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INDUSTRY UPDATE
**IRON ORE EXPORTS
YEAR OF FLAT GROWTH**

PORT SCAN
**KANDLA PORT
THE HALLMARK OF SUCCESS**

OPINION: SABYASACHI K HAJARA
PROTECT SHIPPING

INTERVIEW
ADVANTAGE SICAL

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Hubs in High Gear

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Advantage Sical

L R Sridhar

L R Sridhar,
CEO and Director,
Sical Distriparks Ltd



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Protect Shipping

S K Hajara

Sabyasachi K Hajara
Chairman &
Managing Director
Shipping
Corporation of India



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Markets

Atlas shrunk!



A recent Barclays report holds hope even as the world still grapples with the worst-ever economic crisis in the last five decades. It says India

and China are likely to show resilience in the face of the financial crisis, though both the economies could register a decline in growth rate. It is heartening to learn that a string of stimulus packages will cushion the negative impact despite the prediction that India would register only 5 per cent GDP growth this fiscal.

Since the shipping industry is the worst-hit, this edition allots in-depth coverage to issues such as marine insurance, anti-dumping duty, shipbuilding and iron ore exports. Creating one-stop hubs like multimodal parks is hailed as a

holistic solution for the logistics sector and the main story gives a 'just-in-time' detailed analysis of the concept. The 'be-balanced' attitude for seafarers and taxation issues for foreign ships visiting India are a must-read.

As minimalist thinking gains credence in these tough times, the World Bank rightly calls for investments in safety nets, infrastructure, and small and medium-size companies to create jobs and to avoid social and political unrest. On the face of it, India seems to be faring fairly well in these areas. Well, we have read of 'men of the mind' going on strike in Ayn Rand's *Atlas Shrugged*. But now we see 'money of the men' shrinking for the first time since the World War II.

Warm regards,

Ramprasad, Publications Director
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Protect Shipping

Foreign shipping lines are flocking to India to get a share of our exim trade. But this is the time when Indian shipowners require special protection. Anti-dumping duties are being proposed and accepted for various industries but not for shipping.

We are passing through times of unprecedented depression. Today the whole world is moving in a concerted manner. I am an optimist and I am quite hopeful that this kind of global economic depression will not last for too long. The destiny of shipping is linked with world economy and international trade. In the recent past, both dry bulk and container sectors of shipping have been hit the most. China, which consumes more than 500 million tonnes

of steel, experienced a dip in steel production. For some time they have cut down the production so heavily that they stopped importing iron ore. This created havoc in dry bulk market. I don't think there is any industry in the world which can compare with the dry bulk market in terms of its crash. In a span of eight months 95 per cent of the Baltic Dry Index got wiped out. Other segments like crude oil and petroleum got impacted but did not crash. Tanker market sustained as traders decided to build inventory. On top of it, winter season also boosted the energy demand. Shipping Corporation of India may not be as badly affected as others since 80 per cent of our tonnage comprises tankers. The basic difference

between the previous depressions and this one is that the present economic crisis is a result of the collapse of financial markets. International trade happens only through the letter of intent and credit. We hope that the bailout packages may restore credibility in the financial markets which in turn can improve the commodity market. Every downside brings opportunities. Many shipping companies, including the SCI, are cash-rich. Second-hand vessels can be bought at reduced prices where a shipowner is unable to close the financial deal and has to give up the order. Shipyard in turn tries to sell the same ship but obviously at a reduced price. How do we really take advantage of that? For a second-hand or resale ship one has to secure the entire fund. Though a shipping company can invest 20-25 per cent of its own money, the balance has to come from the international financial market. Unfortunately, today banks have completely stopped the lending.

Many of the foreign banks received bailout packages from the government – a sort of nationalisation through the backdoor. The government ensured that their representatives become part of the board of such banks and ensured

that lending is done to projects outside their country. Even with the figure of 6 per cent growth rate our exim trade is growing strong and we still have a lot of cargo to import. We asked our Commerce Secretary why cannot there be something like an anti-dumping duty for shipping. But the ministry feels that the duty is meant for products and not for services. Another issue is when the rolling stocks of railways can be considered as infrastructure, why not shipping? We are asking to incentivise Indian banks to lend Indian Shipping or create a war chest kind of fund to acquire ships. This is the right time to acquire such a fund. But how do we acquire if there are no sources of funding. From the forum of INSA (Indian National Shipowners' association) we have appealed to the government. The Ministry of Shipping has been supporting this demand. But it requires approval from Cabinet and finance ministry. Contribution of Indian shipping to the Indian economy is considerable. When China's economy started growing they paid maximum attention to the maritime infrastructure. Indian shipping too should be given due importance and policy-level support by the government. **MG**

(S Hajara is the chairman and managing director of the Shipping Corporation of India.)

“The whole world is looking inward. Our government too should have some protectionist approach.”



Maritime security

Indian Navy to lead force

In the backdrop of multiple agencies involved in coastal security and the resultant problems of coordination, the government has designated the Indian Navy as the authority responsible for overall maritime security, both coastal and offshore.

Government of India has announced a slew of measures to strengthen maritime and coastal security against threats from the sea. Hereafter, the Navy will be assisted by Coast Guard, State Marine Police and other Central and State agencies for the coastal defence of the nation.

Announcing this at a press conference after laying the keel of the country's first indigenous aircraft carrier in Kochi recently, Defence Minister AK Antony said, "Joint Operation Centres (JOCs) at Mumbai, Visakhapatnam, Kochi and Port Blair will be set up under the charge of existing Naval C-in-Cs. The JOCs will be jointly manned and operated by the Navy and Coast Guard with inputs from diverse agencies including Coast Guard, Navy and Central and State agencies. The Naval



C-in-Cs will be designated as the C-in-Cs Coastal Defence."

The minister said a National Command, Control, Communication and Intelligence network for real-time maritime domain awareness linking the operations rooms of the Navy and Coast Guard, both at the field and the apex levels, will also be established. The Navy will control all Navy and Coast Guard joint operations. "This will ensure that the assets are optimally deployed and there is synergy between the

two organisations. With these measures the Government is expecting that a new focus will be given for effectively managing threats from the sea and security for our coastline," he said.

The government is also strengthening security agencies like Navy and Coast Guard by increasing their assets like ships, boats, helicopters, aircraft as well as manpower. The Navy is getting a new specialised force called 'Sagar Prahari Bal' with 1,000 personnel for protecting naval assets and bases on both east and west coasts and the island territories. Along with this, 80 Fast Interception Crafts will be procured for sea front patrolling.



Strengthening Coast Guard

The Indian Coast Guard will be additionally designated as the authority responsible for coastal security in territorial waters including areas to be patrolled by the Coastal Police. The Director General Coast Guard will be designated as Commander Coastal Command and will be responsible for overall coordination between central and state agencies in all matters relating to coastal security.

The minister said the government has approved setting up of nine additional Coast Guard stations to integrate into the 'hub-and-spoke concept' with coastal police stations along with manpower. These stations are to be located at Karwar, Ratnagiri, Vadinar, Gopalpur, Minicoy, Androth, Karaikal, Huttbay and Nizampatnam. The Coastguard is being empowered to provide assets like ships, boats, aircraft and helicopters and necessary manpower for their enhanced role in guarding our coast line.

One post of additional DG, one post of COM North West, three posts of DDG have been sanctioned in addition to about 20 per cent increase in afloat units and 30 per cent increase for shore support. The Intelligence set up of Coast Guard is also being improved with adequate manpower resources. The government has also approved the proposal for setting up of Static Coastal Radar Chain and a comprehensive network chain of AIS stations along the entire coast as well as island territories. This work will be done by Ministry of Shipping in coordination with Coast Guard.

Terror threat

Ports to have bomb scanners

Government of India has intensified curbing measures at ports in view of the growing threat from terrorists across the territorial waters. Special equipment that use gamma rays, are being requisitioned at all the major ports to detect arms and radioactive materials hidden in containers. These scanners once installed can help trace any nuclear warheads, say port officials. Such a facility has already been installed at Nhava Sheva in Mumbai.

At least seven container scanners will be deployed in strategic ports for which the bidding process has already



begun. According to the officials, three mobile gamma ray container scanner systems and four fixed container scanners will be installed at strategic points to detect any weapons or radioactive substances. Vulnerable ports in India are Kandla, Chennai, Vizag and Tuticorin since a lot of container traffic flows to and from here.

It may be recalled that the Directorate of Revenue Intelligence had booked cases in recent years banning any harmful material. Yet, unshredded scrap containing unexploded rocket shells and bombs from war-ravaged countries like Iraq and Somalia have been smuggled and recycled in rolling mills near Delhi. According to unofficial estimates made by revenue intelligence officials, more than 10,000 tonnes of iron scrap was being imported on a daily basis and over 30 tonnes of shells were seized from them till 2005. The harmful residues have been sent to the Army and intelligence agencies for safe disposal.

Ever since the recent Mumbai terror attacks, the government has stepped up security measures and as part of it, has authorised agencies abroad to certify scrap consignments heading to India with an endorsement that the imports are free of arms, ammunition, mines, shells, cartridges, explosive material in any form.

Stake in KPCL

3i Fund to invest \$161 mn

3i India Infrastructure Fund, a US\$ 1.2-billion investment fund established by international private equity firm 3i Group, has picked up minority stake between 15 to 26 per cent in Krishnapatnam Port Company Ltd., promoted by the Hyderabad-based Navayuga Group.

The group has invested around \$ 161 million in KPCL through its 3i India Infrastructure Fund. KPCL has a 30-year concession (extendable to 50 years) to develop, operate and maintain the Krishnapatnam port, situated 24 km away from Nellore, Andhra Pradesh.

3i Infra Funds' other investments are \$ 227 million for a minority stake in Adani Power and \$ 100 million in Hyderabad-based engineering firm Soma Enterprises.

Anil Ahuja, head of Asia at 3i, said "Krishnapatnam Port Company provides us with an opportunity to invest in a high quality port asset being developed on the east coast of India. The port is strategically located and is being developed by a highly experienced management team."

According to C V Rao, chairman of Navayuga Group, the port will have best-in class infrastructure including a deep draft, adequate land area and excellent road and rail connectivity. "We regard 3i as a string partner which understands the local infrastructure space and offers us a wide network of contacts and experience," he added.

Investment proposal

Port upgradation mooted

Indian government plans to invest Rs 55,804 crore in the port sector of the country and would also encourage investment from the private sector, Parliament was informed recently.

"The government has already launched the National Maritime Development Programme (NMDP) involving a total investment of Rs 1,00,339 crore. In the port sector, the total anticipated investment is Rs 55,804 crore for 276 projects," Minister for Shipping, Road Transport and Highways TR Baalu said in a reply to the Lok Sabha.

The investment will be on construction/upgradation of berths, deepening of channels, rail/road connectivity projects and equipment upgradation and modernisation schemes among others, Baalu said.

Adding capacity

GTI gets two quay cranes

Gateway Terminals India Pvt Ltd (GTI) has recently commissioned two new quay cranes in Jawaharlal Nehru Port, thereby ramping up its capacity by an additional 500,000 TEU. With this the total number of quay cranes has gone up to 10. Inaugurating the ninth crane, Jin-Li Chung, managing director of Hyundai Merchant Marine India Pvt Ltd said, "Hyundai has



witnessed GTI's tremendous success within a short period of three years and is demonstrating again that even bigger successes can be achieved by GTI for their customers in the future."

The cranes have been procured from ZPMC of China. This milestone, in addition to increasing yard space by almost 2,000 ground slots and commissioning 11 new, eco-friendly, 6-high RTGs, is part of GTI's plan to offer customers world-class infrastructure and scale-up capacity to 1.8 million TEU in 2009 from 1.3 million TEU in 2008.

Arvind Bhatnagar, CEO of Gateway Terminals India said, "The team is geared to move ahead to take on the challenges posed by the current economic scenario and convert them into opportunities for further improvement and to ensure customer delight."

Employee unrest

Port, dock workers defer strike plan

Following a meeting with the Union Shipping Secretary and the Chairman of Indian Ports Association at New Delhi, all the five major federations of port and dock workers in the country have decided to defer the strike plan from March 10.

T Narendra Rao general secretary of the Water Transport Workers' Federation of India, said the five federations have submitted their arguments and it was agreed that the Bipartite Wage Negotiating Committee would be convened on or before March 31 and the formula for fitment and methodology for arriving at minimum basic pay would also be settled amicably. The Shipping Secretary had agreed to five-year periodicity which was one of the long pending demands of the federations. At the time of formation of the Bipartite Wage Negotiating Committee, the guidelines of the Department of Public Enterprises was quoted for periodicity of the wage settlement for 10 years, whereas the same DPE has issued revised guidelines for less than 10 years but not below five years settlement at all CPSUs and autonomous bodies of the Union Government, he added.

The other federations which attended the meeting included the All-India Port and Dock Workers Federation, the All-India Port and Dock Workers Federation, the Port, Dock and Waterfront Workers Federation of India and the Indian National Port and Dock Workers Federation.

Tuticorin Port

Base laid for 2nd terminal

Union Minister for Shipping, Road Transport and Highways T R Baalu laid the foundation stone for the second container terminal at Tuticorin Port recently. The Rs 312-crore facility, when completed, will have a capacity to handle 6 lakh TEUs. The minister said the terminal will give a fillip to cargo movement both from the region as well as from across the country.

He also expressed the hope that the Sethusamudram project would be completed as soon as possible, now that the Supreme Court had given the go-ahead for the work to continue.

Chennai mega terminal

9 firms submit RFQ

The Chennai Port Trust has received request for qualification (RFQ) from nine companies for the development of mega container terminal at the Chennai port at an estimated cost of Rs 3,686 crore. The terminal, with an estimated annual capacity of 4 million TEUs is likely to become operational by 2012-13.

The companies which have submitted the RFQs are DP World (Mumbai), GVK-Leighton Consortium (Mumbai), IL&FS Maritime Infrastructure (Mumbai), Vadinar Oil Terminal (Mumbai), L&T Transco Pvt. Development Projects (Chennai), Navayuga Engineering (Chennai), Lanco Infratech (Hyderabad), Mundra Port and SEZ (Ahmedabad) and the FGI Group of Companies (Malaysia).

The short list of pre-qualified bidders who will be eligible to participate in the project bid will be drawn up after receiving the security clearance from the Union government. Of the estimated cost, the port trust is expected to contribute Rs 1,600 crore to build the breakwaters, for dredging and for navigational aids. The balance will have to be raised by the successful bidder to develop the terminal on BOT basis for a concession period of 30 years.

The infrastructure of the terminal is to be developed north of the existing Bharathi Dock, with 2 new breakwaters at a total length of 4 kilometer and continuous quay length with 18 metres alongside depth. The total basin area will be 300 hectare, with a back up area of 100 hectare. The mega container terminal project will help Chennai Port become a major international hub for containers and cargo. It is proposed to be equipped to handle 4 million TEUs a year.



Indo-Myanmar link

KMA starts ship service



KMA Shipping Co. Ltd., Myanmar's first private shipping company has commenced the Myanmar India Far East Express (MIFE) Service with the maiden call of MV KMA 1 calling at DP World Chennai recently. The service will initially be between Chennai and Yangon.

Chairman of Chennai Port Trust K Suresh congratulated both the parties on the new service and expressed confidence that DP World Chennai and Chennai Port will be able to better the cargo traffic with the induction of the new service. Director and CEO of DP World Chennai Ennarasu Karunesan welcomed the master of the vessel and his crew and hoped that trade links between the two countries will flourish.

Productivity parameters

Pipavav sets new record

The container terminal at Port Pipavav achieved a record work productivity of 120 moves per hour (mph) on MV Maersk Kolkata of the westbound North Europe Service (ME1) in February. The gross berth productivity achieved was 105 mph with three quayside gantry cranes. Besides, the gross crane productivity was 40.49 mph and the net crane productivity 41.34 mph.

Complimenting the achievement of the Pipavav Team, Prakash Tulsiani, CEO and Managing Director of Gujarat Pipavav Port Ltd. (GPPL), stressed the importance of continuing to perform at peak levels and 'drive performance'. Ravi Gaitonde, COO of GPPL, and Ashley Dinning, CCO, GPPL, also congratulated the members of the operations team for their outstanding performance.



NEWS

Crisis control

Industry seeks Rs 10k-cr sop

As cargo transport demand plummets, the shipping industry is in for a rude shock and is seeking bailout packages from the government while the larger global picture is only grim with shores brimming with idling ships.

The Ministry of Shipping (MoS) has urged the Ministry of Finance (MoF) to provide a line of credit of Rs 10,000 crore to the industry in the wake of appeals from shipping companies, Shipping Secretary A P V N Sarma said.

Shipowners are finding it difficult to raise resources outside the country, which was a common practice earlier, as most foreign banks, with their funds "locked up in toxic assets" are now unable to provide loans. Sarma said the industry was not seeking soft loans and that the money would be utilised to acquire assets that are now available at rock-bottom prices.

Meanwhile, more than 10 per cent of the world's containership fleet, or over 450 ships, are learnt to have anchored, mainly in Asian waters, as lines find it uneconomical to operate them after

container volumes have plummeted. Since ships not moving for at least 19 days are deemed as idle, the combined capacity of the containerships staying put in ports is believed to be over 1.35 million TEU.

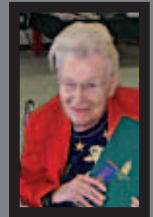
The world's biggest shipping line Maersk Line is all set to significantly increase the number of idle containerships at anchor, as it is rumoured to be considering the laying up of up to 25 vessels. The company's plans could mean the withdrawal of a combined capacity of about 150,000 TEU or about 8 per cent of its fleet.

According to Maersk officials, all liner shipping companies are likely to experience losses this year. In the wake of this situation, the company is considering to lay up 'mid-size' containerships, in the range between

4,300-8,000 TEU. The 25 vessels include the eight containerships that lay anchored since December 2008. It is learnt that waters around Singapore are already overflowing with idling ships.

N America's first female captain dies

Molly K Carney, who was the first woman in North America to become a licensed ship captain, has died at her home at the age of 93.



Known in Canada by her maiden name, Molly Kool won her captain's papers in 1939 and sailed the Atlantic Ocean between Alma, New Brunswick, and Boston for five years.

Kool grew up in the village of Alma, where she learned a love of the sea and sailing from her father, a Dutch ship captain. At 23, she made history by earning the title of captain, after the Canadian Shipping Act was rewritten to say 'he/she' instead of just 'he'.

She overcame superstitions about women working at sea and won the respect of her male counterparts as she sailed her father's 70-foot boat in the dangerous waters of the Bay of Fundy. -AP



MECL 2 service

Maersk Line completes 100 calls at Chennai

Maersk Line, a division of the AP Moller-Maersk Group and the world's largest container shipping line, has successfully completed 100 calls of the MECL 2 service at Chennai recently. MECL 2 is South India's only direct weekly service to the US east coast.



Ebbe Holting

The MECL 2 service, which was launched in March 2007, serves the main ports on the east coast of the US – Newark, Savannah and Houston. It is a direct coverage from Chennai to US east coast and improved transit from other south and east India locations over Colombo transshipment. From January, Houston has been added as a direct port of call to serve as the gateway to the US Gulf region.

"It is our constant effort to continuously make improvements in our products so that we can offer our customers effective and efficient services," said Rizwan Soomar, managing director, Maersk Line (India, Sri Lanka).

In a recent survey on carrier schedule reliability carried out by Drewry Shipping Consultants, an independent maritime adviser, the MECL 2 service emerged top amongst the services to the US east coast with 85 per cent schedule reliability.

Ship idling

Thome starts service

With many container lines laying up their ships due to tumbling freight rates, Thome Group, a ship management company has come up with ship idling services. S&P Marine Consultants, an arm of Thome Group, has secured safe locations in Asia, where shipowners can idle their ships for short and long periods.

Thome has decided to leverage on the current situation and has secured several safe places in Batam, Indonesia, wherein ships can be anchored and laid-up for as long as the owners wish to. Several shipping lines are known to have approached Thome and have laid their ships in this region – which can be estimated to between 150 to 200 ships ranging from bulk carriers to container ships.

Jag Vayu

GE Shipping delivers LPG gas carrier

The Great Eastern Shipping Company Ltd. (GE Shipping) delivered its 1978-built LPG gas carrier Jag Vayu (28,400 dwt) to the buyers. With the delivery of this vessel, the company's current fleet stands at 40 vessels, comprising 31 tankers (12 crude carriers, 18 product carriers, 1 LPG carrier) and 9 dry bulk carriers (1 Capesize, 1 Panamax, 2 Supramax, 4 Handymax, 1 Handysize) with an average age of 9.5 years aggregating 2.90 mn dwt. The current newbuilding order book of the company comprises 11 vessels aggregating about 1.02 million dwt.

GE Shipping mulls newbuilding cancellation: India's largest private shipping company, Great Eastern Shipping Co., is in the process of cancelling some of its orders that it had placed with shipyards. GE Shipping is considering to downsize its order book of 10 ships worth about \$ 600 million (Rs 3,000 crore) in the face of downturn in the freight rates. This has become a common practice for the shipping lines and shipowners to cancel their newbuilding orders in the wake of the recession.

