-97 and since then there has been lower imports and higher exports. For 12 years preceding 2007-08, the share in national exports for pharmaceutical products have been in excess of 2 per cent. Acquisitions of companies abroad and investment from abroad are also going on in full swing. Watson Pharmaceuticals, Inc. picked up Eden Biopharm Group Limited, a Liverpool-based biopharmaceutical development and contract manufacturing company, for approximately US$ 15 million. Watson India offers value-added services like Manufacturing of APIs & Dosage Forms for Clinical Study, Bio-batches with CGMP, Documentation including Registration of ANDAs/Dossiers in CTD format for Pharmaceuticals and APIs.

Mutually beneficial arrangement between foreign and Indian companies have contributed significantly to the growth of the Indian pharma industry and the trend will keep continuing as long as the industry adheres to strict quality parameters without compromising on quality and increasing costs. MG

Generally speaking, the concept of Permanent Establishment ('PE') is not relevant to foreign shipping companies ('FSC'), since Article 8 of most Indian Tax Treaties confers the right to tax the shipping profits exclusively in residence country of FSC even if a PE exists in source country. To illustrate, say, a UK entity carries on its shipping business in international waters through its branch (i.e. a PE) in India. Since, shipping profits are taxed only in the residence country under Article 8 of India-UK Tax Treaty, the UK entity will be taxed only in the UK and not in India on its shipping income despite existence of an Indian PE (branch).

However, under certain Indian Tax Treaties (ex. India-Mauritius Tax Treaty, India-Netherlands Tax Treaty etc.), right to tax shipping profits are vested with the country in which the place of effective management ('PEM') of the FSC is situated. In such cases, the PE concept could assume significance especially if PEM is not the same as residence country of FSC.

For instance, say, a Mauritius entity is carrying on shipping operations in India but it is effectively managed from Germany. Under India-Mauritius Tax Treaty, shipping profits are taxable in the country in which PEM of the enterprise is situated. Since, in the present case, PEM is not situated in Mauritius, the benefit of Article 8 of India-Mauritius Tax Treaty will not be available to Mauritius entity. Consequently, shipping profits of the Mauritius entity will be taxable in India under Article 7 (i.e. as 'Business Profits'), provided it has PE in India.

FSCs generally conduct their business through shipping agents which carry out agency functions like clearing of cargos, marketing etc. on behalf of the FSC. Such agency functions may result in the creation of an Agency PE for FSCs in source country, thereby, subjecting such FSCs to tax in India.

Articles 5(5) and 5(7) of the United Nations Model Double Taxation Convention ('UN Model Convention') elaborately deal with the concept of Agency PE.

An Agency PE is constituted under Article 5(5) of UN Model Convention, if the following conditions are cumulatively satisfied:

- There is a person
- The person is acting on behalf of an enterprise of State R (i.e. residence country)
- The person is acting in State S (i.e. source country)
- The person is not an independent agent to whom Article 5(7) applies
- The person has an authority to conclude contracts in the name of the enterprise and such authority is habitually exercised

Further, Article 5(7) of the UN Model deals with agent of independent status and provides clarity that such a person will not constitute a PE of another enterprise, if:

- Such person is a broker, general commission agent or any other agent
- He acts in the ordinary course of his business
- He is independent of his principal

- His activities are devoted wholly or almost wholly on behalf of his principal; and
- Conditions made or imposed between him and the principal in their commercial and financial relations differ from those which would have been made between independent enterprises (this clause is present in some Indian Tax Treaties).

Hence, a person will be regarded as 'independent', if he does not satisfy one of the two above conditions. Simply put, FSC will not be regarded as having Agency PE if, for instance, the shipping agent is remunerated at arm's length, even if agent's activities are devoted wholly on behalf of one FSC principal. Some of the Tax Treaties entered into by India having clauses similar to Article 5(7) of UN Model Convention are India-US Tax Treaty, India-Canada Tax Treaty etc.

However, there are several Indian Tax Treaties (ex. India-Mauritius Tax Treaty, India-UAE Tax Treaty etc.), wherein the second condition as enumerated above is absent. In that case, the shipping agent could trigger a PE, if his activities are devoted wholly or almost wholly on behalf of FSC.