GE Shipping has been trimming its fleet size by selling some of its existing vessels. It has sold five bulk carriers and one tanker since November. Besides, it has cancelled orders for two dry bulk carriers worth \$ 76 million (Rs 380 crore) it had placed with Chinese shipyards. However, most of the orders for the 10 ships are with European yards where the contract clauses are stringent.



Excise duty

Steel makers cry foul

Leading steel makers have demanded a level-playing field for catering to the domestic shipyards as excise duty and taxes rendered it uncompetitive vis-a-vis its foreign peers. "We are capable of producing equally good quality of shipbuilding plates for the use of the shipyard industry. However, burdened with around 16 per cent duties and taxes, we are losing to steel makers abroad since their exports do not attract any tax," a leading steel industry official said. Shipbuilding plates bought by shipyards from the domestic makers attract excise duty and other levies, which are not movable, though imported plates attract nil duty.

"This gives undue price advantage of over 14-16 per cent to foreign steel mills over domestic steel makers," he said. Tata Steel, Essar Steel, Steel Authority of India and Jindal Steel & Power are the leading steel makers, which cater to the shipyards.

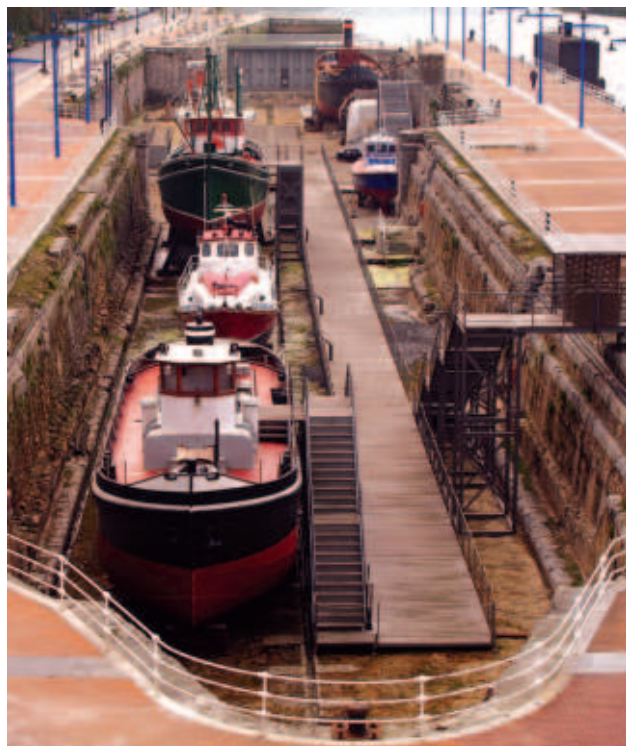
"The levy of excise duty is becoming a stumbling block for domestic steel makers to cater to this segment. If such supplies are exempted, we will also be competitive enough to supply the shipbuilding plates required in a shipyard," he added.

Steel makers, he said, have urged the Government to either exempt such supplies from payment of excise duties or treat them as 'deemed exports' so that Indian steel makers could compete on equal footing with foreign mills. -PTI



Air cleared

Shipbuilders to get outstanding subsidy



After 17 months of dispute, the finance ministry finally cleared the outstanding subsidy to the shipbuilding industry. This applies to the shipbuilding orders that were confirmed before August 14, 2007, when the scheme was finally closed by the government. With the India government now ready to disburse Rs 5,000 crore towards outstanding subsidy, the fledgling Indian shipbuilding industry is upbeat once again. The industry, going through a down cycle, is also looking forward to a fresh subsidy scheme from the next government to help it sail through choppy waters. While public sector yards were to be given subsidy on instalment basis, the private sector will get after the delivery of the ship.

The Rs 5,000-crore subsidy will provide a much-needed financial relief to the already struggling industry in the wake of the recession and tight credits. PC Kapoor, MD of Bharati Shipyard said that "the company is eligible to receive subsidy of about 50 to 55 per cent of its outstanding order book of Rs 4,898.13 crore. The subsidy would help shipbuilding companies in planning for the future Capex requirement and expansion and also in easing liquidity and cash flows, especially in a downturn."

Asia-Europe route

Maersk to hike rates

Maersk Line is seriously considering increasing freight rates in the Asia-Europe route to sustain a projected net loss of \$ 858 million and a deficit of \$1.9 billion in its containers business by its parent group AP Moller-Maersk. Maersk is planning to impose rate hike in two phases – one on April 1 and the other on July 1. It plans to increase the main port rate by US\$ 250 per TEU and the outport rate, where feeder service is involved, to US\$ 300 per TEU on April 1. The hike on July 1 will be \$300 and \$350 per TEU respectively.

According to Leo Huisman, group vice president of the Danish line's Asia-Europe services said 25 services with a nominal capacity of 115,000 TEU had been withdrawn since last July and it is high time that the rates have to be rationalised in this route.

SEAS service

CMA CGM to merge loops

In an effort to rationalise its SEAS service, CMA CGM Group is taking steps to merge SEAS 1 and SEAS 2 loops by March 26 into a single service with ten 2800 to 4000 TEU vessels and will deploy four 4000 TEU vessels in the new service. CMA CGM operates SEAS services in partnership with China Shipping, Maruba and 'K' Line. While CMA CGM will deploy 4 vessels, China Shipping three, Maruba two and 'K' Line one. The new rotation will be Qingdao, Pusan, Shanghai, Ningbo, Chiwan, Port Klang, Rio de Janeiro, Santos, Buenos Aires, Montevideo, Rio Grande, Paranagua, Sao Francisco Do Sul, Santos, Durban (Eastbound), Port Klang, Hong Kong, Qingdao. These measures are aimed to provide its customers with a reliable service on this trade.



Pinning pirates

Russian robot to protect ships

A robot equipped with powerful water cannons capable of shooting down a pirate boat and even sinking was developed by Karelia investigators, confirmed sources in that region recently.

The new means of defence against attacks on the high seas was created by the EFER Robotecnia Center from the territory located in the Russian border with Finland. It was first used to put out fire in ports and vessels but is being adapted to watch and protect ships in the face of growing piracy in the African Horn, Aden Gulf and the Indic Ocean. The video controlled system has 12 robots, 6 of them installed in each side of the ship. A Norwegian shipowner company has already placed an order to EFER Robotecnia Center, according to sources.



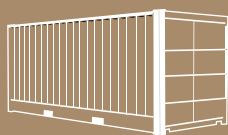
Facing the increase of pirate attacks, the Russian Navy chief Admiral Vladimir Visotski assured all the Russian Federation Fleets will be mobilised in the battle against piracy.

Import leg

Rate restoration by MSC

Mediterranean Shipping has announced a rate restoration of \$ 150 per TEU on the trade from April 1. It will be implemented on the North West Continent, the UK, Russia, Scan-Baltic, West Mediterranean, Adriatic to North-West India, as well as on the trade from India to East African ports. MSC will also re-establish overweight surcharge of \$ 50 on 20 feet DWT weighing more than 21 tonnes, effective bookings from April 1.

These rate restorations are proposed to be implemented in order to keep with MSC's constant endeavour to provide fast and reliable services to its clients, a release said.



NEWS

Trade initiative

DB Schenker's India-France drive

With the trade enhancement measures in place between India and France, Schenker India is all set to provide cross-border trade solutions to industries across the vertical.

DB Schenker has initiated 'Boost Your Trade' trade initiative between India and France, to facilitate exporters and importers a smooth cross-border trade. The French national trade lane manager, stationed in New Delhi, aims to ensure timely execution of cargo movement between the two countries. The delivery concept is "door to door" and cargo transportation is visible en route

through tracking system within competitive pricing structure.

With the bilateral trade between India and France gaining new heights, the major trade areas have been retail & fashion, luxury goods, electronics items, automobile, machinery, industrial and hi-tech products. Other avenues which are on the priority of bilateral trade are IT, energy, agriculture and railways.

With the varied offering of customised solutions in areas like telecom, aero-parts, automotive, retails & fashion and consumer vertical, DB Schenker in India has a vast experience of handling the major customers in the segments.

Expansion of temperature-controlled services:

Schenker AG has recently signed a global master lease agreement with Envirotainer AB, a Sweden-based provider of active temperature-controlled air cargo containers, and is expanding its offering of temperature-controlled services. DB Schenker will utilise Envirotainer's specialised equipment, knowledge and expertise to provide temperature-controlled air cargo solutions. The offer is designed to meet the specific requirements of customers in the healthcare and pharmaceutical industry, and other industries that have special requirements for valuable and extra-sensitive products.

According to Dr Thomas C Lieb, chairman of the Management Board of Schenker AG, the new form of cooperation will leverage its performance for healthcare customers in secure and temperature-controlled supply chain. "With our air, ocean, land and rail transport services, we already offer customers a single source for high-quality integrated cold chain solutions, connecting the markets in Europe, the Americas, and in Asia Pacific," he says.

The agreement will allow DB Schenker to further expand its capability and offerings in logistics for temperature-sensitive products and in providing services to the healthcare and pharmaceutical industry.



Iron ore terminal

Sical Logistics teams up with MMTC

Sical Logistics, the country's leading provider of integrated multimodal solutions for bulk, container and offshore logistics, has formed a strategic partnership with public sector, MMTC for its greenfield iron ore terminal project at Ennore port.

The special purpose vehicle, Sical Iron ore Terminals (SIOT) will have a paid-up capital of Rs 65 crore with Sical holding 63 per cent stake and MMTC and L&T infrastructure development projects, 26 per cent. The shareholders agreement was signed by Sical chairman Ashwin C Muthiah, MMTC director, Marketing, Sunir Khurana and L & T IDPL Joint GM, R Chandrasekaran.

SIOT will have throughput of 12 million tonnes a year. The first phase with 6 million tonnes is expected to be operational by early 2010. SIOT and MMTC have signed the offtake agreement for 3 million tonnes of iron ore for the first phase.

Effective supply chain

Action plan mooted for infrastructure use

A systematic action plan is required for greater utilisation of infrastructure available at minor ports, Cochin Port Trust Chairman N Ramachandran said. "The more we start using these facilities the more facilities would develop," he said in Kochi recently. It is important to integrate road transport, inland water transport and coastal shipping to bring about a reduction in total cost in the supply chain, he said. The existing pattern of coastal shipping service is mainly port-to-port, whereas shippers require value-added door-to-door services, he said. Though passenger traffic is concentrated mainly between the mainland and the islands of Andaman and Nicobar as well as the Lakshadweep Islands, there is tremendous potential for promoting coastal shipping targeting leisure travellers, particularly considering the sops being offered by the shipping and tourism ministry for promoting tourism. There needs to be a very strong drive for a model shift to coastal shipping from trucking by giving financial and other incentives to the shippers, he said. Freight transport demand was likely to grow significantly during the next few years, he added. -PTI

Quality rating

Gateway Distriparks get A+

Fitch Ratings has assigned India's Gateway Distriparks Limited (GDL), a National Long-term rating of 'A+(ind)'. Also, the agency has assigned ratings of 'A+(ind)' to GDL's outstanding term loans aggregating to Rs 94.9 mn, 'A+(ind)/F1(ind)' to its fund-based working capital limits amounting to Rs 100 mn and 'A+(ind)/F1(ind)' to its non-fund based limits of Rs 400 mn. The Outlook is Stable.

The company's ratings are constrained by its relatively smaller revenue base, high operating leverage, declining EBITDAR margins as a result of high competition and likely pressure on freight volumes and pricing on account of a slowing economy.

Consequently, Fitch expects financial leverage (total debt net of cash/Operating EBITDA) to deteriorate during the current year and thereafter, though it should remain consistent with the rating assigned.

The company has been utilising the equity raised in the past few years for funding its capex, and Fitch expects the additional capex to have a higher proportion of debt funding. Fitch also notes that lower utilisation rate of its high fixed asset base will put pressure on profitability in the short- to medium-term.

A sustained negative net debt position, greater stability in its business model and an overall improvement in the global freight markets could potentially act as positive triggers. However, significant under-utilisation of its capacities impacting its profitability and/or debt-led capex, leading to deterioration of financial leverage beyond the projected level, would be negative ratings drivers.



South operations

Softlink expands base

Softlink Logistic Systems Pvt. Ltd., one of India's premier software product companies, has announced its expansion in southern India. It has set up its own offices in Chennai, Bangalore and Hyderabad that will take care of customer support and acquisition in the states of Tamil Nadu, Karnataka and Andhra Pradesh. Softlink also expanded its product portfolio for international trade recently by unveiling Logi-Sys and X-Ponent, two new software products.

Amit Maheshwari, Founder & CEO, Softlink said, "We have been growing and expanding rapidly. In certain segments like simplifying the operations of custom broking, we have achieved a market share of close to 80 per cent in western India." Earlier, southern India was being looked after by Softlink's channel partners. "But our presence in centres like Chennai, Bangalore and Hyderabad will enable us to repeat the success of western India in these markets," he added. The company has around 200 clients in Chennai, 150 in Bangalore and 50 in Hyderabad. "We foresee a huge opportunity to serve various organisations in logistics through our products like Logi-Sys and Visual Impex, and other segments like engineering and IT retail through our new product – X-Ponent," the CEO said.

Dwell time

Jawahar Customs' record

The Jawaharlal Nehru Custom House (JNCH), Nhava Sheva, has achieved the lowest dwell time in cargo clearance in January 2009 and this feat has helped it to clear a higher volume of cargo during 2008-09. The announcement was made at a meeting of major importers held at JNCH recently, presided over by N Sasidharan, Chief Commissioner of Customs, Nhava Sheva.

Sasidharan outlined a series of trade facilitation measures introduced at JNCH which enabled the progressive reduction in dwell time by half over the last one year.

Nearly 50 importing firms, which attended the meeting, reviewed the trend in imports and the prospects for 2009-10 in the light of the global economic slowdown and the revival packages announced by the Union Government, including reduction in indirect taxes.

Cost optimisation summit

Role of 3PL players hailed

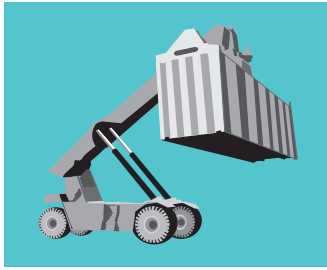


The India Supply Chain Council's first summit on supply chain cost optimisation, held in Mumbai recently, dwelled on optimising cost in the wider field of logistics and supply chain given the current economic environment. Given also that logistics forms 13 per cent of the overall product cost in India as opposed to half of that in the developed economies, manufacturing companies and retailers have long figured that there is significant scope of cost and process optimisation in this area.

Vishal Sharma MD & CEO of Tuscan Ventures, an investment company focused on logistics services and infrastructure, advised the corporate logistics fraternity to be more open to partnering with 3PL players pointing to that only 6 per cent of the Indian manufacturing sector uses 3PL as opposed to 25 per cent in the US. He also spoke of innovative and cost-effective logistics via the coastal route through the Dharamtar port near Nhava Sheva. Speakers touched upon the imminent shift in the way domestic warehousing and distribution of cargo takes place in India after the introduction of the central VAT system in 2010.

Manish Shakalya, head of supply chain planning for Cadbury India, sparked a discussion around the trade-offs between service levels and costs and that organisations should make an effort to arrive at the right equation between the two variables based on their market strategy, customer base and price points.

Over 14 top executives from blue chip companies including Colgate Palmolive, Pepsico, Piramal Healthcare, Vedanta Resources, Essar Steel and Maersk Logistics delivered presentations, workshops and brainstorming sessions.



Murky future

Exports and imports struck hard

With fourth straight monthly fall, Indian exports are likely to register downward trend for the remainder of the current fiscal year and even spill over into the next fiscal.

India's exports shrank by 15.9 per cent in January to \$ 12.38 billion from \$ 14.71 billion in the same period last year. Imports dipped by 18.2 per cent to \$ 18.45 billion from \$ 22.56 billion in the same period last year, leaving a monthly trade deficit of about \$ 6.07 billion.

"We expect that (India's) exports will remain weak due to the global

slowdown over the next six months. Imports will continue to weaken due to the slowing domestic demand and lower oil import bill, helping trade deficit to narrow further," financial services major Morgan Stanley said in a statement. Exports slumped for the first time in October registering a fall of 12.1 per cent. Overseas sales fell in November and December by 9.9 per cent and 1.1 per cent, respectively.

India's cumulative value of exports for the period April-January, 2008-09 was \$ 144,266 million (Rs 6,45,572 crore) as against \$ 127,454 million (Rs 512,945 crore), registering a growth of 13.2 per cent in dollar terms and 25.9 per cent in rupee terms over the same period last year. Exports during January, 2009 were valued at \$ 12,381 million which was 15.9 per cent lower than the level of \$ 14,717 million during January, 2008. In rupee terms, exports touched Rs 60,460 crore, which was 4.3 per cent higher than the value of exports during January, 2008.

India's imports during January, 2009 were valued at \$ 18,455 million representing a decrease of 18.2 per cent over the level of imports valued at \$ 22,566 million in January, 2008. In rupee terms, imports increased by 1.4 per cent. Cumulative value of imports for the period April-January, 2008-09 was \$ 243,358 million (Rs 10,90,182 crore) as against \$ 194,285 million (Rs 7,82,297 crore) registering a growth of 25.3 per cent in dollar terms and 39.4 per cent in rupee terms over the same period last year.

Oil imports during January, 2009 were valued at \$ 4,463 million which was 47.5 per cent lower than oil imports valued at \$ 8,505 million in the corresponding period last year. Oil imports during April-January, 2008-09 were valued at \$ 83,290 million which was 32.4 per cent higher than the oil imports of \$ 62,926 million in the corresponding period last year.

Non-oil imports during January, 2009 were estimated at \$ 13,992 million which was 0.5 per cent lower than non-oil imports of \$ 14,061 million in January, 2007-08.

EXPORTS & IMPORTS: (US \$ Million) (PROVISIONAL)

	JANUARY	APRIL-JANUARY
EXPORTS (including re-exports)		
2007-2008	14717	127454
2008-2009	12381	144266
% Growth 2008-09/2007-2008	-15.9	13.2
IMPORTS		
2007-2008	22566	194285
2008-2009	18455	243358
% Growth 2008-09/2007-2008	-18.2	25.3
TRADE BALANCE		
2007-2008	-7849	-66830
2008-2009	-6075	-99093

EXPORTS & IMPORTS: (Rs. Crore) (PROVISIONAL)

	JANUARY	APRIL-JANUARY
EXPORTS (including re-exports)		
2007-2008	57948	512945
2008-2009	60460	645572
% Growth 2008-09/2007-2008	4.3	25.9
IMPORTS		
2007-2008	88852	782297
2008-2009	90125	1090182
% Growth 2008-09/2007-2008	1.4	39.4
TRADE BALANCE		
2007-2008	-30904	-269352
2008-2009	-29665	-444610

Figures for 2007-08 are the latest revised whereas figures for 2008-09 are provisional

Trade facilitation

Special package announced

Union Minister of Commerce & Industry Kamal Nath has said a Special Package of Rs 325 crore will be provided for leather, textiles for exports with effect from April 1, 2009 and added that export incentives have been provided for certain items like technical textiles, stapling machines, handmade carpets and dried



vegetables. Ashwani Kumar, Minister of State for Industry and Shri G K Pillai, Commerce Secretary also attended the function.

Under the EPCG (Export Promotion Capital Goods) Scheme, in case of decline of exports of the product (s) by more than 5 per cent, the export obligation for all exporters of that product(s) will be reduced proportionately. This provision has been extended for the year 2009-10, for exports during 2008-09. He further added that export obligation period against advance authorisations has been extended up to 36 months.

The following bodies have been added as nominated agencies for import of precious metals: STCL Limited, Diamond India Limited, MSTC Limited, Gem & Jewellery Export Promotion Council and Star Trading House (only for gem & jewellery sector). The minister said that import restrictions on worked corals have been removed to address the grievances of gems & jewellery exporters. He further added that

authorised persons of gems & jewellery units in EOU will be allowed personal carriage of gold in primary form up to 10 kg in a financial year, subject to RBI and customs guidelines.

As regards DEPB (Duty Entitlement Pass Book) Scheme, Shri Nath informed that as of now, duty credit scrip can be used for payment of duty only on items that are under free category. This utilisation is now extended for payment of duty for import of restricted items also. Duty credit scrip under DEPB will now be issued without waiting for realisation of export proceeds; and value cap applicable under DEPB have been revised to two products.

For advance licence issued prior to April 1, 2002, the requirements of MODVAT/CENVAT certificate will be dispensed with in case of Customs Notification prescribed for payment of CVD. The formalities for claiming duty drawback refund and refund of terminal excise duty for deemed exports have been simplified. The minister said reimbursement of additional excise duty levied on fuel would also be admissible for EOUs (Export Oriented Units). With regard to clarification issued by CBEC in respect of architectural services, general insurance services, market research services, storage and warehousing services and knowledge and technology-based services, the minister said that if these services are used outside India they will be treated as export of services.

To boost rural exports, the minister announced that a re-credit of 4 per cent SAD, in case of payment of duty by incentive scheme scrips such as VKGUY (Vishesh Krishi and Gram Udyog Yojana), FPS and FMS, have been allowed.

Coal demand

Imports to touch 51 mn tonnes

India's demand for coal is growing by around 8-9 per cent a year, outpacing production that is growing by 6 per cent as the power sector has not been hit by the credit crunch, a senior government official said on Thursday.