It would be apposite to bear in mind the ruling of Authority for Advance Ruling ('AAR') in case of Specialty Magazines Ltd., wherein the AAR had an occasion to consider the meaning of the expression 'wholly or almost wholly', while analysing whether an agent is independent or not. The AAR observed that the terms 'wholly' and 'almost wholly' are not technical terms or terms of art. It held that the term 'wholly' means entirely, completely, fully or totally. The term 'almost wholly' would mean very near to wholly and a little less than whole. The AAR observed that the activities of the agent yielded 75 to 80 per cent of its income from one particular principal and the balance 22 to 25 per cent of income came from other principals. Accordingly, the AAR held that it cannot be said the activities of the agent are carried out wholly or almost wholly for one particular principal.

Interestingly, even assuming that the agent is not independent, it cannot imply that an Agency PE is automatically created. This would be the case where such non-independent shipping agent has no habitual authority to conclude contracts in India.

In this context, it may be worthwhile to refer to another AAR Ruling in case of TVM Ltd. Briefly stating the facts of this case, a Mauritius company and its agent in India entered into solicitation agreement for the sale of advertisement air time. The issue before the AAR was whether such an agent could be considered as PE of the Mauritius company in India. After analysing the facts of the case, the AAR held that Indian agent cannot be considered to be an independent agent of Mauritius company. However, a non-independent agent can be deemed to be a PE of Mauritius company only if it concludes contracts / secures orders habitually. The AAR, thus, held that the Indian agent would not constitute Agency PE of the Mauritius company in India, since it did not have the power to conclude the advertisement contracts on behalf of Mauritius company, on his own, freely and without the control from the said company.

Therefore, Article 5(5) of the UN Model Convention and, similarly, several Indian Tax Treaties proceed on the basis that only agents having authority to conclude contracts habitually can result in Agency PE in India.

It is also important to note that, alternatively, shipping agent's office in India could constitute fixed place PE of FSC, if agent's office is regularly used / at the disposal of the FSCs or their personnel.

In case, the Indian shipping agents constitute Agency PE / fixed place PE of FSCs in India (assuming Article 8 benefit is not available), then the taxability of shipping profits will be governed by Article 7, i.e. Business Profits. Once it is held that shipping profits are taxable in India under Article 7 of the Tax Treaty, recourse will have to be made to Income-tax Act, 1961 ('IT Act') for determining the taxability thereof. Under section 44B of the IT Act, 7.5 per cent of certain freight and other collections are deemed to be profits from the business of operation of ships by FSC, and tax at the present rate of 42.23 per cent is levied on such deemed profits.

In summary, it is critical to analyse PE exposures of FSC, especially, if right to tax shipping profits under the concerned Tax Treaty is based on situation of PEM. Accordingly, it becomes imperative for FSC and their Indian agents to proactively plan their arrangement in such a manner that would mitigate tax exposures in India not only for FSC but also for the Indian shipping agents who act in a representative and fiduciary capacity.

The New Mangalore Port Trust (NMPT) has shortlisted five bidders for building and operating a new container terminal at the port on a build-operate-transfer (BOT) basis for 30 years. The project will involve a cost of Rs 2.76 billion and will have container handling capacity of 0.4 million twenty foot equivalent units (TEUs). The shortlisted bidders are – IL&FS Maritime Infrastructure Company, and Punj Lloyd Infrastructure; Vadinar Oil Terminal, and Essar Ports and Terminals; Mundra Port and Special Economic Zone Limited (MPSEZL), and Adani Enterprises; Simplex Infrastructures, Srei Infrastructure Finance; and Galfar Engineering and Contracting S.A.O.G; and Spain-based Grup Maritim TCB, and the US-based West Coast Ports. The financial bids will be based on the minimum grant or maximum revenue share offered by the bidders. As an upfront tariff fixation is required for the bidding process, the Tariff Authority of Major Ports (TAMP) has already issued an order fixing the tariffs the winning bidder can charge for handling containers. When the developers make their bids, they will undertake the traffic risk for the concession period.

The Cabinet Committee on Infrastructure (CCI) approved three port projects at an estimated total cost of Rs 77.37 billion on January 28, 2009. The port trusts can now invite and award bids for these projects. The largest project is the development of a fourth container terminal at the Jawaharlal Nehru Port Trust (JNPT) on a design, build, finance, operate and transfer (DBFOT) basis at an estimated cost of Rs 66.96 billion. The facility will have the capacity to handle more than 4.8 million twenty-foot equivalent units (TEU) per annum.