"There is no delay on account of the credit crunch," S C Bhatia, deputy secretary of the Ministry of Coal, said recently. He expected import demand at 51 million tonnes in the financial year to the end of March, up from 49.8 million tonnes in the previous year and 42 million in the 2006-07 financial year.

"The demand is there, many areas are not yet covered by power, so there will be growth," said Bhatia. India will use 731.1 million tonnes of coal in 2011-12, up from 474.18 million tonnes in 2006-07. Previous government estimates have shown that domestic production will cover just 680 million tonnes of this demand.

MSTC to raise imports: State-run Indian trading firm MSTC Ltd. plans to increase its thermal and coking coal imports in the next financial year from April due to higher local demand, its head said on Tuesday. Malay Sengupta said his firm would import 200,000 tonnes of coking coal in 2009-10, compared to 150,000 tonnes this year, while thermal coal imports would double to 1 million tonnes.



Gas import

PLL in talks with suppliers

For import of LNG for expanded capacity in Dahej and for planned Kochi terminal, PLL is in discussion with various suppliers/producers of LNG, including RasGas Qatar. Petronet LNG Limited (PLL) signed a contract with RasGas, Qatar in July 1999 for import of 7.5 million metric tonnes per annum (mmta) Liquefied Natural Gas (LNG) for a period of 25 years. As per the contract, supply of 5 mmta LNG commenced in 2004 and the supply of balance 2.5 mmta LNG is scheduled to commence in the last quarter of 2009.

Indian companies are also interested in setting up a gas-based petrochemical complex in Qatar. GAIL and Reliance Industries Limited (RIL) have discussed the issue with Qatar Petroleum.

Apart from this, a Sale-Purchase Agreement (SPA) was signed on June 13, 2005 in Tehran for 5 mmta of LNG between the National Iranian Gas

Export Company (NIGEC) and the Indian Consortium of GAIL (India) Limited (GAIL), Indian Oil Corporation (IOC) & Bharat Petroleum Corporation Limited. The contract period was for 25 years, beginning from the last quarter of 2009. Simultaneously, the parties also signed a side letter to the LNG SPA on June 13, 2005, by which NIGEC had to obtain the approval of their parent company, National Iranian Oil Company (NIOC), for the SPA to become effective. NIGEC has not conveyed the approval of NIOC's Board till now. The matter is being pursued with Iranian authorities.

GAIL has been in discussion with various suppliers/producers to source LNG for Ratnagiri Gas and Power Private Limited (RGPPPL).

The above information was given by Dinsha Patel, Minister of State for Petroleum & Natural Gas in a written reply in Lok Sabha.

Finished steel

Imports rise 60 per cent



India's finished steel imports soared by 60 per cent to 5.1 lakh tonnes in January from 3.2 lakh tonnes in December due to the high demand from auto and construction sectors, reported a business daily, citing steel ministry data. However, imports dropped 34 per cent in the month on year-on-year basis.

The government imposed an import duty of 5 per cent on steel products in November last year to protect the domestic industry against cheap imports. But steel producers say that it is not enough to reduce imports, as countries across the globe have withdrawn export tax on some steel products to clear surplus stock. Hence, the industry has asked for a hike in import tax on steel products to 15 per cent.

The imports rose due to higher demand across sectors and the steel ministry has asked the domestic steel companies to raise production levels to control further surge in imports. Steel companies such as JSW, Ispat and Essar slashed production in October last year. The demand for domestically produced steel products slumped, with end users opting to import steel at cheaper prices.

Indian IT

Exports to touch US\$ 62 bn by 2011

Indian IT and BPO export is likely to touch \$ 60-62 billion by FY 2011 from \$ 31.4 billion in FY07, according to industry body Nasscom.

In its Strategic Review 2009 report, Nasscom said that in the current fiscal, the exports could touch \$ 47 billion, without giving estimates for 2010.

"Despite the unprecedented economic downturn, the industry will witness sustainable growth. The global technology spending outlook for 2009 is affected by the recessionary environment but it is expected to grow from 2010," Nasscom said. Though the United States still remains the dominant market for the Indian IT-BPO industry, the European and Asian markets are catching up as they witness higher growth in demand. A vertical break-up of India's IT-BPO exports sector shows Banking and Financial Services Institutions (BFSI) accounted for 41 per cent of the export pie in FY08, while telecom and manufacturing contributed 20 per cent and 17 per cent, respectively.

Other major verticals include retail, healthcare, airline and transportation, construction and utilities and media, the report said.

HUBS IN HIGH GEAR

Multimodal transport has today become the foundation for the global trade and is being adopted across the world to give the shipper the choice of transport as well as reduce the overall transportation costs. With the prominence of multimodal transportation increasing by the day, the need for multimodal logistics parks has increased to bring in efficiency into the system. The supply chains in India that are looking at bringing down their operating costs have a lot to benefit from these logistics hubs.

by *Jagadeesh Napa*



Photo: Christmas w/a K



The introduction of Just-in-time and Lean concepts in the supply chains has enabled the transportation and logistics networks to deliver quality services at the right time. With Indian logistics costs shooting through the roof, it becomes the equal responsibility of both the Indian government and the industry to look at more feasible ways to reduce the costs and optimise the supply chains. The growing trade all these years has only added to the costs and no single solution was found to relieve this burden. While the industry attempted to address the problem every now and then through different techniques like route optimisation, they did not yield desired results.

Of late, the Indian logistics industry has begun to witness the emergence of logistics hubs – also known as – Multimodal Logistics Parks to address this problem. The need for multimodal logistics parks arises from the increasing trend of containerisation of cargo and multimodal transportation which is again linked to efficiency in the supply chain. The introduction of containerisation in late 1950s has brought in revolution in the way cargo is transported from one place to another. The period of the last 50 years has seen the rise of containerisation and along with it, the rise of multimodal transportation. Multimodal transportation involves transporting a consignment from the point of production to the point of consumption through multiple means of transport. A multimodal transport operator may use road transport from the production centre to a regional hub, from where the containers are transported to a gateway port on rail. Ocean transport is used from the gateway port to the destination port and rail / truck transport from there to the place of consumption. Inland water transport and coastal shipping are also used wherever necessary.

Essentials of MLP

Simply defined, a multimodal logistics park is a cargo hub with warehouses, connected by different modes of transport (road, rail, air, water), equipped to handle large cargo volumes across these modes quickly and efficiently. To be successful, MLPs have to meet certain bare minimum requirements – the first and the foremost being the location. MLPs are usually located near the ports or production centres or both. The optimal geographical location can reduce the unnecessary transportation and handling costs. The second important factor is the connectivity to major industrial hubs, gateway ports, inland ports, rail terminals and airports. MLPs are currently being designed to accommodate at least two modes of transport – a road terminal and a rail terminal. Some MLPs include airports and other means of transport. For instance, MIHAN in Nagpur is an

Just-in-time Concept

The just-in-time concept was evolved by Toyota in Japan between 1949 and 1975 and was brought to the US in the 1970s. Today, this is a widely used concept across the world. This concept revolves around reducing the raw material and work-in-progress inventories in a manufacturing plant to the maximum extent possible and procuring raw materials as and when required such that they arrive at the plant just-in-time for manufacturing. This can reduce the inventory carrying costs and the associated maintenance costs. Instead of maintaining the inventory within the plant, manufacturers enter into agreements with the suppliers to supply material in small batches as and when required. This enabled the manufacturers to run the plants continuously on lean inventories. The lean inventory approach has helped the companies world over to reduce the overall manufacturing costs and thus, the cost of the final product. While manufacturers have benefited immensely, this concept has put more pressure on suppliers and logistics operators not to break the deliveries and adhere to the delivery schedules.

airport-based MLP with road and rail terminals and warehouses, storage yards and container depots. It caters to the air cargo segment as well as container handling and movement to gateway ports like JNPT. Further, their connectivity to the gateway ports and other MLPs is very crucial to their success as well as improve efficiency in the supply chain. The next important factor is putting up the right infrastructure at the facilities. Planning for multiple

modes of transport involves setting up of adequate cargo handling facilities for each of the modes and other common facilities like warehousing and inventory handling. Next comes the utility planning like power, water, communications, online connectivity and other such facilities for unhindered operations. Provision of necessary office space and other required facilities for the clients to operate in the MLPs is also mandatory.

BENEFITS

The advantages of multimodal transport and logistics are manifold. For instance, they offer the flexibility of road, capacity of rail, speed of air and cost-efficiency of water transport. The main benefits to the users are as follows:

Cost reduction

The biggest benefit of developing MLPs, which is widely known and discussed, is considerable reduction in overall logistics costs. India being a country known for notoriously high logistics costs would tremendously benefit from MLPs in bringing down these costs. When all the services are brought under one roof, it can eliminate unwanted steps in the process and reduces the associated costs. MLPs are usually equipped with single-window, integrated documentation and hence require lesser time and resources to process the cargo. Further, MLPs are associated with huge aggregation of cargo leading to economies of scale, which will have its own effect on cost reduction.

Efficiency improvement

Excellent connectivity, mechanised truck and rake handling, mechanised inventory handling, quick change between transport modes and single window documentation make MLPs highly efficient compared to traditional movement of cargo. The highly developed infrastructure makes up for smooth cross-docking

operations between different modes of transport like road, rail and water.

End-to-end logistics solutions

MLPs offer end-to-end logistics solutions under one roof. The customers benefit from such an arrangement as they need not search for individual service providers for each of the services. Providing various services, such as customs-bonded warehousing, inventory handling, packaging and repackaging and other such services, under one roof in MLP will save a lot of time and money of the customers who venture out looking for vendors.

Customised inventory solutions

Supplier managed inventory has become a norm for big manufacturing plants that go on lean concept. Multimodal logistics parks can be termed as a boon to the suppliers / vendors who manage the inventory for their clients. MLPs offer highly customised inventory management solutions to such suppliers and they can park their inventory in the warehouses located at the MLPs and can run last mile delivery services as and when their clients make the indents.

Benefits to MLP developers

Developers of multimodal logistics parks will benefit through usage and other charges paid by the users. For instance, users may take the warehousing facilities on lease, use the cargo handling and transportation facilities. The more the traffic is, the more the revenues will be for the developers. Developers are expected to market their MLPs in the associated industry belts and divert traffic towards them.

The following can be some of the different sources of revenue to the developers:

- Lease charges of warehouses
- Container handling and storage charges
- Bulk cargo handling and storage charge
- charges for value-added services like segregating, packing, repacking, etc. provided at the MLP
- Reimbursement of terminal charges at rates to be notified by the Railway Board from time-to-time (in case of Ministry of Railways initiative)
- Wharfage charges
- Charges to be paid by transport operators.



India's increasing global trade has necessitated the need for establishing advanced logistics infrastructure. Currently, the Indian trade fraternity is waking up to this fact and is gearing up to build the quality infrastructure at all the major industrial centres and major ports. Many companies have joined forces to build logistics parks across the country. While a few players like Uniworld Logistics have commenced operations recently, others are in the process of constructing such parks. But the fragmented nature of the Indian logistics industry has to give way to a consolidated set-up so as to bring down the logistics costs.

The Ministry of Railways had recently announced its intent to develop MLPs through public private partnership along the western and eastern dedicated freight corridors in India. Eleven of them are on the western corridor. The objective behind developing these mega parks by the Ministry of Railways, as mentioned in its draft policy, is to enhance the presence of rail transport in the overall transport chain so as to attain increased freight traffic volumes and movement by rail through reduction in the logistics costs for the users. This initiative is intended not only to increase the cargo volumes by rail, but also to reduce the costs and improve efficiencies along these corridors in the long run.

The ministry plans to minimise multiple handling and establish various logistics services within the



CURRENT INDIAN SCENARIO

parks or closer to the parks so as to integrate the supply chain.

The Ministry of Railways has announced this project at a time when it has started work on its flagship project – Dedicated Freight Corridors – between JNPT-Tughlakabad (western corridor) and Kolkata-Ludhiana (eastern corridor). Construction has been envisaged in these corridors for 3,300 kilometres of double lane, electrified, high axle load track fit for high capacity wagons capable of cruising between 75 to 110 km/hr. It may be expected that MLPs will be

tremendously benefited from these rail corridors with unhindered access between the hinterland and the gateway ports.

While many existing players in the logistics industry claim this is an excellent concept to reckon with, they also feel that it is still a nascent stage to comment on their involvement. However, some companies like state-owned CONCOR, World Windows Infrastructure and Logistics, DHL Logistics, Transport Corporation of India, Gati, Adani Logistics, Sical Logistics and Mahindra Logistics are expected to join hands with the Railways. Speaking on their participation, Rakesh Mehrotra, managing director of CONCOR said, "We at CONCOR are participating in the EOI floated by the Ministry of Railways for development of Multimodal Logistics Parks. We have a strategy to enter into this important business segment and are working according to it."

Unlike CONCOR, some private players are waiting for things to unwind further. An executive from

Boost to industrial activities

Rakesh Mehrotra

Managing Director, CONCOR

These Multimodal Logistics Parks would provide complete logistics support services along with a modal choice to the customers nearest to their doorsteps and provide a boost to industrial activities in the region. The connectivity to different modes of transport will be a key success factor for these logistics parks. In our opinion, availability of land at suitable locations will be the major constraint.



ETA Freight Star who is closely following these developments said that the railway ministry has to come out with a proper policy in this regard for EPA to actively participate in this project. "It is currently very premature to talk about the participation and we are waiting for the ministry to come out with a detailed policy," he said. Sical Logistics, which is building rail and road terminals at MIHAN, Nagpur and also expected to participate in this project, has taken a wait and watch approach.

Going ahead with the plans, Ministry of Railways proposes that the MLPs could be located at SEZs or industrial estates where ongoing manufacturing activity can bring in large cargo volumes. Further, railways also proposed to have such parks on lands adjacent to railway networks for easy connectivity.

Railways has classified the MLPs into three categories based on the size and services offered – Large MLP (LMLP), Medium MLP (MMLP) and Small MLP (SMLP). While an LMLP would have 300 acres or more land and offers full-fledged, end-to-end services, an MMLP would be developed on 50-300 acres of land and would offer most of the services (but not all) as offered by LMLP. Going by the amount of land required for these parks, it looks like acquiring land would be the major hurdle for the developers. At the outset, the investment in each of these parks is expected to range from Rs 250 crore to Rs 1000 crore depending on whether it is SMLP or LMLP.

Each of such parks will have a container terminal for both domestic and international operation, mineral-handling terminals, a cement and fertiliser terminal, automobile terminals, storage and distribution as well as trans-shipment facilities, conventional, cold storage and product-specific warehouses as well as hotels, banks, food parks and entertainment centres.

TAKING CUES FROM LEADERS

This is the right time for the Indian logistics industry, which is gearing up to provide world-class infrastructure and services, to learn from the leaders in MLPs. The geographical factors and the industrial establishment in Europe have paved way for some world-class MLPs in countries like Germany, Netherlands and France. With Europe being home for some big multimodal logistics parks, there is a lot for the Indian companies to learn and implement. First, MLPs in Europe are either situated at the industrial hubs or nearer to the seaports like Hamburg, Rotterdam and Antwerp, which are gateways to Europe. Second, many of the European MLPs can handle up to six modes of transport – road, rail, air, sea, inland water and coastal shipping. The more the number of modes of transport, the more

efficient and cost-efficient the hub would be. Third and the most important thing is that all these logistics hubs are interconnected. Such interconnectivity will further witness a boost in the speed of delivery and efficiency improvement. They are connected to each other through well-developed road, rail, air and water networks. Europe is blessed with adequate rivers and waterways criss-crossing the continent, thereby providing ideal environment for inland water transport.

Indian developers (who are participating in the Ministry of Railways initiative as well as other future developers) can invariably take cues from the European counterparts while designing and developing the MLPs in India. A clear understanding of others' works will only make our product better. **MG**

More of a wait and watch

L R Sridhar

CEO, Sical Logistics Ltd

MLPs offer a huge growth opportunity to logistics companies and can be highly beneficial to the growth of the sector. A number of logistics companies are eying multimodal parks, however in the current climate it is more of a wait and watch approach and most companies are expected to proceed with caution.

Sical is building one of the largest hubs in the country – Multimodal International Hub Airport at Nagpur (MIHAN) with road and rail terminals. The road terminal will have parking facilities for 850 vehicles including multi-axle vehicles, warehousing space of 0.5 million sq ft, 15 hectares of open plots and 45,000 sq ft of cold storage area. It is expected to be operational in Phase 1 before the monsoon.

For the rail terminal, the company will install rail infrastructure to handle container flat rakes and will have an annual handling capacity of 1,50,000 TEU. NSGL will combine the twin strengths of Sical's technical prowess and strategic expertise to provide innovative and dedicated customer



BIGGEST MULTIMODAL HUB IN THE MAKING

Multi-modal International Hub Airport at Nagpur (MIHAN) is an airport-based multimodal hub that caters to the business and logistics needs of the Vidharba region and the Maharashtra state. MIHAN is being developed to address the needs of the cargo traffic as well as passenger traffic.

Spread over 4,354 hectares (10,759 acres), MIHAN accommodates an international airport, rail and road terminals and a special economic zone (SEZ). The international airport is being developed at the existing airport in Nagpur and would be connected to the road and rail terminals, thus

creating a multimodal concept. Once fully developed, the airport is projected to cater to 14.6 million tonnes of cargo per year by 2030.

Rail terminal facility at MIHAN will be developed with the necessary infrastructure to handle inbound and outbound container trains. Spread

over 28 hectares, the rail terminal will be located at village Khapri between Khapari and Ajni railway

stations on the Nagpur-Wardha section. It is expected to

cater to the requirements of Nagpur region in addition to

serving the rail traffic from the airport and SEZ. Being developed by Sical Logistics Ltd. and Gupta Coal India Ltd., the rail terminal will contain the following facilities:

- Operations of train rakes
- Loading/unloading of cargo
- Container yard and storage facilities
- ICD facilities such as Custom clearance, bonding and storage and other ancillary activities.

MIHAN road terminal will be developed over an area of 60 hectares near the international airport. It will be linked to national highways NH-7 and NH-6 that pass through MIHAN and provide good connectivity to gateway ports like JNPT, Visakhapatnam, Haldia and Mundra. The road terminal will hold an important place in MIHAN as the road transport currently accounts for nearly 80 per cent of surface cargo at Nagpur. The terminal will also act as break-bulk terminal for consolidation of road cargo as per common destination on Hub and Spoke principle.

The SEZ will have a total area of 2,086 hectares and will be located adjacent to the international airport. It hosts IT park, health city, captive power plant and textile and garment zone, gems & jewellery zone, food processing zone, financial & insurance services and other value-added units. Proximity to the airport, road and rail terminals will be an added advantage to these industries and the SEZ as a whole comes with various benefits like business incentives, trade concessions, end-to-end services and single window operations among others.



Connectivity and SEZ will drive the traffic

S Sittarasu

Marketing Manager, MIHAN

Nagpur is centrally located in India and has very good connectivity by road and rail to most of the major industrial belts and major ports in the country. Further, most of the flights fly over Nagpur and thus makes it a centralised location for establishing such a hub. We expect a wide catchment area for MIHAN with Maharashtra, parts of Madhya Pradesh, and till Hyderabad in the South. A lot of marketing efforts are being put in to bring traffic to MIHAN. Unlike other cities like Mumbai and Hyderabad where cargo volumes either originate or terminate, new Cargo has to be brought in to Nagpur from the catchment area. The setting up of SEZ, consisting of export-oriented units, will further help in boosting the cargo volumes. Till date, we have tied up with 50 companies from different industries to set their operations in MIHAN's SEZ.



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Photo: Prashanth

Kolkata Port is a 138-year-old major riverine port of India and no other port has such a chequered history as this port. The economy of eastern India, particularly of West Bengal, depends on the well-being of the port of Kolkata. The turbulent workers' agitations during the 70s and 80s in the port and the surrounding industrial units sharply brought down the share of exim trade of India from 48 per cent during 1947-48 to 12 per cent during 2008-09.

To rejuvenate West Bengal's economy and ensure smooth operation of exim trade, it is necessary to analyse the problems of Kolkata port. Being a riverine port, the draft is the biggest problem which comes down to 7.5 metres and even 5.2 metres at Kolkata dock and 8.5 metres at Haldia. Hence, bigger vessels cannot come here for most part of the year and this increases the cost per freight tonne. Therefore, dredging process is a must throughout the year. The soil so dredged should not be left at the shore but made use for brick making and other purposes. The reclaimed soil, if not put to the best use, will come back to the river again, and calls for cosmetic dredging.

Loading, unloading and stacking of the cargo are not done properly due to the lack of necessary equipment. At present, two mobile harbour cranes are not working at Haldia and another is inoperational as the workers are on

strike. Therefore, only vessels with gear are being allowed whereas in most of the ports, gearless vessels operate.

The roads leading to the port in Kolkata and Haldia are congested and in a bad state with potholes all over. Picking up containers from the stackyards at Kolkata turns out to be herculean task for transport operators. It is time that the state government and Kolkata Port authorities work in tandem to improve the condition of the roads. Also, the limited time for truck movement on Kolkata roads should be increased for better flow of traffic from and to the port.

Berthing delays too have to be minimised and the work culture has to be sustained in achieving the collective goals of both port authorities and shippers. **MG**

V K Chhajer is the president of Calcutta Freight Brokers Association.