The second project is the mechanisation of coal handling facilities and upgradation of the general cargo berth in the outer harbour of Visakhapatnam port on BOT basis at an estimated cost Rs 4.41 billion. The mechanisation, strengthening and deepening of the berth would enable the port to cater to larger vessels of 0.2 million dead weight tonnage (DWT) capacity for handling coal with a capacity of 10.18 million tonnes per annum (mtpa). The third project involves development of a standalone container handling facility with a quay length of 330m at JNPT on DBFOT basis. The facility will have the capacity to handle more than 0.8 million TEUs per annum. The total project cost, including development of civil works, capital dredging and equipment is estimated to be Rs 6 billion.

Dharma Port on the east coast of India is nearing completion of first phase. The first vessel that called at Dhamra recently brought a ship loader and unloader and other project cargo from Shanghai. The port which is a joint venture between Tata Steel and Larson & Toubro is looking forward to finish the first phase work and commence operations before summer this year. The master plan of the port will have 13 berths with a deep draft of 18 metres and will have a capacity to handle 83 million tonnes of cargo annually. First phase will include two berths of 350 m each.

Of the total approved outlay of Rs 650-million for development works at the Visakhapatnam Port in 2009-10, Rs 600 million have already been spent. In order to cater to deep draught vessels, Phase II involving deepening of inner harbour entrance channel and turning circle to 12.5 m draught had been taken up and is expected to be completed by October 2010. Thereafter, Phase III of the project will be taken up to deepen the draught to 14 m. During the last four months (December-March) of 2009-10, the port is expected to obtain clearance from the authorities for public-private partnership (PPP) projects costing more than Rs 12.5 billion. These include the development of west quay-6 (WQ-6) berth for bulk cargo and east quay-10 (EQ-10) berth for liquid cargo in the inner harbour, mechanisation and upgradation of the general cargo berth in the outer harbour to cater to 0.2 million DWT vessels and development of WQ-7 and WQ-8 berths. The port expects to award concessions for the projects before the end of March 2010.

Infrastructure developer Hindustan Construction Company (HCC) bagged three road projects worth Rs 2,860 crore in West Bengal from the National Highways Authority of India (NHAI). The company has received letter of awards for four laning of three stretches on NH-34 on build-operate-transfer basis, HCC said in a filing to Bombay Stock Exchange (BSE). The special purpose companies implementing these three projects under HCC Infrastructure Ltd., a unit of HCC, would receive a capital grant of Rs 1,033.47 crore during the construction period, the filing added.

Delhi State Industrial & Infrastructure Development Corporation (DSIIDC) has proposed to set up two Special Economic Zones, for the Gems & Jewellery industry and IT & IT-enabled services with a total investment of Rs 785 crore. Commerce & the Environment Ministries have cleared the projects and work is expected to commence from March 2010. Baprola village in northwest Delhi has been selected for the projects in a total land of 67.4 acres. Both the SEZs are expected to be functional within the next 30 months.

The Gems & Jewellery SEZ will occupy 41.4 acres and will have specialised infrastructure facilities for identification, grading and certification of diamond as well as a world-class Gems & Jewellery Training Institute. It is expected to provide direct employment to 18,000 people and indirect employment to 54,000 people. Indian branded jewellery is growing at 40 per cent per year and its expected market size would be US$ 2.28 billion by 2010 and Delhi contributes approximately 10 per cent of the country's total export of gems and jewellery.

In the process of doubling the handling capacity to 90 million tonnes (mt) in the next three years, Mumbai Port Trust (MbPT) has lined up several projects. They include harbour wall berths for bulk cargo (capacity 10 mt), fifth oil terminal for liquid bulk at Jawahar Dweep (18 mt), Tata Power's functioning coal terminal (current capacity 3 mt and 2 mt more proposed), the offshore container terminal (9.6 mt), and second chemical terminal at Pir Pau (2 mt). Under the public-private partnership (PPP) model, MbPT also intended developing berths 1 and 2 for dry bulk, 10, 11 and 12 for general cargo and two berths for a dry dock.

The underlying dispute concerns an incident that occurred in India. SCI had chartered one of its vessels to Jaldhi to be used in transporting iron ore from India to China. The vessel was delivered to Jaldhi on March 29, 2008. During loading operations the next day in the port of Kolkata, India, a crane on the vessel collapsed, killing the crane operator and halting the loading of the cargo. Jaldhi placed the vessel off hire. According to SCI, the vessel came back on hire on April 13, 2008 when its cranes passed safety inspections.

On May 2, 2008, SCI presented an invoice to Jaldhi for the payment of US$ 3,608,445. After not receiving payment from Jaldhi, on May 7, 2008 SCI filed a complaint in the US District Court for the Southern District of New York seeking attachment of all property of Jaldhi that might be found in the District.

The amount sought in the attachment was US$ 4,816,218, consisting of the balance due on the charter party, interest, and attorneys' fees. The District Court entered an ex parte order of Maritime Attachment and Garnishment, noting in its order that the attachment applied:

On June 27, 2008, the District court vacated its earlier order of attachment insofar as it applied to EFTs of which the defendant was the beneficiary. Since this constituted the bulk of the funds under attachment, the court certified the matter for immediate appeal. SCI filed a timely appeal with the US Court of Appeals for the Second Circuit.

After two sets of briefings by the parties and the submittal of an amicus curia brief by the Clearing House Association LLC on behalf of the banking industry in New York, the appellate court ruled that EFTs being processed by an intermediary bank are not subject to attachment under Rule B. The court's reasoning was that Rule B allows attachment of defendant's personal property found within the District. Not all personal property is subject to attachment; only personal property of the defendant. The issue then becomes whether an EFT in the hands of an intermediary bank is the personal property of the defendant.

The court ruled that federal maritime law did not address the issue. It thus looked to state law to determine property rights. Under New York State law, a beneficiary has no property interest in an EFT because, until the funds transfer is completed by acceptance by the beneficiary's bank of a payment order for the benefit of the beneficiary, the beneficiary has no property interest in the funds transfer.

SCI has now filed a petition for certiorari with the Supreme Court of the United States. With limited exceptions not applicable here, there is no right of appeal to the Supreme Court. A petition for certiorari is a request for the Court to direct the lower court to send the case up for consideration. The Supreme Court denies the majority of such requests, and seldom provides a rationale for the denial. Thus, the odds of this case being accepted for consideration by the Court are low. That said, it is valuable to examine the grounds advanced by SCI for why the case should be overturned.

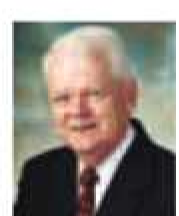
The major argument advanced by SCI as to why the appellate court decision is erroneous is that the court's reliance on state law to

determine whether intangible property is subject to attachment under Rule B will disrupt the uniform rules relating to maritime matters. The petition notes that maritime law is uniquely federal and intended to be uniform throughout the United States. Maritime attachment is considered to be an essential feature of admiralty jurisdiction. Thus, SCI contends, whether a particular piece of property is subject to attachment under Rule B should be decided by maritime law, not by a statute of the local jurisdiction where the case has been brought.

While defendant Jaldhi has yet to file a response to SCI's petition, it will undoubtedly argue that the admiralty courts frequently look to state law when maritime law does not provide clear guidance. Under maritime law, state law may be applied if: (1) there is not an act of Congress that speaks to the issue; (2) the state law does not contravene a characteristic feature of the general maritime law; and (3) the state law does not interfere with the proper harmony and uniformity of maritime law. In the past, the Supreme Court has looked to, and applied, state law in cases relating to wrongful death, forum non conveniens, oil spills and oil handling, marine insurance contracts, and state unemployment insurance tax, among others.

On the other hand, an attempt by a victorious defendant in a maritime contract dispute to collect attorneys' fees as authorised by state law was rejected recently when the appellate court ruled that the American Rule whereby each party bears its own costs is a characteristic feature of US admiralty law, not subject to alteration by state statute.

This case raises an important issue, and one on which the Supreme Court has yet to speak. We must wait to learn whether the Court is interested in addressing the issue on these facts and at this time.



Why does the road transport play a dominant role in the freight transport sector? When will rail transport become trade-friendly? Are the present efforts sufficient to improve logistics efficiencies?

These are some of the questions which hover in the minds of everyone associated with freight transportation and logistics and for which answers have always been elusive. No doubt, the industry and the government have been working their fingers to the bone to improve the situation, but to no avail. At the end of the day, it is the trade – the exporters and importers – who should bear the brunt and pay from their pockets for the inefficiencies.

Indian economy has been growing at more than 7 per cent in the last five years. To sustain this growth, it is essential to take a new approach towards India's global trade and beef up the logistics infrastructure. The rate of infrastructure development happening in India is not commensurate with the rate at which trade is growing.