Clear the Roadblock

A historical port, that served the needs of the country, cannot be written off because of a few hurdles. The government, the port management and other stakeholders have to sort it out among themselves, says **Vijay Kumar Chhajer**.



Haldia Dock Complex

Growing Against Odds

Despite being challenged by draft restrictions, Haldia Dock Complex, supported by location advantage, has been able to register positive growth among the country's major ports. A **Maritime Gateway** report.

Haldia Dock Complex (HDC), managed by Kolkata Port Trust (KoPT), owes its critical importance for serving a range of industries located in West Bengal and the larger part of the landlocked Eastern India hinterland comprising Jharkhand, Bihar, Orissa and also Nepal.

The strategic location of the port and the growing dependence of assorted industrial sectors on it, notably steel, power and heavy engineering industries in its hinterland makes it critically imperative for HDC, being riverine in nature, to initiate long-term measures to check draft restrictions. This has to be supplemented by mechanisation of cargo handling facilities and creation of additional berths for enhanced cargo handling and faster vessel turnaround.

According to a top official of HDC, "draft restriction of the port, led by the tidal intricacies of the Hooghly river, is today the most critical bottleneck for the port to function optimally." Draft restriction assumed serious proportions a couple of months ago when the port witnessed excessive shoaling of the channel leading to the port from Bay of Bengal.



Draft limitation, which is essentially a non-port problem, has been barring several vessels with large parcel loads. As of date, more than 60 vessels have been stranded at the sandheads waiting to get berths due to the lack of required draft at the port. Also, lack of requisite draft has been barring vessels from leaving the port on schedule. As a result, berthing space for incoming vessels is not being freed. Berth occupancy at HDC was at a high of 84.07 per cent during 2007-08.

Critical draft issues

Steep fluctuations in tidal winds at the lock gate of the port is a critical issue which has been hindering the arrival and departure of vessels. Officials opine that the port has to take full advantage of high tidal availability of 12 hours and 40 minutes every day, which often falls short in turning round good number of vessels at the port. Draft at the port ranges from 6.5 to 7 metres throughout the year.

The problem of draft restrictions for the port has been there ever since the inception of the port in the year of 1977 with a draft of 12.2 metres. Gradual shoaling of the river channel leading to the port led by the geological tidal intricacies of the Hooghly river over the years has resulted in the imposition of draft restrictions.

The situation has assumed serious dimensions with heavy siltation of the approach channel comprising the Auckland Bar and Jellingham channel leading to the port (See the map). According to the port officials, the extension of the tail of Nayachara Island on the way to Jellingham channel has been posing a serious challenge for vessels with larger

parcel loads calling at the port from Bay of Bengal. However, the most serious issue has been the total blockage of the Balari Bar Channel from Haldia dock to Kolkata Port. Blocking of this channel has increased the journey time of vessels coming from HDC to Kolkata port to 22 hours as they have to circumnavigate the entire Auckland Bar. The journey would take only seven hours when the channel was open a couple of years back.

To counter the problem, HDC has deployed six suction hopper dredgers and one cutter section dredgers at Auckland and Jellingham bars in HDC channel for maintenance dredging. Another dredger Dr XIV is expected to arrive shortly. The exercise by the dredgers is expected to smoothen the navigability of the river channel leading to the port. However, as a long-term measure, it would be essential for the port to undertake capital dredging for long-term benefits.

As per senior Kolkata Port sources, a scheme entitled 'River Regulatory Measure' (RRM) for the improvement of the drafts in the Hooghly estuary was sanctioned by the Government of India on November 2001, which however could not be executed so far due to various reasons.

The river regulatory measures were redefined and a fresh scheme on RRM was framed at an estimated cost of Rs 385.03 crore and forwarded to the ministry for its perusal and approval. Subsequently, as per the requirement of the competent authority in the ministry, the earlier estimate was revised and an updated estimate amounting to Rs 421.06 crore was forwarded to the ministry in March 2006. The scheme has been accorded environmental clearance in September 2007 and is awaiting approval of the Cabinet Committee on Economic Affairs (CCEA). The work is expected to be undertaken during the Eleventh Five-year plan.

Efficient dredgers to improve draft

"The situation is bad in Haldia dock but there is no cause for alarm. The Ministry of Shipping is examining if more dredgers could be made available for Hooghly dredging. Acquiring foreign-flag dredgers on charter appears to be the immediate solution as the state-owned Dredging Corporation of India is already overstretched. A Chinese dredger might be available in April and it is also possible that some of the existing inefficient dredgers could be replaced by more efficient ones.

But then, it is not enough to have many dredgers. Equally important is the disposal of dredged soil. We have asked the West Bengal Government for land for shore disposal of the dredged materials."

-A P V N Sarma,
Shipping Secretary, Govt of India



“Blocking of this channel has increased the journey time of vessels coming from HDC to Kolkata port to 22 hours as they have to circumnavigate the entire Auckland Bar.”



The recommended works under the RRM would be capital dredging over Balari Passage, submerged dyke east of the navigational channel at Jellingham and a groyne / spud on the eastern bank in the Rangafalla channel. The envisaged benefits of the RRM are increase in depth in the navigational channel by 0.5 m and reduction of annual maintenance dredging by about 2 mm cubic metre per annum from the existing level. During 2006-07, 16704.95 cubic metre of dredging was undertaken on the Haldia channel and during 2007-08, dredging of 18315.54 thousand cubic metre was undertaken.

Existing and future potential

Increasing the draft is quite essential for the development of the port considering the excessive dependence of wide range of user industries located in its vast hinterland, especially port-based industries located in and around Haldia, on the port. According to HDC officials, the volatility in draft levels is compelling the port customers to divert their cargo to other eastern ports of Paradip or Vizag. This could lead to upward revision in transportation rates, both from the hinterland to the port and vice versa. The fact is agreed by senior officials from Steel Authority of India Limited (SAIL).

SAIL imports coking coal for its Durgapur, IISCO and Bokaro Steel Plant located in West Bengal through the port from Australia and New Zealand. Similar views are echoed by Tata Iron and Steel Company (TISCO) officials. Tisco also imports coking coal for its flagship Jamshedpur Steel plant from Australia and New Zealand. The port is also important for scores of secondary steel producers having their concentration across eastern India.

HDC serves as an important gateway for other customers like Indian Oil Corporation Limited and Hindustan Petroleum Corporation Limited. The port imports crude oil for IOC's refinery at Numaligarh in Assam and Barauni in Bihar. However, there has been diversion of crude oil traffic to Paradip Port in the recent past owing to new oil handling facilities at the port besides better draft availability at the port.

Other customers of HDC include Haldia Petrochemicals Limited, Mineral and Mining Trading Corporation, MCCTPA and Electro Steel Castings Limited. The port is also an important gateway for the edible oil refining industry located at Haldia. Prominent among which include port-based edible oil refining industries like Adani Wilmar, Emami

River siltation and dredging nightmares

Kolkata Port Trust, the governing body of Haldia Dock Complex is facing a number of problems due to the siltation in the river in the two channels – Auckland and Jellingham. The frequent siltation in the Hooghly River has made maintenance of the navigable channel tough leading to severe disruptions in the operations and resulting in non-achievement of annual throughput targets.

The siltation in the river happens in a random and haphazard manner and has made it difficult to presume the long-term dredging requirements. KoPT has entered into a 5 year agreement with the Dredging Corporation of India in 2002. The agreement covered dredging of Jellingham channel and siltation in the Auckland channel began during the course of the agreement. Now, dredging of both the channels is being considered for the upcoming agreement between KoPT and DCI.

KoPT is also facing problems with the DCI dredgers. Things became worse when DCI had to dispatch two of the dredgers employed at Haldia to Sethusamudram Project following the Shipping ministry's orders. Without sufficient resources to attend the siltation, the draught in the channels dropped to alarming levels of below 7 metres in 2008. After a series of agitations from the Haldia Dock Officers' Forum and strong demands from the Government of West Bengal to the shipping ministry, the dredgers were brought back to restore the draught.

While the agreement signed in 2002 expired in 2007, the marine department at KoPT declared that the agreement is extended until a new agreement is signed between them. With KoPT demanding a draught guarantee round the year, the upcoming agreement is supposed to include a clause where DCI has to deploy six dredgers throughout the year for maintenance dredging as against five dredgers in the old contract. KoPT sources revealed that dredging of the channels has to happen at the earliest to improve the draught significantly. This can increase the average parcel load per vessel by 400-600 tonnes depending on the type of the vessel.



Biotech, KS Royal, Gokul Refinery among others. The edible oil refiners import crude edible oil from Malaysia and Indonesia.

According to HDC officials, Haldia plays a critical role in the success of edible oil refining industry. Apart from it, it serves many important users like National Thermal Power Corporation, Tamil Nadu Electricity Board and West Bengal Power Development Corporation Limited and Calcutta Electric Supply Corporation.

The port undertakes coastal movement of coal for the power

industry users for their power stations located in the east coast of the country. The port has good rail connectivity facilitated by both Eastern (ER) and South Eastern Railway (SER) for coal supply from the eastern states – Jharkhand, West Bengal and Orissa. Importantly, rail connectivity is provided to the port by South Eastern Railway from deep mineral rich belt of Orissa for export of iron ore.

As per ER and SER officials, movement of coal and iron ore traffic through the Orissa Jharkhand section to HDC makes a line capacity

utilisation above 70 per cent in the concerned section. HDC handled highest ever rail borne cargo throughput at 17.30 million tonnes during 2007-08 surpassing the previous figure of 16.01 million tonnes during 2005-06.

The dependence on the port by the industry concerned can be substantiated by the nature of cargo profile and volumes of traffic handled by the port over despite the persisting issue of draft restrictions. Cargo traffic at HDC increased to 43.588 million tonnes during 2007-08 from 42.454 million tonnes in 2006-07 registering a growth of 2.6 per cent. For handling coking coal, the port was ranked second in terms of traffic handled amongst all Indian major ports. The port handled 5.48 million tonnes of coking coal during 2007-08 up from 5.43 million tonnes in 2006-07.

The port also handled a record 9.84 million tones of iron ore during 2007-08 surpassing the previous figure of 8.31 million tones in 2006-07. HDC was ranked fourth among all Indian ports in terms of percentage growth in iron traffic (20.95 per cent). The growth was higher than the average growth registered by other Indian major ports. The port also handled high volumes of limestone and manganese ore. Haldia exports iron ore to China and Far East destinations.

HDC handled highest ever rail borne cargo throughput at 17.30 million tonnes during 2007-08 surpassing the previous figure of 16.01 million tonnes during 2005-06.

HDC, which is identified as a bulk cargo port, has an extensive cargo profile of thermal coal, iron ore, coking coal, non-coking coal, chrome ore, manganese ore pig iron, rice sugar etc. The port also handles liquid cargo, which includes crude, POL products, liquid ammonia and benzene.

The expansion plans and future of many brownfield and greenfield projects in the region, especially that of Tata Steel and SAIL, depend on the well-being of HDC. They intend to use the port mainly for the supply of their raw materials. Moreover, other steel majors like Jindal and Mittal are planning to launch greenfield projects in West Bengal and other eastern states. Apart from steel industries, other industries such as Haldia Petrochemicals and CALS are planning to launch brownfield and greenfield projects near the port. All these factors underline the importance of the port in the industrial development of the region.

Competitive location advantage

While upcoming greenfield ports and

existing ports in the east coast aided by better draft availability may compete with HDC, the port with its closer proximity to the mineral rich belts of Jharkhand, Orissa and West Bengal would continue to offer cost advantage to the end user for transportation of the raw materials from the hinterland.

The port officials feel that the transport service providers comprising the railways will always continue to find it commercially viable to use the port as there will always be full movement of rakes for the railways for both exports and imports from the port. This in turn would allow it to offer transportation price discounts to its end customers.

The competitive price advantage offered by the port may sound to be fine. However, to make the assertion absolute, port authorities would have to minimise bunching of vessels at the sandheads, enabling the shippers to cut down on demurrage costs. But to make this possible, it has to take both long and short-term initiatives to counter draft restrictions among other measures. **MC**



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Port Development in Maharashtra

Scaling High

Maharashtra, the most industrialised state in the country, has Jawaharlal Nehru Port Trust and Mumbai Port besides 48 minor ports spread over a distance of 720 km. A well developed railway line along the West has given further impetus for the development of the coastal area and the state is rearing to make it big with investments flowing into port projects.

by **Sadhana**

India's economic growth and foreign trade largely depend on its 7,500-km coastline. With its 720-km coastline on Arabian Sea, the Indian state of Maharashtra is way ahead of other states and is referred to as business capital of India. It boasts of many financial industries, insurance companies and mutual funds and is well ahead in the development of ports as well. The coastline includes two of India's biggest ports – Jawaharlal Nehru Port Trust (JNPT) and the century-old Mumbai Port. Besides, 50 non-major ports dot the coastline.

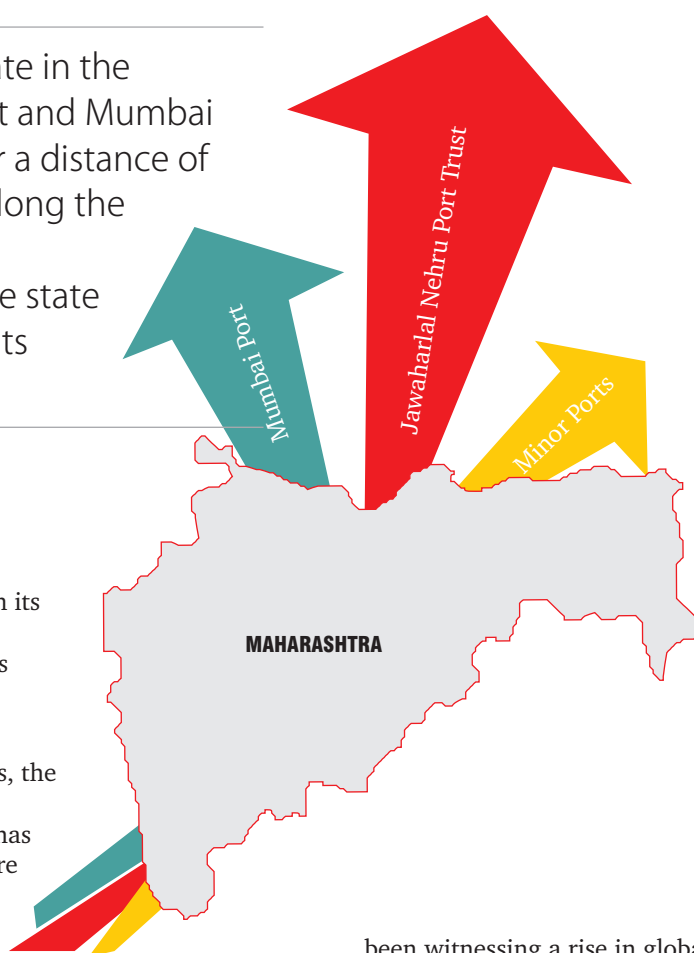
As majority of the exports are carried out via sea route, the 12 major ports, 6 each on the west and the east, play a crucial role in the development of foreign trade. Ports and shipyards are the engines of growth of any country. Hence, Maharashtra, with its natural advantage over other states in terms of resources and economy, cannot neglect these sectors in the present scenario of globalisation and liberalisation. With increased trade across its borders and its ability to contribute substantially to national

growth, huge investments in its ports and shipbuilding is the need of the hour.

Over the years, the coast of Maharashtra has been the centre for shipbuilding activities.

It has been offering bright prospects for port development with the fast growing traffic volume, infrastructure, quick access to large industrial places and speedy handling of cargoes. For example, many companies are operating shipyards in the state: Bharati Shipyard at Ratnagiri and Rajapur Shipyards at Rajapur, apart from the state-owned Mazagon Dock Ltd at Mumbai.

Maharashtra offers a good potential for the development of minor ports. The state has 48 of the country's 185 notified minor ports. The state has



been witnessing a rise in global exports over the years and to strengthen the sea trade the state government has been striving to develop many private ports. The ports of Rewas, Dighi, Jaigarh and Vijaydurg have been developed along the Konkan coastline. The minor ports in the state handle about 10 per cent of the total cargo handled in the country. The state's minor ports were controlled by the Central Customs Department till 1963, the State Public Works Department from 1963 to 1990 and the Water Transport Commissioner from 1990 to 1996. Now, the Maharashtra Maritime Board is playing a pivotal

Greenfield Ports Under Development

Port	Port Developer
Dighi	Balaji Leasing & Industries Ltd.
Rewas Aware	Amma Lines Ltd.

role in the development of the minor ports.

Rich hinterland, which can generate significant cargoes, has contributed a lot to the development of minor ports. The distant hinterland of these minor ports stretches as far as Himachal Pradesh, Punjab, Haryana, Rajasthan, western UP and Delhi to north; and Madhya Pradesh, and Chhattisgarh to the east. The adjacent hinterland includes the industrial belt of Mumbai, Thane, Roha and parts of Maharashtra. The cargoes from the distant hinterland

are moved in containers. The adjacent hinterland, especially southern Maharashtra, can provide such cargoes as iron ore, coal, bauxite and grains. Maharashtra houses two of the country's biggest ports – Jawaharlal Nehru Port at Nhava Sheva near Mumbai and Mumbai Port. JNPT is the only port that has shown positive efficiency for the last few years. The port was commissioned in May 1989 with two terminals – a container terminal with 680-metre quay for handling container vessels and a bulk terminal

to handle bulk and break bulk. The cost of handling cargo per tonne has been on decline at JNPT port while other ports it has shown a continuous rise. The traffic handled by JNPT has shown a continuous rise. About 50 per cent of the container cargo in the country is handled by JNPT. It clocked traffic of 55.76 million tonnes, including non-container cargoes, in 2008, registering a 24 per cent growth. In terms of TEU units, JNPT handled 4.06 million TEU, reflecting a 23 per cent growth. The major commodities handled during this period were imports of iron and steel, POL and POL products, coal, pulses and exports of iron and steel, sugar and automobiles.

The Mumbai Port too has been the gateway to India, and its performance for the year 2007-08 has been encouraging. In 2007-2008, it had a throughput of 57.04 million tonnes of cargo traffic comprising 32.38 million tonnes of imports (31.09 million tonnes) and 24.66 million tonnes of exports (21.27 million tonnes). The port created a record by loading 6,867 tonnes of sugar in a single day in February 2008 on M V F Jahan.

Meanwhile, it is learnt that Maharashtra Port Developers Association (MPDA), a representative body of private ports in Maharashtra, has proposed that the capital investment on port projects can be

Ports under MMB

Bandra Group	Mora Group	Rajpuri Group	Ratnagiri Group	Vengurla Group
Dahanu	Kalyan	Thal	Ratnagiri	Vijaydurg
Tarapur	Bhivandi	Alibag	Varoda (Tiwari)	Devgad
Navapur	Thane	Revadanda	Jaigad	Achara
Satpati	Mora	Borli-Mandala	Boria	Malvan
Kelwa-Mahim	Karanja	Nandgaon	Palshet	Nivati
Arnala (Datiware)	Mandwa	Murud-Janjira	Dabhol	Vengurla
Vasai	Trombay	Rajpuri (Dighi)	Harnai	Redi
Uttan	Panvel	Mandad	Kelshi	Kiranpani
Manori	(Ulwa-Belapur)	Kumbharu	Bankot	
Versova		Shriwardhan	Jaitapur	
Bandra			Purnagad	

Getting on Track

The financial hub of India has set up the Maharashtra Maritime Board (MMB) in November 1996. The main purpose for setting up the Maharashtra Maritime Board was to promote the 48 minor ports in the state as minor ports were mainly neglected and little attention paid to it to increase the traffic. The board has 13 members. Prior to the setting up of MMB in the state, the minor ports were controlled by the Central Customs Department till 1963, the State Public Works Department from 1963 to 1990 and the Water Transport Commissioner from 1990 to 1996.

The MMB acts like a central agency and controls the state's maritime activities namely developing port facilities, inland water transport system and coastal shipping. It also plays an active role in developing several cargo jetties, ferry wharfs, larger port terminals, shipyards etc. MMB ports handle 10 percent of the total cargo of the minor ports.

Minor port development is taking place in all the minor ports along the coastline of Maharashtra. The Maharashtra Maritime Board has taken up the development of eight minor ports, including Dharamtar, Belapur, Revdanda, Ratnagiri, Dahanu and Dabhol, as they have a sizable traffic. However, most of the minor ports are being used only for local fishing activities.

The Maharashtra Maritime Board also plans to set up passenger water terminals at various places. In addition, Ro-Ro terminals for the movement of cargo and passengers are also in the pipeline.

There is plenty of cargo availability and ports like Rewas, Dharmadhar, Ratnagiri, Dighi have contributed immensely to the growth in traffic. Chowgule Ports & Infrastructure (CPIPL), a company co-promoted by Chowgule Steamships, signed a concession agreement with Maharashtra Maritime Board (MMB) for the development of a minor port at Jaigad in 2008. Videocon Group is also foraying into port development and has firmed up its plans to develop a minor port in Alewadi in Thane with an investment of Rs 1,600 crore. RIL too plans to build a port at Rewas in Maharashtra, 10 km south of JNPT. Mumbai-based maritime firm Amma Lines holds 24 per cent stake in Rewas Port, and the remaining 11 per cent is owned by the Maharashtra Maritime Board. But due to land row it is yet to take off. Also, the minor ports like Wadhavan, 60 nautical miles north of Mumbai; Redi (205 miles), and Vijaydurg (150 miles) are to be taken up.



supported by way of exemption from payment of relevant taxes, duties and other statutory levies. MPDA has proposed that ports should be allowed to enjoy exemption from electricity duty for 15 years, 100 per cent waiver of stamp duty and concession for infrastructure facilities such as road and railway connectivity. Port developers such as Sajjan Jindal group and Balaji Jindal have reportedly submitted a proposal to the state government to formulate a new port policy that could be more up-to-date with the changing needs.

The MPDA has also asked the government to handle issues such as rehabilitation and resettlement of displaced people. The port developers also opine that the new policy should consider development of hinterland connectivity and give a greater thrust to it to make the ports more commercially viable. The MPDA is learnt to have made a comparative analysis on the incentive schemes being offered by various state governments.

The Maharashtra Maritime Board too has conceived plans for the west coast. According to state finance minister Dilip Walse-Patil, the government is keen to develop more ports, especially on the Konkan Coast, to ease the load on JNPT. Since developing ports could add revenue to the exchequer and generate more employment, the state could in fact thrive through ports. **M6**

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Advantage Sical

Cost optimisation through integrated logistics approach is the buzzword and Sical Distriparks is keen to provide end-to-end solutions to its customers, says **LR Sridhar**, CEO and Director of Sical Distriparks Ltd. The container logistics division of Sical Ltd., a leading provider of integrated multimodal logistics solutions for bulk and containerised cargo CFS and offshore logistics, prides itself in its strong fundamentals. The slowdown has impacted many a logistics operator and SDL is no different. Yet, the company hopes things will fall in place in the later half of the year so that it can speed up its growth plans. But for now, staying put is Sical's strategy, says Sridhar in an interview with **Radhika Rani** of **Maritime Gateway**.



LR Sridhar, CEO and Director of Sical Distriparks Ltd

Please give an account of the development of Sical Distriparks? What is the USP of your company and how did you expand the facilities?

A: Established in 1998, Sical Distriparks Ltd. (SDL) offers third-party container logistics solutions with container yards, bonded and general warehousing, reefer storage and third party logistics. SDL has been a

market leader in container logistics in Chennai for the past four years, its service offerings include CFS EXIM operations, container yard, warehousing and transport facilities with container stacking capacity of 3,000 TEU and it handles about 0.2 mn TEU annually. The company has an exclusive contract with Maersk for en block movement of containers. It also operates CFSs at Tuticorin and Vizag for CWC under a 15-year contract.

The company has increased its laden capacity at Chennai from 0.4 million sq ft in 2006 to 0.8 million sq ft in 2008, and additional 2 lakh sq ft of open yard for scrap, and 2 lakh sq ft for empty and granite handling and other cargo with two high mast lights.

A new covered export warehouse of 25,000 sq ft was also added to the infrastructure in Chennai last year. In Tuticorin, SDL has developed 2 lakh sq ft empty container yard at which became operational during 2007-08 and another 1 lakh sq ft is being developed to take additional volumes.

SDL also added 20 trailers and 4 new reach stackers to support the increased volumes.

What is the value of the investment?

A: SDL has a target of about 150,000 TEU this year as against 129,000 last year. The company envisages a growth of 9 per cent as against 15 per cent last year, which comes to 141,000 to 142,000 TEU.

A total of Rs 26 crore will be invested in the current year alone for the expansion of Distriparks in Tuticorin and Chennai – Rs 14 crore for Tuticorin and Rs 12 crore for Chennai.

How do you foresee Sical Distriparks' growth and expansion five years from now?

A: SDL will be opening up CFS/ICD at Bangalore, Tuticorin, and Pipavav. In addition to this, the SDL expansion of Chennai and Vizag CFS is underway and plans for upgradation of IT infrastructure, safety and warehousing at all CFSs are in the pipeline.

SDL will combine the end-to-end logistics offerings of the parent company, Sical to offer complete logistics solutions to customers.

In what way is recession affecting integrated logistics firms and how is Sical coping with the situation?

A: The global economic meltdown has not left the Indian logistics industry untouched. The industry which was once considered one of the fastest growing in the country is now facing unprecedented challenges in the form of credit unavailability, demand downturns and low infrastructural investments. In the container business however, we expect the volumes to slowly pick up as consumer confidence is revives. The bulk carrier market continues to be significantly depressed due to the steep fall in commodity prices and the weakening global finances. Many new orders for bulk carriers are getting cancelled/ postponed while elderly tonnage is getting scrapping at an accelerated pace.



Sical remains committed to its various projects and is going ahead with its investments in Indian infrastructure. In order to improve efficiencies, the company is looking at various measures to control costs, enhance efficiency and improve processes to optimise its operations.

How are joint ventures with foreign firms benefitting growth?

A: PSA Sical Terminals Ltd. is our joint venture where Sical holds 37.5 per cent stake, with the balance held by Port of Singapore Authority, a global leader in ports and terminals that has investments in 20 ports across 11 countries. The company is engaged in the operation and maintenance of the container terminal at Tuticorin Port on BOT basis with a 30-year license period. PSA Sical has modern infrastructure and facilities including 3,500 ground slots, 10 yard blocks and 84 reefer points, 3 ships to shore quay cranes, 8 rubber tyred gantry cranes, and 12 prime movers with tractors.

CITPL is our joint venture between Sical and PSA to manage and operate the second container terminal at Chennai, to be developed on BOT basis with a 30-year license period. Formed in December 2006, CITPL is involved in constructing the new berth covering the east and south quay. It is expected to have an initial capacity of 1.5 million TEU. The project involves linking of rail for movement of containers which is expected to be operational by mid-2009 which would provide ample opportunity to Sical for operating container trains.

Your take on the stock market performance in these troubled times?

A: The stock exchange has been badly affected by the global recession and investor confidence is at an all time low. Every company has been hit due to this pessimistic outlook. Our fundamentals however remain strong and we remain focussed on our growth goals. Our people are our major strength and it is they, with their immense knowledge, who have been with us. It is because of them that we have been able to grow even in the midst of the slowdown. 'Stay Put' is our strategy in these testing times. **MG**





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Port Tariff Liberalisation in Malaysia

In It to Win It

Port tariff liberalisation in Malaysia calls for a proper commercial context rather than an emotional outcry. It is therefore necessary to understand what port tariff entails and the factors behind the imposition of a certain tariff structure and regime.

by **Nazery Khalid**



Photo: Blue Ship

Port Klang

The discourse of whether to liberalise or not to liberalise port tariff is one of the most keenly contested issues in the Malaysian port industry. It often arouses intense debate from port users and operators who stand their grounds firmly in upholding their views and articulating their perspectives on the subject.

Such intensity is underlined by the divergent positions taken by port operators and their users when supply-driven ports in Malaysia which have extra capacity plan to increase charges. In the case of such ports, their operators are adamant that the issue of port tariff should be divorced from the question of congestion and tariff hike is an

essential prelude to increasing capacity and improving services. In sharp contrast, port users contend that tariff increase may lead to *carte blanche*, unilateral increase of charges by port operators and may not always be accompanied by improvement in services.

Several port operators in Malaysia argue that the lack of congestion at their ports could be attributed to excess capacity, which is one of the hallmarks of a competitive port. They contend that being profitable is just not a function of charging high tariff. On the contrary, they would be quick to attribute profitability to productivity and to overall efficient performance.

On account of the huge investments spent by port owners in Malaysia to provide excess capacity and to improve their performance, they do have a strong case in maintaining that the lack of congestion and their profitability should not be used as an excuse to deny them the right to charge a fair price for their services. It has to be emphasised that there are port users, especially main line operators, who are willing to pay extra to obtain preferential treatment such as dedicated terminal services

and priority berthing. As such, Malaysian port operators contend that they should be allowed to charge rates that match their service offering to enable them to reap the returns of their investment and to spur them to reinvest in making their ports better.

However, smaller port users opine that tariff hike at ports which do not experience capacity constraint and have excess capacity is unwarranted as it does not commensurate with any contribution to their bottom line and efficiency. They are anxious that Malaysian ports such as Port Klang, the national load centre; and Port of Tanjung Pelepas, the nation's main transshipment hub, which enjoy natural monopoly, could unilaterally impose higher tariff to recoup their capital outlay for their expansion plans without a commensurate improvements in services.

What makes it difficult to reconcile the views of port operators and port users on the subject of port tariff is the fact that the question of how much to charge involves much subjective evaluation as to what consists 'good service', 'fair pricing', 'productivity', 'efficiency' and other abstract qualities. To be fair, the arguments of both sides have merits and demerits.

Port operators and their users, whose prosperity depends on the well-being of one another, cannot continue to engage in unproductive bickering over tariff structure. They must concur on an agreement as to what is the best price structure that can lead to a win-win situation for them.

The best way to find convergence between the two parties on what 'fair price' to charge and pay for port services is to come to an agreement on how to measure the 'intangibles' mentioned.

By doing so, differing views and clashing perspectives over the qualitative aspects of port services and their pricing can be reconciled to the best interests of the stakeholders involved.



North Port

Photo: WK

“A market-driven tariff structure can indeed be a powerful attraction for users to do business at a particular port, pursuant to its operator's marketing efforts of promoting the port's customer-oriented charges.”

It has to be emphasised that shipping lines pay keen attention to a host of other factors at the ports beyond tariff in deciding their port calls. These include aspects such as physical features, productivity, operational efficiency, current and future capacity, connectivity, value-added services offered, and economic activities of the ports' hinterland among others.

As such, port operators in Malaysia would do well not to focus too much on maintaining tariff at a low level simply to protect their ports' pricing advantage. In fact, operators of ports known to offer excellent services at low charges should not be afraid to adopt a tariff structure that matches their service offering and shake off the tag of being 'low cost terminals'.

In the ultra-competitive port industry, it would be an unsustainable proposition for Malaysian port operators to bank on low cost alone to lure users. The port operators should instead focus on attaining service excellence and positioning themselves as high-quality ports instead of as 'low cost terminals'. Although port users have become increasingly cost-conscious in these challenging times for global economy, they would be quick to acquiesce that when it comes to ports, you only get what you pay for.

The discourse on tariff liberalisation in Malaysia should be framed in a proper commercial context instead of being driven by emotion. In doing so, it is essential to develop an understanding of what port tariff



Tanjung Pelepas

entails and what are the factors behind the imposition of a certain tariff structure and regime.

The first step towards doing so is to acknowledge the fact that published tariffs are the maximum prices that port operators can charge for the services it renders, and that they are free to charge anything not exceeding the price ceiling. Based on this understanding, one should be able to appreciate that as with other charges and rates, port tariff can – and should – be adjusted to the demand and supply situation in the market. In an ideal marketplace, service providers should be allowed to reduce and increase rates according to the circumstances and dynamics inherent in their operating environment.

On account of this, Malaysian port operators are not wrong to feel that they should be free to determine what price to charge for the services they provide, and to exercise discretion to fix their charges according to their business relationship with their customers. In doing so, port operators may wish to offer incentives such as discounted rates based on the volume of cargo given to them by their customers. By doing so, port operators can ensure

repeat business from their users and retain their loyalty.

This can provide port operators in Malaysia with a powerful impetus to provide better services which can generate more business from their users who stand to benefit from improved services and greater efficiency. In this commercially driven arrangement, negotiated tariff can provide the catalyst for both parties to engage in a mutually beneficial relationship, and to come to a consensus as to what constitutes fair charges and fair services.

Allowing such flexibility in pricing will provide port operators in the country with the prerogative to leverage on attractive pricing as a component of their marketing mix and ‘sell’ their services on the strength of their pricing structure. A market-driven tariff structure can indeed be a powerful attraction for users to do business at a particular port, pursuant to its operator’s marketing efforts of promoting the port’s customer-oriented charges. In contrast, low tariffs create an obstacle for port operators to offer incentives and, hence, may frustrate their effort to improve their ports’ capacity to attract more business and enhance their competitiveness.

To port operators, a ‘fair’ tariff structure fairly leads to the generation of margins that can be used to ‘subsidise’ another service which yields low levels of profit but is too essential to be left out of the ‘service menu’ of ports. When used smartly, flexible pricing of port services, as allowed by a liberalised tariff regime, can create a win-win situation for both port operators and their users.

It is an enormous challenge to Malaysian port operators operating in a controlled tariff regime to attain a balance between optimising the utilisation of their capacity and equipment to cater to all their customers, and working around the confines of rigid, inflexible tariff system. Big customers insist on preferred treatment, and providing them with dedicated services can come at a considerable cost to port operators. At the same time, port operators need to cater to smaller customers and must not ignore them in their quest to attract and retain the business of the big players that bring big revenues.

The trick is for port operators to satisfy their entire customer spectrum by providing good services at competitive prices, while at the same time continuously improving their capacity and efficiency and generating decent revenues that meet their business objectives and their shareholders’ expectations. This will ensure that Malaysia ports remain competitive and will provide the impetus for their owners to continue investing in capacity and to improve their service and efficiency to attract more users and handle greater throughput volumes. Having such ports would not harm Malaysia’s ambition of becoming a competitive maritime nation and a regional maritime hub. 

Nazery Khalid is the Senior Fellow at the Maritime Institute of Malaysia.



Trans Gulf Rail

Connecting Nations

Rail transport is the key infrastructural element in accelerating the growth of the regional logistics industry, as it provides a crucial link between raw materials, production and markets. The Gulf is now ready to make history by taking the final stride to implement the first railway network linking the six member countries. The Trans Gulf rail network could be a boon to the GCC states and would make the region comparable to Europe, says **Sowmya Shenoy**.



Photo: Azhar

In 1978, an agreement was reached among the five countries – Saudi Arabia, Iraq, Kuwait, Qatar and the United Arab Emirates to construct a railway line along the coast of the Gulf to join with Iraq's existing railway to Turkey and thus complete a Gulf-Europe railroad. The idea was not implemented for various technical and diplomatic reasons; however, the formation of the Gulf Cooperation Council (GCC) has revived the interest among the Gulf nations, to form a common rail network. Pooling in the resources, needs and

requirements of all six states seems to be more economically viable and mutually beneficial to all concerned.

According to the new feasibility study, a railway from Kuwait south to Doha in Qatar, Dammam in Saudi Arabia, Abu Dhabi in the UAE and on to Muscat in the Sultanate of Oman is to be considered. The rail system is planned to link the Gulf to the Indian Ocean, the Red Sea coast and Western Europe. The GCC rail would then touch upon the major ports at Jeddah, Dammam, Sohar and Jebel Ali and give the shipper a choice of options within one rail network and

thus enhance integration of logistics services. A low-cost mass transit system is expected to provide greater capacity for freight movement, which would result in fast transfer of goods between countries and eliminate traffic congestion. The region is expected to see major industrial plants within the next few years especially in Saudi Arabia, which are mainly export-oriented. Trans-Gulf Railroad would be invaluable, as Western Europe will be one of their major target markets. A rail link which could carry the exports to say, Istanbul in Turkey in a fraction of the



The GCC rail network will complement other major projects such as the GCC grid network, water linkage, and the ID card project

time sea shipment would take, has immense advantages.

The total length of the tracks is expected to be between 900 and 1,500 km. The rail network would provide seamless connectivity between the Gulf cities. The integration of member states is bound to increase the mobility of people. A modern high-speed air-conditioned train would ensure time saving and comfortable travel for the Gulf traveller. The estimated journey time from Kuwait City to Dammam in Saudi Arabia would be 3 hours and 33 minutes; from Abu Dhabi to Dubai less than one hour; from Dubai to Muscat a mere three and a half hours. An inter-city rail link would offer an alternative to the existing road and air transport.

Construction could begin by 2010, with the first service to open between 2015 and 2018, according to estimates. The project could cost US\$ 10 billion (Dh 36.7 billion) to US\$ 15 billion. Early this year, Systra, a Paris-based international consultancy and design firm for mass transit and rail has won the contract for the first phase of the project in Oman, which will run from the Muscat to the port city of Sohar. The company along with three other firms will also suggest the locations of stations along the overall route of

1500 km of the GCC network. Despite its massive reach, the GCC rail project will still be complemented by other rail projects. At a recent conference, Mohammad bin Obeid Al Mazroie, GCC assistant secretary-general for economic affairs said, "The GCC railway network will complement other major projects such as the GCC grid network, water linkage, and the intelligent ID card project that will facilitate movement among the GCC countries." The GCC Free Trade & Tariff agreement was formed by the GCC Customs Union, to encourage movement of national and foreign commodities among the member states. The concept of the GCC Customs Union stresses on excluding customs duties and ease the regulations which limit trade among the GCC countries. The successful implementation of this agreement is a key factor to realise the true benefits of the GCC rail network. The practical application of the agreement revealed some shortcomings in keeping up with the developments and international economic changes. The rail project will test the limits of GCC cooperation as it tackles thorny issues such as who will regulate the system, how the costs will be shared, and how to overcome contrasting

customs laws and regulations within the region. Martin Bay, chairman of the Board of Managing Directors of Deutsche Bahn International (German Railway Group) said to a publication, "...the challenges for such a network is to integrate the system and form a GCC railway authority, safeguarding those railways whoever is constructing them and operating them to run it basically under the same system so as to avoid the difficulties that the railway network in Europe still has today due to different signalling and telecommunication systems."

The rail project comes at a time of renewed push to meet a deadline for monetary union among GCC nations. A number of factors make the GCC countries natural candidates for forming a RIA, including their shared language, culture, religion and geographic proximity. Forming a monetary union is the final step in the economic integration process and a GCC single currency is scheduled for 2010. It will move beyond the free movement of goods services agreed upon in the GCC Customs Union, to include labour and capital flow as well.

GCC countries have definitely moved from camel caravan to jet craft. Far reaching rail roads were somehow left behind. Considering their mega developments and thrust for infrastructure from the governments, the GCC is not likely to be deterred by the scale and scope of the railway project. The Sultanate has already awarded RO 220 million worth infrastructure projects this year. Efforts are also being made to diversify sources of national economy and reduce reliance on oil revenues, which account for 75 per cent of total revenues.

The Council's success in this matter is deemed a promising indicator for all the member states and hopefully, it will be followed by other steps to reach the integration desired by GCC citizens, towards achieving the long-awaited dream. **M6**



Maritime Links China, Taiwan Bury the Hatchet



As China and Taiwan are all set to sign the Comprehensive Economic Cooperation Agreement (ECFA) during their negotiations in the near future for ensuring economic benefits to both sides, the world views the alliance as a major achievement.

Maritime Gateway gives a glimpse of the alignment.

Commenting on US-China relations, the well-known economist Andy Xie said, “They don’t know what to do with China. It’s a question of whether China is a friend or foe, and they don’t know...” Well, the island nation of Taiwan too had a similar perplexity about its mighty neighbour for a long time, as long as six decades. But the confusion seems to have ended with both the countries renewing their shipping and air links. The long stalemate existing since 1949 soon after the end of the civil war, is now giving in to the changing demography and implicitly good time for other Asian countries.

The signing of a memorandum of understanding by China’s Taiwan envoy Chen Yunlin and his Taiwanese counterpart Chiang Pinkung in Taipei marks an era of growing trade links and the end of a long spell of hostility. Following their gesture, the Civil Aeronautics Administration in Taipei has said that five Taiwan-based carriers and nine mainland Chinese airlines would be initially pressed into service. Evergreen Marine Corp. and other shipping companies are likely to start direct services between the two shores, he added. The two countries will now ply non-stop services and avoid a detour through Hong Kong.



Things started looking up after Ma Ying-jeou took over as Taiwanese president in May last year. Transport links, including sea, air and postal links, were the first ones to be eased, since the head of the recession-hit tiny nation realised his wealthy neighbour was his only man Friday. Ma expressed hope for a flourishing association with China in whom he saw his country’s biggest trading partner.

China is also looking to build a train line linking the mainland with Taiwan to boost trade ties between the two sides, says Chinese railways minister.

"Taiwan doesn't want to be just a local market, it wants to be a regional springboard," says Ma. The opening of North Taiwan's first deep-water container terminal last week is expected to direct the island nation towards becoming a regional shipping hub between Northeast and Southeast Asia.

Meanwhile, China too has come out of its cocoon and extended an open hand, pushing for comprehensive economic linkup with Taiwan. Addressing the National People's Congress in Beijing last week, Chinese Premier Wen Jiabao said, "We will accelerate normalisation of cross-straits economic relations and promote the signing of a comprehensive agreement on economic cooperation."

He further elaborated that China is ready to hold talks on cross-straits political and military issues and to create conditions for ending the state

Ports in Taiwan

Taiwan is surrounded by sea on all sides.

Major ports

Hua-lien, Kao-hsiung, Chi-lung, Tai-chung

Other ports

Anping, Su-ao, Taipei

Interior ports

Budai, Magong, Kinmen, Matsu

Merchant marine

235 ships (1,000 GRT or over)
totaling 3,827,173 GRT/6,121,877 metric
tonnes deadweight (DWT) (2003)

Ships by type

Bulk	35
Cargo	64
Container	42
Petroleum tanker	20
Passager	38
Others	36

Source: Wikipedia

of hostility. According to media reports, Taiwanese businessmen are learnt to have invested an estimated US\$ 150 billion in China and are waiting for formal approval to start operations.