Competing in global markets requires smooth cargo flows in the supply chains. But the ground realities are altogether different and are riddled with poor connectivity infrastructure. Rail transport, which is considered to be a more efficient and cost-effective mode of transport, garners lesser share, as against road transport, in moving freight in India. Lack of suitable policy measures from the government and lack of strong industry representation has made things worse. On the other hand, the trade, which is not unfamiliar to the hassles involved in moving their cargo from factory to ports and vice versa, lacks a strong lobby to represent before the industry and the government to get things done.

Today, many sections of the industry and trade are looking for policy level changes in freight movement. Recognising exim freight movement and providing dedicated facilities for exim cargo are among the fore.

Pramod Bhandari, President, Federation of Ship Agents Associations in India feels that Indian Railways should come out with a separate exim cargo policy rather than having a single policy for both domestic and exim cargo. "I believe that the cost of transporting by rail to/from gateways/ICDs should be part of an Exim Policy, which provides foreign trade in containers, with fiscal support within the Indian Railway tariff. In the interest of continuity, such tariff on exim traffic should then be sustained for a reasonable length of time. This will conform to the principle of support, being provided by the government for foreign trade, particularly for exports," says Bhandari.

Though some amount of consolidation is happening of late, the logistics industry is traditionally a fragmented one and much more needs to be done to improve efficiencies and costs. Fragmentation has led to cut-throat competition among the small and sundry transporters and logistics services providers. It is ironical that in spite of such intense competition, the costs of logistics services are much higher in our country. This can be attributed to the poor infrastructure set-up that has affected the industry severely. For instance, the prestigious Dedicated Freight Corridor (DFC) is being deemed as a solution to the traffic congestion and bottlenecks between Mumbai and Delhi. Bhandari says, "This development has been on the drawing board for almost 3-4 years. Unofficial estimation is that it can be up to 2015 before we see the commencement of operation…. subject of course to several factors."

Going by this estimate and the rate at which container traffic is growing in this route, growth will overshadow the capacity of DFC. By the time DFC is thrown open, the unprecedented growth in traffic will lead to further congestion and delays. The advantages of the DFC can only be utilised only if it is developed at a faster pace. Let the hope prevail.

KNOWLEDGE FORUM

gateway MEDIA


MAERSK
LINE

The majority of shipping companies in Asia will continue to face significant operating and credit challenges in 2010, says Fitch Ratings, a global rating agency, in its recent report. As the oversupply of shipping capacity will continue to exert pressure on shipping rates and utilisation levels in 2010, here's a quick look at the results.

Shipping Corporation of India Limited has recorded a total income of Rs 9.82 billion as against Rs 12.02 billion in the corresponding period of the previous fiscal, thereby recording a decline of 18.3 per cent. The net profit stood at Rs 874.4 million, as against Rs 1,854.3 million in the corresponding period of 2008-09, registering a phenomenal decline of 52.84 per cent.

Great Eastern Shipping's Q3 FY 10 net profit dipped 68 per cent as freight rates slumped during the quarter, putting pressure on margins. The company posted a net profit of Rs 94 crore for the quarter-ended December 2009, compared with Rs 294.48 crore a year ago.

Mercator Lines Limited, India's second largest private sector shipping company (in terms of tonnage), has registered a 20 per cent drop in revenues for the nine-month period ended December 2009. The revenues fell from Rs 1,673 crore to Rs 1,332 crore was due to the prevailing market conditions.

Varun Shipping registered a net loss of Rs 90 lakh versus profit of Rs 51 crore. It's total income was down at Rs 239 crore versus Rs 270 crore. The revenue is down by about 30 per cent compared to last year for the quarter.

Gati Limited has registered a total income of Rs 1.82 billion as against Rs 1.61 billion in the corresponding period of the previous fiscal, thereby recording an increase of 13.04 per cent. The net profit stood at Rs 38.4 million, as against Rs 1.4 million in the corresponding period of 2008-09.

Transport Corporation of India Limited has recorded a total income of Rs 3.81 billion as against Rs 3.22 billion in the corresponding period of the previous fiscal, thereby recording an increase of 18.32 per cent. The net profit stood at Rs 118.1 million, as against Rs 56.8 million in the corresponding period of 2008-09, registering a significant growth of 107.92 per cent.