A win-win situation is what the foes-turned-friends are looking at, say economists. "Not just for Taiwan, but for markets all over the world, this was good news," Cheng Cheng-mount, an economist at Citigroup in Taipei, said. "For Taiwan, it's in line with expectations as the Taiwan government has taken this path for a while," he added.

Politics makes strange bedfellows, they say. But it makes sense for commensalism to thrive in these hard times. That more such mutual contracts are in the offing is only good news for trading partners, especially their respective shipping lines. **MG**

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Calm in the Face of Storm

In the wake of seafarers' arrests, it is not proper to go overboard and use strong expression against the system of any country which has sought to prosecute Indian crew members. It will be counter-productive to indulge in mud-slinging.

by **S Venkiteswaran**

The expression, 'criminalisation', is being used in the recent past in relation to shipping, more particularly after the recent incidents involving arrest of the Indian crew members. The previous case before the present Korean one in this behalf, which attracted a lot of attention, was that of the master of the vessel (*Prestige*), who was arrested and detained in France.

So many articles have appeared in the press on the subject and, therefore, I do not want to walk the trodden path. No one can dispute that international comity requires that seafarers from all countries must be treated with dignity, and should

not be subjected to unnecessary harassment when a seafarer visits any country during a voyage.

In today's context, substantial numbers of seafarers are from India and, therefore, this is a subject which is extremely important to the people of this country. Every country is zealous of its sovereignty and freedom to administer its respective criminal law within the country. In the case of *Prestige*, the French Police did arrest the master and kept him incarcerated, till he was released on bail by a competent court. Would it be correct to say that the French government did not have legal authority within their country to take criminal proceedings against a crew

member? That will be questioning the French government's sovereignty to take appropriate action in law. I entirely agree with the proposition that, except in gross cases, like the case of *Alaska*, a crew member – even if he is guilty of an offence committed in the course of his employment – should be treated with at least minimum dignity.

Let us take the Korean case. This is a case in which the crew members were tried in a Court of law and were, in fact, acquitted by the first Court. For whatever reason, an appeal was filed by the State and the Appeal Court ordered arrest of the crew members, and subsequently they have been released on bail,

pending hearing of the appeal. This is what would have happened in our country, or any other country, if somebody had been arrested. Very strong expressions were used against the administration and there were even talks about boycotting, etc. Unfortunately, such outbursts are not only counter-productive but will create more harm to the poor seafarers who are caught in such countries, rather than helping them.

Unfortunately, we have also the reputation to make noise where it is not required, but fail to follow up when required.

Therefore, summing up, I must only say that we should make appropriate noise in all international forums with a request that, when crew members are arrested, they should be treated well and with respect and afforded reasonable chance to defend themselves of any charge-sheet against them, and be entitled to interim bail against an appropriate assurance from the government of the country to which the crew member concerned belongs. As against which, it is not possible in international law or otherwise to contend that a seafarer should never be arrested. Consensus should be attempted to handle different

US naval ship broke the law, says China

China has accused the US of breaking international law after five Chinese ships jostled with a US navy survey submarine surveillance vessel in the South China Sea recently. The Pentagon accused the Chinese of harassing the *USNS Impeccable* in international waters off Hainan Island but Chinese foreign ministry spokesman Ma Zhaoxu said the US ship was at fault. "The US claims are gravely in contravention of the facts and confuse black and white and they are totally unacceptable to China," he said.

China has lodged a solemn representation to the United States as the *Impeccable* conducted activities in China's exclusive economic zone in the South China Sea without China's permission, Ma said in a statement.

There have been dozens of fly-bys by Chinese Y-12 maritime surveillance aircraft in recent days. The US defence department said the Chinese vessels "shadowed and aggressively manoeuvred in dangerously close proximity" to the *Impeccable*, an unarmed ocean surveillance vessel, with one ship coming within 25 feet of it.

Washington urged China to respect international maritime rules. "The incident . . . appears to be part of a wider and dangerous cat-and-mouse game between US and Chinese submarines and their hunters," nuclear expert Hans Kristensen wrote on the Federation of American Scientists' strategic security project blog.

circumstances, in a manner consistent with the dignity of the seafarers. One has to be extremely careful before making irresponsible statements of boycotting a country's ships, etc., and one must look back and see how we have behaved in identical circumstances.

We have resorted to detaining crew members in our country, allegedly to arm-twist the shipowners to agree to remove the wreck-not once, but on innumerable occasions. At least, in the last two cases concerning Indian

seafarers, viz. France and Korea, the matter was handled according to law, while we have the reputation of having detained seafarers without even formally bringing any charge. To cap it all, in a given case, the port authority of Kolkata approached the High Court of Calcutta and sought to restrain a Korean citizen and the owner of a vessel from leaving the country, until he provided security for removing the wreck, even though under the law, as it stands today, there is no obligation to remove a wreck, unless the wreck is an impediment to navigation. The High Court granted an order, but the Ministry intervened to sort out the matter.

With this background, the purport of this article is only to request the Indian seafarers and the Unions, who are rightly agitated, to refrain from indulging in untenable comments, which can only bring more harm to them if other countries decide to retaliate in anger. **MG**

Venkiteswaran is a Senior Advocate and has been practising law, exclusively in shipping, for 47 years. He has been awarded the Varuna Award, the highest civilian award in Shipping. He is also involved in shipping cases all over the world.



Worth Peace of Mind

As the global economy shrinks, trade volumes have reduced significantly and this is expected to continue in the near term. This is expected to impact written premiums in marine which are already at historic lows due to the softness in the market and have not hardened despite drastic reductions in commercial property premiums. In addition to this, cargo premiums connected with infrastructure have also come under pressure since many projects have either been shelved or are getting delayed.

by *Ajay Bimbhet*



With the expansion of job market in India post liberalisation, Indians have been moving within the country as never before to wherever their careers take them. Travelling and then transplanting your family and children in a new environment is initially a bother, which people take in their stride. Then there is the additional hassle of moving your truckload of household contents safely to their destination whilst saying a silent prayer that no

untoward incident takes place, such as, accidents or pilferage.

One would say that silent prayer after reading in the newspapers, every other day, of some major accident on the highway. Recently there have been disconcerting reports of truck drivers being murdered and the trucks with their goods disappearing into thin air – apparently, the handiwork of some organised gangs who have been yet to be identified.

And then there are the Somali pirates who have been giving sleepless

nights to everyone transporting their goods by sea.

Taking all such risks into consideration, marine insurance is not a bad idea. In fact, it would be the most sensible step to take if you want to protect your luggage or goods and avoid repenting in hindsight. Of course, it is not just individuals who need such cover, but also buyers, sellers, import or export merchants, buying agents, contractors and banks or anyone engaged in the business of movement

of goods. During the course of transit, the cargo may not always be at your risk. For instance, you can sell it to a buyer. Marine Cargo Policies cover your interest in the cargo insured and also extend to cover the interests of any third party, to whom you have assigned interest, upon transfer of ownership, as determined by the Terms of Sale.

Transit insurance covers unaccompanied cargo in different modes of transit like rail, sea or air. This cover gives protection from accidents or pilferage, or both depending on whether you want to go in for accident cover only or an all-risks cover which would protect your cargo from any kind of damage whether due an accident of the transport as well as pilferage. The all-risks cover gives protection from any untoward occurrence and is subject to standard exclusions. The coverage commences at the point of origin of the journey and ceases at the destination.

In technical jargon, marine cargo insurance is a service in support of international trade which enables the risks of financial loss arising from loss of or damage to goods due to

“
The next time you plan to transport your goods, don't ever forget to take marine insurance. It's a cover worth taking not just to protect your goods but also for your peace of mind.”

hazards and perils of transportation to be transferred from the goods owner to insurers for an appropriate premium.

A marine cargo policy or certificate can also act as a form of collateral security for banks and other institutions providing finance for international trade transactions.

When goods are transported, whether by a short distance, by road or across oceans and continents, they are susceptible to loss or damage during transit. For instance –

- Theft of property in transit is a common hazard. Vehicles are not inherently secure and shipments overseas are susceptible to theft at ports, airports etc.
- Goods can be damaged while being loaded upon or unloaded from vehicles, ships or an aircraft
- As we all know, road accidents are a frequent occurrences and even ships or aircrafts can suffer casualties
- Goods sent through post can also be lost or damaged
- Shipments by sea can give rise to particular problems such as water damage, contact with other cargo, loss of containers overboard in bad weather etc.

Such loss or damage to goods can cause a grave financial burden on the business, concerned either by a monetary loss of the value of goods or by failure to fulfill a contract. Transits of goods purely within the sender's country are often covered under a property or transit policy but international transits whether by sea, air or over land are catered for by a marine cargo policy, which can usually be extended to cover domestic transits if required.

Policies can be tailor-made to suit the requirements of a customer across a wide spectrum of businesses such as fast moving consumer goods industry, electronic industry, infrastructure projects: including delay in start-up covers, pharmaceutical industry, healthcare industry and also the fine arts.

So, the next time you plan to transport your goods, don't ever forget to take marine insurance. It's a cover worth taking not just to protect your goods but also for your peace of mind. **MC**

Ajay Bimbhet is the managing director of Royal Sundaram Alliance Insurance Company Limited, Chennai.



Tough Times Ahead

Ms Deirdre Littlefield, president of International Union of Marine Insurance, briefs members of the International Underwriting Association on the prevailing marine insurance environment.

While the insurance industry may be more insulated from failure than others in the financial sector, it will not entirely escape the damage done by the current crisis, and it will see winners and losers over the next 24 months. Marine insurance is inextricably tied to the state of the global economy and to world trade, so there will be a challenging marine environment going forward. Over the last several years, shipowners, cargo interests and offshore energy operators have enjoyed marine insurance protection often at bargain prices. This occurred during a period of record growth in global trade, the rapid expansion of the world fleet, and unfortunately a rise in claims as vessels and their crews were worked hard to keep pace with growing demand. Not surprisingly, even in boom times, this combination of escalating exposures, increased claims and flat or decreasing premium rates has resulted in a technical loss for marine underwriting globally. Strong investment returns in the past were able to shore up results for most of the major players, but with the results of the last several months my colleagues throughout the industry will now have to rely on pure underwriting results to demonstrate their ability to survive and thrive in the period of economic uncertainty that lies ahead. The slump in trade volumes is coinciding with a sharp increase in capacity. As much as 1.5



million TEU container capacity will be delivered this year, followed by another 1.25 million TEU in 2010, according to recent projections. These orders, placed in 2007 and largely earmarked for the Asia-Europe trade, never contemplated the financial upheaval the market now faces. While cargo volumes will be off around the world, some trade routes are likely to fare better than others according to published results:

- In the trans-Pacific trade, imports into the US will be flat to slightly down, while US exports to Asia should remain strong but will not match the 15 per cent growth recorded over the last two years;
- Trans-Atlantic trade export growth will slow as the dollar strengthens

and the European recession deepens. Imports to the US from Europe, which dropped by 4.5 per cent last year, are expected to fall by a much smaller 1 per cent in 2009;

- Asia-Europe trade, the main driver of profits in 2007 and 2008, will be the hardest hit in 2009. Annual cargo growth on westbound routes from Asia plummeted from 20 per cent in 2007 to 3 per cent by the third quarter of 2008. The most optimistic growth forecast for 2009 is just 1 per cent.

So the months ahead will be very challenging for marine underwriters and their clients. Top-line growth will be challenging as consumer and corporate spending continues to slow, factories which sprung up in the boom times scale back production or close, newbuild order books shrink, and global trade and shipping struggle to adjust to a new global economy. With less ability to control top-line growth, underwriters will be far more focussed on the bottom line – their technical underwriting results. This means more focus on risk selection, policy wordings, deductible levels and risk pricing. It will also require underwriters to review their internal and external cost of doing business and reducing expenses where appropriate. Loss prevention and claims management are proven methods of positively impacting the bottom line, and companies with strong claims and loss control service teams will have a competitive advantage in the market. **MG**





Sinking Waters

With the world economy reeling under the pressures of the slowdown, marine insurance has taken a severe beating, the consequences of which will be felt all through the year ahead, experts say.

by **Mona Ramavat**

Till even a year ago, insurance companies enjoyed a good phase in the shipping sector, but with the slowdown and other factors propelling costs, marine insurance is suddenly in a serious crisis. Underwriters who relied heavily on their investment income are now called to record huge losses as a result of their investing activities. It doesn't look like the trend will reverse in a hurry.

The end of a golden era

The first half of 2008 saw most marine insurance buyers enjoy competitive rates thanks to the

abundant supply with a low level of claims and the fact that marine insurers exploited the additional benefit from the ongoing global investment boom. A combination of these factors resulted in fierce competition between underwriters. Despite the increased volume of premiums, rates remained at approximately 30-40 per cent lower than the fair ones.

Over the last three years, marine underwriters witnessed increased volumes of premium, mostly due to the exceptionally strong freight market and high values of the vessels, despite decrease in insurance rates. This boom of the past few

years eventually led to an increased insurance capacity, resulting in steady drop in the rates with return on investment compensating for the reduced income.

According to Ilias Tsakiris CEO of Hellenic Hull Management Ltd., "Traditionally expensive insurance market saw the boom and decided to enter the market by offering really low cost fees. For instance, a modern vessel worth US\$ 60 million could also cost US\$ 60,000 in insurance fees. But insurance companies didn't care, since whatever their loss from claims, they could reimburse it in returns from their investments. The results of this unreasonable

underwriting are visible today. Newbuilding orders reached to such an extent that repair yards went extinct. Therefore, whatever the repairs came up, they were charged at extremely high rates. To sum it up, claims were more expensive although there were few."

At present, the freight market stands at approximately 90 per cent lower than what it was last May. Add to this, the growing scale of exposures. Together they proved to be a rather challenging combination that the marine underwriter was presented with, to achieve a fair premium. Eventually, by the end of 2008, it was sort of obvious that capacity might not be so readily available.

Hull claim insurance costs in late 2008 went up by 86 per cent over five years, according to Norway's Central Union of Marine Underwriters (CEFOR). This rather disturbing trend has resulted from a weak US dollar, strong market conditions and the steadily increasing price of raw materials. Another factor that contributed was the increase in the expenses incurred to meet claims including higher towage and salvage rates, cargo values, pollution fighting equipment, the cost of replacement parts and severely challenged repair yards, says CEFOR. "Increased environmental sensitivity has created more complex and costly salvage and wreck removal situations," it says. It also predicts that with claims costs likely

“Increased environmental sensitivity has created more complex and costly salvage and wreck removal situations.”

to increase in the future, the industry must gear up to manage costs without compromising on safety. According to the 2007 Nordic Marine Insurance Statistics (NoMIS), the average cost of a claim occurring during the period between 1995 and 2003 was \$ 210,000. In 2007, it rose to \$ 386,000. In 2009, it is set to increase even further.

Current concerns

Marine insurance buyers are dealing with a rather erratic range of coverage rates that swing pretty high up in some lines of business while steeping really low in some others. While protection and indemnity rates continue to increase rapidly, costs in other liability lines are static in comparison. Cargo rates on the other hand are falling, and hull and machinery coverage rates, which have so far remained level, may start climbing with increase in losses.

"Despite the credit crunch, the amount of goods being shipped is higher than ever," says Nick Gooding, senior cargo underwriter at XL Insurance in London. "More importantly, the values are higher than ever. These are huge values for the market to cope with, (but) the market is capable of insuring these types of values."

Another issue in the industry is the high cost of maintenance of crew and resources. The heavy demand for goods around the world has certainly led to greater shipping activity. But as a result, resources get stressed which can lead to more frequent claims, contributing to higher insurance bills.

"As the industry has been doing so well, it tends to increase claims activity," says Gary Moore, managing

principal with Integro Insurance Brokers Ltd. in New York. "We've certainly seen that on the hull side. Hull and machinery claims are increasing and underwriters are concerned."

As far as maintenance is concerned, quite a few shipyards are already overworked according to market sources say. "Most shipyards in Europe and Asia are very busy. It's hard to find a suitable repair yard in those parts of the world and others where shipping activity is high," Moore adds.

Apart from that, insurers also worry about the quality of repair work at some shipyards. Owing to the steep rise in steel costs, some insurers also fear that shipyards may be using inferior quality metal to cut corners. This could result in serious consequences for shippers and insurers alike. "The cost of steel is up substantially," says Moore. "When ships go into a repair yard, if they can find one, they find their repair costs have gone up."

The cost of coverage also depends on the specific line of business. On the P&I side, buyers usually spend on rates that have steadily risen in recent years. Constantly increasing claims in this sort of coverage means that costs will continue to increase, according to experts.

A report released in late August by Willis Ltd. showed that P&I rate increases reached double digits in February 2008 and are expected to rise another 10 per cent by later this year.

The Willis report also observed the marine market itself was relatively weak. However, things are looking up in some areas at least. The Norwegian Hull Club, for instance is

Tough Going

- A dramatic increase in piracy off the coast of Somalia and a ten-fold increase in insurance premiums has sent the cost of sending ships through one of the world's busiest transport routes soaring, shipping experts say. Insurance companies have increased premiums for sending a cargo shipment through the Gulf of Aden to about US\$ 9,000 from \$ 900 a year ago.
- In 2008 alone, ransoms of nearly \$ 150 million were paid, as a result of attacks by Somali pirates.



Owing to a fall in Indian exports overall, general insurers could expect fresh premium collections from the marine cargo segment to grow at a rather low rate.

pushing for increases of 10-15 per cent and may even lose as much as 30 per cent of its business for higher rates, according to Willis.

"Hull rates have really been soft in recent years," said Richard Crump, senior partner with maritime law firm Holman Fenwick Willan in London.

Price increases in soft marine lines might be harder in comparison because insurance buyers want lower costs more than anything else, pointed out David Loh, maritime attorney at Cozen O'Connor P C in

New York. "Insurers are very much focussed on pricing rather than service," he says. "Underwriters have to compete on price and that pushes prices lower," Loh says. He believes that downward pressure on marine rates will continue in most classes. "The economy is not helping," he said. Meanwhile, competition among marine underwriters continues to increase.

The India story

Owing to a fall in Indian exports overall, general insurers could expect

fresh premium collections from the marine cargo segment to grow at a rather low rate. Thanks to the period of recession in the US, UK and other European economies, exports from India have decreased considerably to these countries. According to Ministry of Commerce, the exports declined by 12.1 per cent in 2008 compared to 2007. In November 2008, export growth dipped by a further 9.9 per cent.

Marine premium made for about 7 per cent of the entire pie of premium income for general insurance companies in 2006-07. The state-owned claims constitute 80.5 per cent of share and private insurers 112.57 per cent, as per the data from the Insurance Regulatory and Development Authority.

"Though the marine insurance premiums are still growing, the growth rate is below expectations," says Sandeep Bakshi, CEO and MD, ICICI Lombard General Insurance Company. "The marine premiums are directly dependent on the velocity of corporate growth. The collections are linked both to volumes of goods and the pricing. And there has been a correction on both these fronts. While volumes have seen a reduction, rates have not seen an increase," he added.

"In future, covers like marine cargo would see an increase in rates depending upon the loss experience of companies," says G Srinivasan, chairman and managing director, United India Insurance Company.

"The growth rates of marine premium have come down, in line with the fall in exports. After de-trafficking of the marine insurance segment a few years ago, the marine portfolio had decreased for a lot of companies with a fall in the premium rates, including ours," said V Ramasaamy, chairman and managing director, National Insurance Company. "The rates are now looking up to a certain extent," he commented further. **MG**

THIRD EYE

Photo: André Pipa

Photo: Costamellis

Photo: Guileed

Photo: Harish Mangal

Photo: Sarah Nagda

Shipbuilding at its best

If ships are an architectural marvel, what of buildings shaped after them. The beauty and majesty of a moving ship though may not be really created, it can at least be simulated in concrete, say architects and here we see a range of their creation - hep buildings in shipshape! These 'shipbuildings' will not rock but dock for years together at their fixed berths, standing the test of time amid a sea of people. Here's a salute to the spirit of innovation in man, his ability to create and recreate things with his creativity and sail high on the wave of earthly confidence!



Kandla Port

The Hallmark of Success

Gujarat is the crucible of ports and port-based development is its catchword. The major port of Kandla has been registering a steady economic growth and breaking its own records in productivity and efficiency year after year. As it eyes to be the best in the continent in handling liquid, bulk and containerised cargo by adapting to changing trends and demands, here's a glance into what makes it going with time.

by *Radhika Rani G*

Progress of ports is the key objective of the National Maritime Development Programme and Kandla Port, perched in people-powered Gujarat, has dominated the list of port projects completed so far. If being Asia's hub is its vision, inching towards global competition with excellence is its mission. Setting goals and surpassing benchmarks day after day, Kandla today stands tall among the league of major ports.

As per the Indian Ports Association's recent data, of the 38 NMDP projects grounded so far, Kandla has topped the list by completing nine, at a cost of Rs 1,408.55 crore. These include three cargo berths, a modern container terminal with backup area, a marine terminal at Vadinar and

upgraded marine, rail and road infrastructure. The port prides itself in rendering value for money and value-added services to customers. In tune with it, it has equipped itself with first-class infrastructural facilities, rail-road connectivity with the country, efficient and transparent berthing policies, lowest port tariff and an envious cost-effectiveness.

Customer is the king

Port chairman P D Vaghela believes in modernisation drive that can answer the changing customer needs and dynamics of trade. According to him, customer satisfaction is what matters the most. "We assign importance to solving port users' problems systematically and in a time-bound manner," he says.