Allcargo Global Logistics Limited has recorded a total income of Rs 1.42 billion as against Rs 1.45 billion in the corresponding period of the previous fiscal, thereby recording a decline of 2.07 per cent. The net profit stood at Rs 232.5 million, as against Rs 306.4 million in the corresponding period of 2008-09, registering a fall of 24.12 per cent.

Aegis Logistics Limited registered a growth of 2.36 per cent in its total income to Rs 767.1 million in the third quarter of 2009-10, as against Rs 749.4 million in the corresponding period of the previous fiscal. The net profit stood at Rs 109.3 million, as against Rs 78.6 million in the corresponding period of 2008-09, registering an increase of 39.06 per cent.

Mundra Port and Special Economic Zone Limited recorded a total income of Rs 3.4 billion, as against Rs 3.03 billion in the same period of the previous fiscal, thereby recording a growth of 12.21 per cent. Net profit stood at Rs 1.63 billion, as against Rs 1.01 billion in the corresponding period of 2008-09, registering a growth of 61.39 per cent.

Dredging Corporation of India recorded a income of Rs 1.81 billion, against Rs 2.24 billion in the same period of the previous fiscal, recording a decline of 19.2 per cent. The net profit registered a growth of 45.56 per cent at Rs 361 million as against Rs 248 million in the corresponding period of 2008-09.

Shreyas Shipping and Logistics Limited recorded a total income of Rs 219.08 million against Rs 376.21 million in the corresponding period of the previous fiscal, thereby recording a decline of 41.77 per cent. The net loss during the same period in 2009-10 stood at Rs 49.75 million, as against Rs 56.37 million in the corresponding period of 2008-09.

Great Offshore Limited posted an income of Rs 2.42 billion as against Rs 2.69 billion the previous fiscal, recording a decline of 10.04 per cent. The net profit stood at Rs 495.4 million, as against Rs 577.2 million in the corresponding period of 2008-09, registering a decline of 14.17 per cent.

It's time for trade shows, exhibitions and conferences in the maritime sector. Here are a few events lined up for the coming months.

The International Exhibition & Conference being organised by Chemtech will provide insights for Indian Marine, Shipping, Ports and logistics service providers and manufacturers, to become globally competitive.

www.chemtech-online.com

Professionals related to the field of exploration & development, seismic data acquisition, reactors, heaters & turbines, electrical equipment & other related products can benefit from the trade show.

www.ciooe.com.cn

The event showcases the latest in marine engineering and port technology besides combining exhibition, conferences and seminars on the theme 'Shipping in Asia Today – Preparing for the Future'. About 800 leading international maritime exhibitors from over 50 countries and 10,000 visitors are expected.

Email: apm@reedexpo.com.sg
Website: www.apmaritime.com

The largest biennial container ports, shipping and transport logistics exhibition and conference will feature 30 world-class speakers in global transport and logistics and 250 senior executive delegates from the world's leading maritime services.

www.transportevents.com

The exhibition and conference serves as a showcase of the latest in technology, equipment and machinery as well as allied services, while providing overseas investors with a definite outlook of the regional oil & gas sector.

www.ogpoasia.com

The boat show and exhibition will bring together exporters, importers, manufacturers of canoeing, sailing, boating equipments & other related professionals & general public to watch and trade equipment.

www.mumbaiboatshow.com

The summit will provide a forum to promote free trade zone services and attract investors to the country's free zones, ensuring they remain pace-setting, fast lanes of economic development.

www.biztradeshows.com

The exhibition and conference, being organised by India Trade Promotion Organisation, will have ship-building, ship-repair, dredging, traffic monitoring system, maritime institutes and maritime boards targeting Service providers of maritime industry, decision Makers, government Officials, shipping & port associations.

www.tradeindia.com

Organised in conjunction with the UNESCAP's Asia Pacific Ministerial Conference on Infrastructure, the event will bring together infrastructure companies and experts to showcase their products and services to decision makers and procurement agencies from over 53 countries in the Asia-Pacific and the rest of the world.

www.infrastructureasia.com

The tradeshow and conference brings together buyers and sellers of marine equipment, shipbuilding technology and products and services for the shipping industry from Japan and around the world.

www.seajapan.ne.jp

The region's premier Conference and Expo organised by PERDASAMA will bring together industry players - multinational oil companies, national oil companies, government officials, traders, suppliers, consumers and experts.

www.myevents.com.my

RNI NO.: APENG/2009/30633