Elaborating on the customer-friendly measures mooted, he says the congestion at the port is being addressed by developing barge-handling facilities at Bunder Basin and Tuna and also by taking up dredging on a large scale. "To address the congestion problem, berths 13, 14, 15, and 16 are being developed on a BOT basis and the clearance of the Government of India is already through."

Procurement of harbour mobile cranes, construction of warehouses and development of 40 hectares of storage area in the vicinity will improve port productivity and bring tremendous relief to port congestion. An additional 66 hectares of land is being developed near the port to extend the existing railway lines and



“The Kandla Port Trust constituted in 1964 has been instrumental in the enviable growth of the port, ensuring extension of services to the Middle East and Europe.”

address the needs of import cargo evacuation.

Humble beginning

As small beginnings logically lead to great things, Kandla took shape out of an idea borne in 1930 by the Kutch ruler Maharao Khengarji III – to develop a gateway for the northwestern region. In 1931, with a single pier construction, the port was

pressed into operation. In the ensuing days however, it went on to meet the maritime needs of the government, more so after Pakistan parted ways and kept Karachi port for itself.

The post-Independent India saw a great potential for Kandla serving the vast hinterland of nearly 1 million square kilometres stretching from Gujarat to Kashmir. And so, the West

Coast Major Port Development Committee, set up under the guidance of Sardar Vallabhbhai Patel, duly recommended the government for impetus and Kandla got the status of a major port in 1955. With time, exim trade volumes picked up and the port started playing a pivotal role in the west coast of India, contributing to the national exchequer and the socio-economic development of the Kutch region. The port trust constituted later in 1964 has been instrumental in the enviable growth of the port, ensuring extension of services to the Middle East and Europe.

Vibrant growth

Its strategic location in the Kandla creek – 90 km from the mouth of the

Kandla Strengths

- All-weather port
- Round-the-clock navigation
- Draft: 12 m, to be deepened to 14 m
- Cargo profile: Iron and steel, salt, POL, chemicals, fertilisers and timber
- 11 cargo berths with a length of 2532.32 m
- 6 oil jetties with a capacity of 16 MMT
- 3 single point moorings
- Barge handling facilities
- Entry of ships with 240 m length overall and 65,000 DWT
- Vast anchorage at outer harbour
- 22 lighted navigational buoys with solar lights in navigational channel
- Steel floating dry dock, length: 95 m
- Transparent policy and lowest pricing among all the 12 major ports

India's first SEZ

Kandla Special Economic Zone (KASEZ) is the first Indian SEZ set up in 1965; it is in fact the first SEZ in Asia. It is also the largest multi-product SEZ in India, spread over 1.2 sq miles in Gandhidham, located 9 km away from the port. The SEZ is celebrating its 45th foundation day this month. The SEZ offers all facilities to exporters and so is the most sought-after for export-oriented manufacturing units in India. Its net foreign exchange earning is more than 60 per cent, the highest among others in the country. Employing more than 15,000 workers, the export-oriented units in the SEZ include gems and jewellery, electronic, software, textile and garments, engineering goods, sports goods, and leather products.

ABG Kandla aces ahead

ABG Kandla Container Terminal, owned by the ABG Group, has registered the highest monthly throughput of 15,762 TEU in December 2008, the highest for the calendar year, by handling 23 vessels. According to the terminal managers, this marks a growth of 26 per cent over the throughput achieved in November 2008.

Having an alongside draft of 12.5 metres, the terminal with a berth length of 545 metre on two dry cargo berths – 11 and 12, and supporting backup area of 40 hectares, achieved a throughput of 152,520 TEU for the year. The terminal has completed two years of commercial operations and plans to add 18 hectares of backup area behind berth 12.

Considered to be one of the best equipped terminals in the country, ABG Kandla has 4 Rail-Mounted Quay Cranes, 2 mobile harbour cranes, 4 rubber-tired gantry cranes, 4 reach stackers, 18 prime movers and 12 trailers. Of this, the 2 RMQCs with 52 metre outreach and 2 RTGCs were operationalised in November 2008.

The terminal has more than 5 container freight stations, regular rail service to and from ICD Loni, an independent customs commissionerate, more than 15 MLOs, NVOCCs, 50 CHAs operating and other electronic data interchange (EDI) facilities. The growth trajectory is upcurved.



Gulf of Kutch – meant the port was a sheltered one, enjoying near-zero wave affect. Added to this, the tropical climate varying between 25 and 44°C and low rain-feed ensured uninterrupted navigation all through the year. These natural advantages, coupled with its own operational strengths, catapulted Kandla to the peak of performance. In the fiscal 2006-07, deemed as its golden phase, the port created history by handling a record volume of 52.98 MMT. The following year, it notched a cargo throughput of 64.89 MMT, registering an impressive growth rate of 22 per cent, crossing government target of 60 MMT.

A flurry of development activities worth Rs 50.8 million took form in 2006. The highlight of the year was the government's approval for port-based special economic zone worth Rs 78 million and the proposal of multi-purpose facility at Tuna satellite port worth Rs 12 million. Besides, cargo handling operations started getting better with 11 cargo berths in a straight quay line and turnaround of vessels turned faster and output per berth day got higher.

The recent years therefore have seen the port evolve with upgraded maritime infrastructure, including three single point moorings (SPM)





Kandla Port has grown and matured not only in age but also in creating infrastructural facilities, handling volumes of import and export trade. Over the last five decades of its existence, it has attained a sound financial status ahead of a number of other major ports in the country. We want to navigate the challenges ahead and convert them into opportunities with our focus intact on customer satisfaction.

P D Vaghela,
Chairman, Kandla Port Trust



and six oil jetties with a capacity of 16 MMT. For instance, an oil jetty and SPM of 12 million tonne per annum capacity, built at a cost of Rs 750 crore at Vadinar is handling crude from Essar Oil Refinery. Also, the deepening of the Sogal Channel to 13.5 metre draft has made it easy for post-Panamax vessels to navigate freely. A rail network comprising both metre and broad gauge systems and a road network of national highways have been ensuring cost-effectiveness. To improve the productivity at the berths, three new ELL Cranes of 25 MT capacities have been commissioned at berth No. 9/10.

The strong point however has been e-governance – the port administration is IT-enabled and has won the ISO 9001:2000 certification in 2006-07 for its effective online services.

Bright future

Kandla has been supportive of private participation if the record number of completed NMDP works is any indication. Of the 38 NMDP port projects in the country, 74 per cent of cost coverage has come from private players. The port is optimistic about substantial investment in handling equipments to boost its productivity and timely clearance of cargo.

It also plans to leverage the presence of private players in its container yard operations. Also, four new dry cargo berths are being constructed at

a cost of Rs 702 crore under the PPP. Once the new berths are operational by the end of 2010, Kandla hopes to increase handling capacity by 8 million tonnes. By 2012, it is expected to handle 100 million tonnes of cargo.

Emphasising on the need for port facility security, the port chairman says security gates will be installed at least 2 kilometres away from the port on the two major approach roads of Kharirohar and the SEZ. Also, the environmental-friendly norms will be followed with renewed interest, he adds.

There is severe shortage of pilots, who are the master mariners, stationed at ports to assist vessels to outer limits of ports for berthing and cargo loading or unloading. According to the industry reports, all the major ports are facing a shortage of 30 per cent.

Regarding the acute shortage of pilots who are opting private ports, deputy chairman of Kandla M A Bhaskarachar says six more pilots are being inducted to ease manoeuvring. Also, a proposal was cleared for commissioning of harbour crane of higher MT capacity through private participation.

As Kandla marches ahead with clear goals in sight and unflinching commitment, it is only a matter of time before the world can acknowledge it as a globally-competitive logistics hub. The transformation is already apace. **ME**



Photo: Ebbe Holsting

Fear of Fatigue

Working conditions onboard a ship plays an important role in the seafarer's work productivity. Lack of adequate facilities and below par work environment can make seafaring a difficult and boring job. Shipowners are required to understand the standards in working conditions and have to take steps in incorporating lively work environments at the design stage of the ships so as to reduce the seafarers' fatigue and improve.

by **A K Bansal**

In view of increasing global trade in Asia, the policymakers in Asian countries should be more aware of the critical role that Asian shipping plays in international trade and global economy. With Asian voice becoming stronger and clearer internationally, in terms of expanding fleets, shipbuilding capacity and ever-growing volume of Asian cargoes, Asian owners are now formulating common viewpoints on issues which affect the global industry. A permanent secretariat for Asian Shipowners Forum (ASF) has been

set up in Singapore, with a full-time Secretary General and support staff. This office assists in shaping policy issues where Asian Shipowners' views can be heard through its five standing committees dealing with shipping economics, insurance, liability, recycling, seafarers, safe navigation and the environment.

Japan is aiming to form a non-governmental organisation to represent interests of Asian shipbuilders at IMO by 2011 to influence decisions on global standards, ship recycling, air

pollution and ballast water treatment systems, which have an impact on Asian shipbuilders. These developments are important because of the way in which shipping is regulated globally today.

Marine environment, for example, has become a serious issue among Asian shipowners. It is vital that ASF registers its views with International Chamber of Shipping and International Shipping Federation to enable them to take a coherent stand at IMO, on behalf of the global industry.

Other global issues include criminalisation of seafarers, recycling and manning. Recent high-profile cases, in which Asian seafarers have been jailed or held against their will, have become the cause of concern. A message should go from Asian countries to all governments that have signed IMO and ILO instruments on Fair Treatment of Seafarers that these instruments be strictly adhered to. Criminalisation of Asian seafarers is not to be tolerated anywhere. The incidents of criminalisation will have damaging impact on efforts to recruit fresh talent and may result in the shortage of trained Asian seafarers.

If this trend of criminalising seafarers continues, it will make the job of attracting the next generation of seafarers to our industry even more difficult, if not impossible.

Ship design and seafarer amenities

Ships are being built against a price. While owners are more interested in performance and certification of their ships and builders on profits, no one really cares about the people who live on the ship. Ask any experienced seafarer, he would tell you about the lack of proper facilities and accommodation even in new ships, though they may fulfill every regulation to the letter, lacking compassion for seafarers.

Crew spaces are being built keeping in mind the rulebook, but without a cubic centimetre of extra space. The cabins are overcrowded and lack proper basic amenities and no space is generally allotted for recreational facilities.

Also, any discussion on fatigue in the shipping industry seems to be confined to work/rest hours and minimum manning. But living conditions, ship's vibrations and movements, lack of aesthetics and ergonomics in design of both living and work areas are not considered, even though they contribute to fatigue and stress.

“Ask any experienced seafarer, he would tell you about the lack of proper facilities and accommodation even in new ships, though they may fulfill every regulation to the letter, lacking compassion for seafarers.”

Shipowning is not only about acquiring certificates and waving them about in a self-congratulatory manner, but also about providing congenial work environment to the seafarers. Owners forget that it is seafarers who are the glue that holds every ship and shipping company together. Unlike in other premises where people can escape from badly ventilated and ill-lit conditions when the day's work is done, ships are a home to their crews who have to live and work on board for months on end. Owners can derive significant value from their human resources by providing the physical infrastructure that can make seafaring attractive. To determine the suitability of accommodation standards, one has to consider various criteria that induce fatigue such as noise, vibration and motions to which the crew are subjected. Lighting and its adequacy plus ambient climate as produced by air conditioning and ventilation are equally important.

Human factors engineering is another important aspect. Optimising habitability for a more comfortable ship minimises the effects of fatigue. Obviously, there are no universal criteria about what fatigue actually is, and what is the right way to 'manage' it. The fatigue often results in fatal accidents of ships. The incidents of exhausted watch keepers sleeping in the wheelhouse causing fatal accidents abound with casualty investigators.

Now we even have instruments like BNWAS, fitted on the navigation bridge with alarms to keep watch keepers awake.

Those involved in ship design and in drawing up of manning scales should actually make a voyage through the Atlantic winter to find out what seafaring is, what habitability is and what causes fatigue. Otherwise, sooner or later there is bound to be a frightful accident involving an exhausted watch keeper, with vast loss of life and/or pollution to wake up the Shipping Industry to the dangers of fatigue. That may get us an international prescription, to fight fatigue effectively and properly.

International image of shipping is to be blamed for poorly designed new ports located far away from cities. Port facilities are mostly inadequate for seamen visiting the port after a long voyage from half way across the globe in spite of the imports they bring which are the life lines of the port. Very often there are no facilities for seafarers to step ashore, no facilities for immediate medical help, for even garbage disposal, and a host of other amenities.

It is high time that ASF should look at these relatively small yet vital issues which if neglected can spell doom to the shipping industry. The already scarce human resources will become scarcer and costlier as well.

A congenial work environment, on the contrary, can make seafaring carrier more attractive in today's highly competitive job market.

A K Bansal is the chairman of the Chennai Chapter of the Company of Master Mariners of India.



Shipbuilding Going Stable

The last few years saw rapid growth in the shipbuilding industry world over.

Exuberant growth in trade, the replacement demand and the steep increase in crude prices have had a combined effect on the increase in ship tonnage. Existing fleets began to expand at rapid pace and new fleets from new players began to criss-cross the globe. Evidently, shipbuilders have ridden on the crest of this wave with overflowing order books and loudly ringing cash registers. But of late, international shipyards are witnessing a growing rate of cancellations due to the financial crunch and global recession. Yards that are into building luxury yatches are one of the first ones to feel the heat and are followed by the yards that have created excess capacity.

Many new players, during the boom period, entered the shipping industry speculating huge returns on their investments. Quite obviously, they placed orders with shipyards around the globe including Korea and China. Given the current rough weather, these are first ones to withdraw or cancel the newbuilding orders. In addition, many existing shipping lines that placed orders on speculative nature also have either retreated or cancelled them.

The Indian scenario

The Indian shipyards are relatively safer compared to the international scenario. Though the shipyards are

witnessing deferred payments, order cancellations are not on the cards. All the shipyards whom *Maritime Gateway* contacted have denied any cancellations in their order books – the main reason being that the Indian shipyards have been cautious enough to screen the orders and accepted only the genuine or serious orders and not the speculative ones. “Speculators had taken positions based on the rapid increase in vessel prices and therefore cancelled orders when prices weakened. We only pursue those enquiries which are genuine and not of a speculative type. Fortunately there have been no confirmed reports of order cancellations at Indian shipyards” says Nikhil Gandhi, Chairman, Pipavav Shipyard.

Though order cancellation right now is not an issue, slowdown in new order is definitely one and needs immediate attention. Global new orders have slowed down owing to

decline in world trade and relatively excessive tonnage commensurate to the current levels of trade. Clarkson Research Services estimated a fall of 43.2 per cent in new orders in 2008 compared to the previous year. Thus, only serious players willing to invest in new tonnage – either as new additions or replacements – are expected to place the orders. Industry insiders feel that it is the latter factor that will play the major role behind new orders.

Gandhi is optimistic about new orders in 2009. He reveals that Pipavav is currently focussing on developing shipbuilding infrastructure. Once fully developed, Gandhi claims, Pipavav will be the largest shipyard in India. “Our infrastructure is almost operational, shipbuilding has already commenced and we are confident that our order-book will increase even further. This will comprise not only commercial ships, but also offshore structures and other specialised projects.”





Photo: Diario Portuario

The industry is eagerly looking forward for the revival of government subsidy that got expired in August 2007. There cannot be a better time for the subsidy to be revived. The industry can benefit

immensely as the 30 per cent cushion can help them secure new orders as well as retain them.

Consolidation – Not in India

Shipbuilding industry in India may not witness as much of active consolidation of that in China. The boom period in China witnessed mushroomed growth of shipbuilders – mostly small and medium-sized players – along the entire length of its coast. Now, with new orders tumbling down and cancellations on the rise, the industry is marching towards consolidation. Chinese shipyards experienced a freefall in the new orders to the tune of 40.9 per cent year-on-year in 2008 and are expecting another 50 per cent fall in 2009. The year will see merger and acquisition activity in full swing as smaller players will be acquired by larger government-owned shipyards. Comparatively, the larger shipyards are better positioned in terms of infrastructure, capacity, skills and client servicing.

Entering the naval waters

The once booming industry had opened doors for new players like L&T Engineering. L&T had planned for a big footprint with Rs 3000 crore

investment covering both commercial and defence sectors. But the ebbing tide has forced it to scale down its plans limiting itself to the defence market where it will build ships for India Navy. Commercial shipbuilding is postponed for the time being and it has taken a 'wait and watch' stance to see the course of this industry in the near future.

From a recent press note from the defence ministry stating that state-owned shipyards are constraint-ridden and thus private sector involvement is necessary in building advanced warships, more private involvement can be expected in the near future. Going by the example of L&T, other private shipyards can be expected to follow the suit. With talks between Indian and Russian government failing over the sale of Russian aircraft carrier *Gorskhov*, European companies like BAE Systems Plc. are looking forward to enter into this lucrative market to build warships in partnership with Indian shipyards. If things really work out in this direction and if the government encourages private participation in naval shipbuilding, the industry will see rosy days again and can post impressive growth.

Frugal Finance

Ship financing world over is done by specialised institutions. They lend money to shipowners for financing their capital expenditure and to shipbuilders for meeting their operating costs. With economic recession in the US and Europe (where most of the ship financing institutions are located), it has become difficult for the shipowners and shipbuilders, alike, to raise funds to meet their requirements.

The financial crunch and the recession that followed have erased the faith of these specialised banks on the markets and hence they have become more cautious in disbursing funds.



Saving Their Yards

Though Indian government had released stimulus packages to fight the impending doom due to the recession in the US and Europe, shipbuilding yards got very little to quench their thirst. But, governments in some countries, where shipbuilding plays a major economic role, have come forward to rescue this industry by offering stimulus packages. They have also announced easy financing options for domestic shipping companies who get their new buildings built at domestic shipyards.



China

Stimulus package for the shipbuilding industry was envisaged in China after the government announced similar packages for the auto, steel, textile and equipment manufacturing industries. Chinese government recently announced that it will encourage marine finance institutions to provide more credit to the shipowners and shipping lines who buy ships from Chinese shipyards. It also went on to offer incentives for all who purchase ocean going vessels as well as provide technology support.

The government is also planning to limit newbuilding tonnage in the commercial segment and instead promote building speciality and advanced vessels. It has also plans to scrap old tonnage (that includes outdated vessels of more than 25 years). It will also encourage consolidation in this industry through mergers and acquisitions.



Turkey

Turkish shipbuilding industry (contributing 15 per cent to the GDP) today is hit severely by the drop in demand after a 6-year run of exponential growth. Turkish government has responded to this by announcing a rescue package that will address the problems faced by the shipbuilders. The government is keen on bringing out the package shortly and has also formed a working group to chart out action plans in this direction. The final package is expected in the month of March 2009 and will be aimed at executing the current orders with the shipyards without any hitches. There are also possibilities that the state-run export credit agency, Eximbank, will be brought in to extend loans to build and sell ships as exports. The government will also encourage public sector to place orders with domestic shipyards and will also assume the role of financial guarantor for the companies that have financing difficulties.



Vietnam

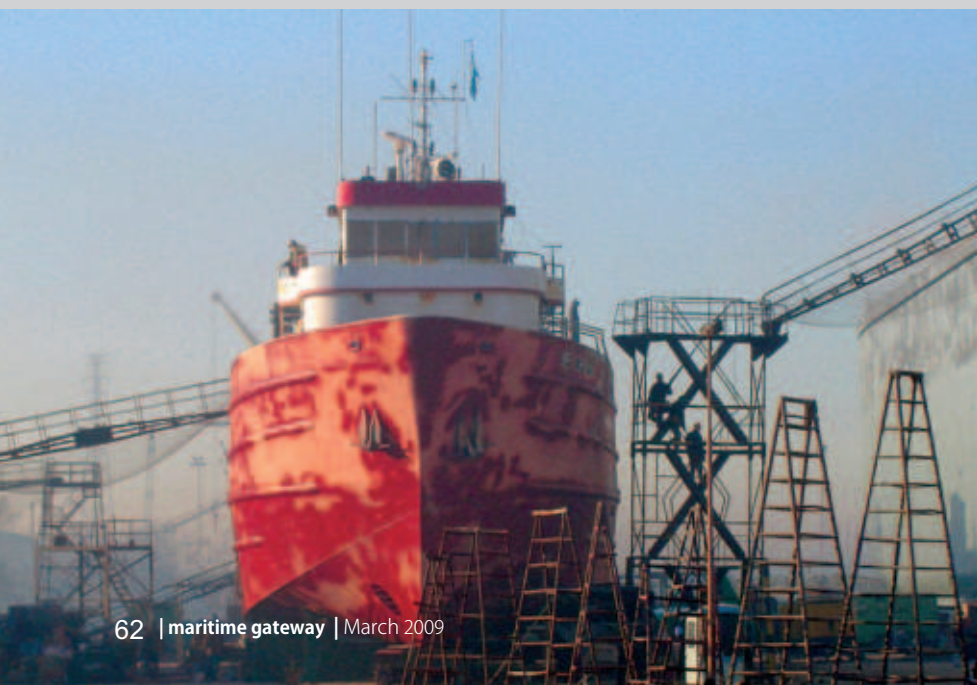
Following the footsteps of its Chinese counterpart, Vietnam government is also seriously thinking of rescuing its shipbuilding industry. Shipbuilding industry in Vietnam is considered as one of the most important industries contributing to its GDP. Following meetings with various industry bodies, the government is expected to provide loans and financial to the shipping lines and the state-owned shipbuilding firm Vietnam Shipbuilding Industry Group (Vinashin).

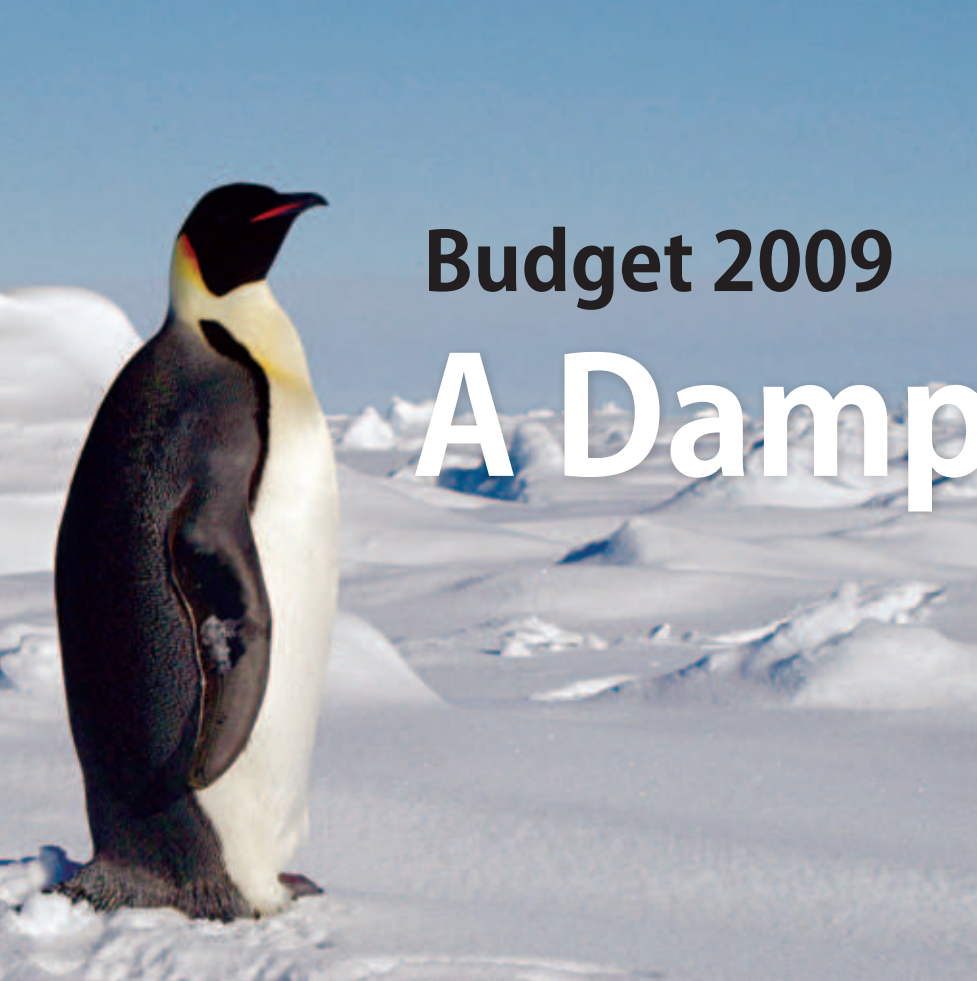
MG



The interim budget has increased the outlay for infrastructure projects to Rs 99,534 crore. This comes in the wake of the prevailing recession that has hit domestic consumption but raised hopes of growth through enterprise building. Though the allocation to the sector was hailed as a good move by steel and power producers, it was dubbed a disappointment by the shipping fraternity. Shipping firms had a reason to be piqued since the sector got a share of Rs 5,090 crore, a cut of 23 per cent from the previous year. Shipbuilding too saw a steep drop of 82 per cent in allocation – a low of Rs 65 crore, from Rs 376 crore last year. However, it was ports that got a great thrust – a high of Rs 1,671 crore from Rs 1,238.50 crore in the current fiscal.

The fraternity feels that the finance ministry, given the small scale of the shipping sector, has





Budget 2009

A Damp Squib

“I have told banks to be a little more courageous and take risk without indulging in financial profligacy. The government will not abdicate its constitutional responsibilities and will constantly monitor and whatever is required we will do within the realm of possibilities.”

- Pranab Mukherjee



bound to impact India too. “Due to strong export linkages with these economies, it is likely that the Indian economy may feel further impact in the coming months,” he reasoned. Can the stimulus help weather the storm or is it yet another storm in the making? The answer, we will get only after the polls. Or, is it already written? **MG**

given it minimum cushioning in these troubled times. Since shipping does not have a direct bearing on the economy, the sector was given the feather touch, says a shipping firm official. As for shipbuilding, the sanction of sops worth Rs 5,500 crore has been pending for quite some time and the industry only hopes the government will be quick enough to announce a bonus for shipbuilders who are already doing a tightrope walk. But the government says its priorities are clear. Rapid development of infrastructure, both in rural and urban areas, and agricultural growth leading to employment generation and distributive justice top the list, it elaborates.

On the other hand, exporters affected by poor exim trade, who wanted freight rates to be reduced, service tax scrapped and other tax benefits extended, were a relieved lot. Because no sooner had the budget been presented, the government came up with incentives worth Rs 325 crore for various

export sectors besides slashing customs duty and cutting excise duty and sales tax by 2 per cent. “With the constitutional constraints, I have some flexibility which I want to use to provide further stimulus to the economy,” acting Finance Minister Pranab Mukherjee informed the Lok Sabha during a discussion on the interim budget.

Stimu‘less’

Though the concessions imply an additional burden of Rs 30,000 crore on the government, “it is another stimulus,” Mukherjee told reporters. As part of the sops, excise duty relief will be extended beyond March 31, the median excise duty will be brought to 8 per cent from 10 and service tax will be lowered from 12 per cent to 10 per cent. The third stimulus package brought into force on February 24, after the first two were announced on December 2 and January 7, is aimed to help the country face the fiscal crisis hitting the world hard. At the same time, the minister also hinted at the simmering tempest in Europe and Asia which is

Iron Ore Exports

Year of Flat Growth

The Indian iron ore exporters are currently experiencing weak demand from Asia's major importer as well as impact of recession on the iron ore prices. **Jagadeesh Napa** does a reality check on the current scenario and the future impetus.

A recent statement released by the Federation of Indian Mineral Industries (FIMI) shows that Indian iron ore exports in the month of January have increased by 21.55 per cent to 13.99 million metric tonnes compared to the same month last year. The impressive record of exports between November and January is the result of scrapping the export duty on the iron ore and other measures taken by the central government as well as the growing demand from China. While China accounts for 90 per cent of the exports, Japan and South Korea's

POSCO form the remaining share.

It is interesting to note that while all the exports to China are made in the spot market, Japanese and Korean orders are finalised under long-term agreements (LTA). The total iron ore exports from India in 2008 stood at 104.27 million metric tonne.

The weak demand during the Beijing Olympics and imposition of export duty on iron ore reduced the exports during the beginning of the financial year 2008-09. But a slew of measures taken by the government like scrapping/reduction of export duty

have revived the demand back and exports doubled in the months of November and December 2008 compared to the same period previous year. Meanwhile, the steel units in China have resumed their operations further boosting the demand. They have resumed production after their New Year celebrations and this will add some impetus to the trade. This surge in demand had enabled miners and exporters to clear their piled up stocks and are now responding cautiously to the international demand.

The Outlook

Some industry analysts predict that the surge in demand seen today may not last long as the prices are weak in the market. Two reasons support this prediction. One, China is sitting on huge pile of iron ore reserves and the material is in oversupply in Chinese markets and hence, a fall in the spot prices. Secondly, the recession has severely affected Chinese economy as well and as a result, the Chinese traders are unable to pay more for their iron ore imports. They are bringing pressure on the Indian exporters to reduce the prices.

FIMI has recently predicted that India may not see any growth in the export of iron ore in 2009-10, but should be able to achieve the previous year's figures. In the current recessionary period, the price of iron ore have fallen considerably and has severely affected the exports as all the exports to China are done through spot market. In December 2007, the spot price of iron ore was at US\$ 130 per tonne, but has witnessed a steep fall since then to US\$ 40 per tonne, and is currently hovering at US\$ 60 per tonne. However, between January 2 and February 5, the spot prices have increased between 9 per cent and 17 per cent. Fe 63.5 increased by 9 per cent while, the lower grade Fe 57 (being used mostly by China) increased by 17 per cent.

Chinese government had recently announced bail-out packages for many industries including steel and shipbuilding. While this may help those industries to clear off their outstandings, one has to wait and watch how this will impact the demand for end products. But currently, analysts feel that the increasing pressure from the Chinese traders and weak demand will further bring down the prices as the year progresses.

Looking at the exports to Japan and Korea, where exports are done through LTA, India had renewed its

LTA with these countries at 80 to 97 per cent higher prices as recently as November 2008 (80 per cent for fines and 97 per cent for lumps). This annual price renewal is part of the 5-year contracts that state-owned MMTC and NMDC have with Japanese steel mills and South Korea's POSCO until 2010. Though the relative quantity of exports to these countries is meagre at around 10 per cent of the total exports, LTA offers steady cash inflow during the contract period.

“If China is forced to reduce its emissions from processing the low grade iron ore, this will directly affect the Indian iron ore exports to China.”



Iron ore exports

Month	2007	2008
October	8.98	4.13
November	10.16	8.70
December	9.8	13.6

Month	2008	2009
January	11.51	13.99

Months	2007-2008	2008-2009
April – January	79.67	78.46

The month of October in 2008 recorded only 4.13 million tonnes of exports, the lowest in recent times, and a drop of 54 per cent compared to the previous year. However, with the withdrawal of export duty, the exports recouped in November 2008 to 8.7 million tonnes. The corresponding month in 2007 recorded 10.16 million tonnes of iron ore exports due to heavy demand from China. The months of December 2008 and January 2009 saw a surge in demand from China as their steel units reopened and trading resumed. Hence, they recorded impressive figures of 13.6 and 13.99 million tonne for the respective months.

Lower-grade ore

It is a known fact that India sits on one of the largest iron ore reserves on earth of around 22,000 million tonne, sufficient for another 140 years at the current rate of production. But majority of Indian iron ore is of lower grade compared to other iron ore producers like Australia. For instance, Goa, the highest iron ore producing state in India (with 40 per cent of the total exports) has mostly lower grade material with around 58 per cent iron content (Fe 58) and below. Hence there is always a risk of the market shifting to high grade iron ore. In such a case, India could lose out to countries like Australia which produce high grade Iron ore. Further, due to the increasing environmental concerns world over against global warming, China may be forced to reduce its emissions from processing the low-grade iron ore and it may reconsider in future its decision to import low-grade iron ore from India. **MG**

An Overview of Foreign Shipping Firms

By *Girish Mistry and Nikhil Rohera*

Shipping industry is the lifeline of international trade. As per recent statistics, around 90 per cent of world trade is carried by international shipping industry. In India, almost 70 per cent of export and import trade is handled by Foreign Shipping Companies (FSC).

However, the industry's success in a country predominantly depends upon the economic growth of that country as we have all witnessed during the past few months. In today's troubled times where liquidity rules the roost, it has become even more important that there is an upfront certainty on all costs, including tax costs, in the shipping industry.

Background – Tax provisions under section 44B

In India, FSC are taxed on a presumptive basis on their freight and related income from Indian operations. Section 44B of the Income-tax Act, 1961 ('IT Act'), which came into effect from April 1, 1976, is a special provision for computing profits and gains of FSC engaged in 'regular' shipping business. As per this section, a sum equal to 7.5 per cent of the following is deemed to be FSC's taxable income in India:

(A) Export freight (whether payable in or outside India) for carriage of goods, passengers or mail exported from Indian ports; and



(B) Import freight received in India for carriage of goods, passengers or mail imported into India. This means that FSC's Indian income does not include import freight received outside India.

Prior to Finance Act, 1997, only 'freight' collections of FSC were chargeable to tax in India. It was argued that what was taxable under the old provision were only 'freight' collections and not other receipts like detention charges, handling charges, etc. This view was also upheld by certain High Courts in India.

The income-tax authorities started to allege that some FSC split their gross

receipts in such a way that amounts relating to demurrage or handling charges were inflated to avoid taxation.

In order to plug this loophole, Finance Act, 1997 amended section 44B (with retrospective effect from April 1, 1976) to provide that demurrage charges or any other amount of similar nature would, similarly, be considered as part of freight income and liable to tax on a presumptive basis. While, clarity has, by and large, been achieved on taxability of freight income of FSC, taxability of incidental income like inland haulage charges continues to remain litigative.

The deemed income computed as above is taxable at the rate applicable to non-resident companies, which presently stands at 42.23 per cent (including surcharge and education cess). As such, the effective rate for FSC under the above presumptive basis of taxation amounts to 3.17 per cent of their above collections.

Provisions of section 44B vs. section 172 of the IT Act

While, section 44B applies to 'regular' shipping business of FSC, section 172 of the IT Act deals with those FSC that are engaged in 'occasional' shipping business.

Section 172 provides for a complete code for levy and recovery of tax in case of any ship belonging to or chartered by FSC (i.e. shipowner or

ship charterer), which carries goods, passengers or mail exported from Indian ports. For this purpose, demurrage charges or handling charges or any other amount of similar nature are similarly included in computing the shipping income of FSC. A sum equal to 7.5 per cent of such shipping income is deemed to be taxable income of FSC in India, which gives a similar effective tax rate of 3.17 per cent.

Since, section 172 is a complete code in itself for FSC engaged in occasional shipping business, it has prescribed a set procedure for levy and recovery of tax from such FSC. Broadly, the procedure prescribed is as follows: Before the departure of ship from any Indian port, the master of the ship has to furnish to the tax officer a return of the full amount payable to the owner /

charterer / agent since the last arrival of the ship.

Generally, it is noticed that if the tax officer is satisfied that the master of the ship is unable to do so, such return can be filed by an authorised person (usually the agent) within 30 days of departure of the ship along with the payment of tax, if any.

A port clearance certificate is generally not granted by the tax officer to the ship until the tax assessable is duly paid or satisfactory arrangements are made.

On receipt of the vessel voyage return, the tax officer has to assess the income and determine tax payable, if any. The assessment order is to be passed within nine months from the end of the financial year in which the voyage return is filed.



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Relevant circulars applicable to FSC

It is important to note that section 172 overrides all other provisions of the IT Act, including provisions relating to withholding tax. In order to avoid needless litigation and to clarify the intention of the said section, the Central Board of Direct Taxes ('CBDT') has issued a Circular No. 723 dated September 19, 1995 confirming that, since, section 172 contains a non-obstante clause to override all other provisions of the IT Act, it will override even the withholding tax provisions of sections 194C (payment to resident contractors for carriage, etc.) and 195 (payment to non-residents).

As such, payment of freight and related income to non-resident shipowners / charterers / Indian shipping agents generally does not attract withholding tax in India and their tax liability, if any, is discharged by them as an advance tax payment at the time of filing voyage return.

Although the aforesaid Circular was issued in context of section 172, practically, the same is also being applied to payments to FSC engaged in regular shipping business as per section 44B. This is, especially, because even regular shipping companies comply with the above administrative procedure of obtaining port clearance certificates, filing of vessel voyage returns and payment of advance tax.

Yet another important Circular No. 732 dated December 20, 1995 has been issued by CBDT to provide that in case where the ships are owned / chartered by a company resident of a country with which India has entered into Double Tax Avoidance Agreement ('DTAA') and such DTAA provides for taxation of shipping profits only in that country, no tax should be payable by such ships at the Indian ports. Under such circumstances, an annual 'No-objection certificate' ('NOC') can be obtained from the concerned income-tax authority for non-payment of tax.

Taxability under the DTAA

As such, the FSC can be governed by the DTAA entered into by India with its country of residence, if the same provides for a favourable tax treatment in respect of profits from shipping business. Under most DTAA's, which are based on certain

globally accepted Model Conventions, shipping profits are taxable only in FSC's country of residence / effective management and the same are not taxable in source country i.e. India. In such cases, FSC may be better advised to apply for and obtain the above NOC from the tax officer, as this will facilitate a tax-free remittance of freight collections from India to their home country.

While, presumptive basis of taxation for FSC in India does offer a simplified tax regime, clearly, there remains a room for further rationalisation of these provisions, especially, on the administrative side. Some relaxation on the requirements of obtaining port clearance certificates and filing of vessel voyage returns would be a welcome step in this direction and can go a long way in facilitating smooth conduct of shipping business in India. **M6**



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Ebbe Holting

Environment-friendly Refrigerated Containers

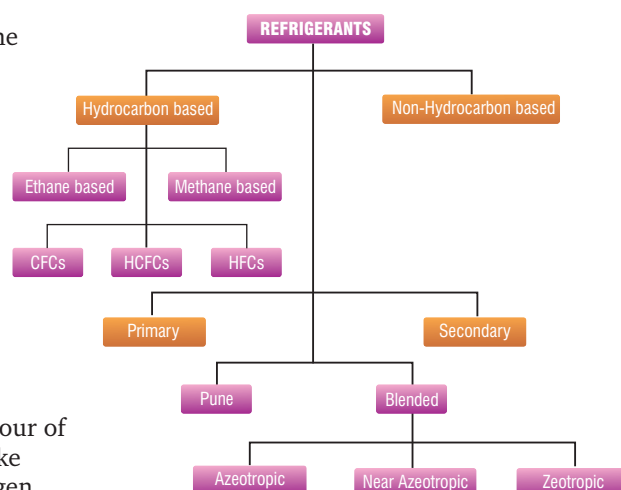
by C Maheshwar

Ever since it was found that refrigerants are responsible for the depletion of the ozone layer, they have come under the scanner of environment-conscious nations and societies. Experiments since the 1980s to ensure safe or ozone-friendly refrigerants have resulted in the use of hydrochlorofluorocarbons (HCFCs) such as Freon for the refrigeration.

Refrigerants of the future

Due to their relative higher global warming potential (GWP), HCFCs

are also included in the basket of Greenhouse gases along with CO₂, CH₄ and NO₂, whose emissions are to be controlled under the Kyoto Protocol. Denmark recently proposed a resolution to ban HFC refrigerants within 10 years in favour of natural refrigerants like Ammonia, CO₂, Nitrogen,



Key refrigerant characteristics affecting environment

Ozone Depletion Potential (ODP)

Global Warming Potential (GWP)

Atmospheric Life (years)

Total Equivalent Warming Impact (TEWI)

Threshold Limit Value (TLV)

Solar-powered reefer containers

Why solar power?

- Depleting fossil fuels
- Growing environmental concerns
- Erratic and unreliable grid power

Costs incurred to generate a kilowatt of power using Solar PV power systems

- **\$ 5,500** per KW for a 23 KW grid connected solar PV system
- **\$ 7,500** per KW for a stand alone smaller system
- **\$ 37,500** for 5KW for a Reefer Container of 5 KW capacity

Availability of solar energy

- **Insolation:** Measure of available solar power in KWh/sq. mtr./day
- **Typical insolation values in Europe and US:** 4KWh/m²/day in the North Europe to 6.5 KWh/m²/day in sunniest regions of US
- Sahara Desert: 8.3 KWh/m²/day



India – A sunshine nation

The average solar energy available (Insolation) in India is 5 kwh/sq. m/day. India has abundant solar resources. It receives about 3,000 hours of sunshine every year.

Propane and Air. Ships which carry CFCs as refrigerant for shipboard machinery or for reefer containers carried by them, are prohibited from entering some Scandinavian ports as they do not want to take even the slightest chance of accidental discharge of the refrigerants into their atmosphere. Continuous research is going on to make new refrigerants using different percentages of various methane and ethane-based constituents with different properties, to suit various newer applications. Continuous fine tuning is being done to obtain the perfect refrigerant for different applications.

Pure hydrocarbons are being increasingly used as refrigerants these days, e.g. HC-290 (Propane) with boiling point -42.1oC, HC-600a (Isobutane) with boiling point -11.73oC and the mixture of these two in varying proportions. Both of



them have Zero ODP, GWP at 3, and are classed as simple asphyxiants for TLV. The higher COP and low operating noise levels have also contributed to the increasing use of pure hydrocarbon refrigerants. The only consideration against their use is their flammability range of 1.8-9.5 per cent in air, which is of great significance, particularly onboard the ships. However, this aspect has been taken care of by use of non-sparking and sealed components like thermostats, compressor relays, overload protectors, contactors and



door switches. Today, hydrocarbon refrigerants are considered to be worthwhile substitutes to CFCs for appliances with small charges, i.e. less than 350 grams of refrigerant. It will not be too long before they are used as refrigerants for marine refrigeration and air conditioning.

Cryogenic containers

Necessity is the mother of Invention. In the commercial world, beating competition is the motivating factor for innovation. As a progressive step towards environment-friendly container refrigeration, Cryo-Power Enterprises, LLC., has introduced an innovative use of cryogenic technology in the cryogenically refrigerated ocean freight container under the brand name Cryo-Power.

Moving away from the conventional mechanical refrigeration systems in the form of vapour

compression and vapour absorption refrigeration systems, which are capital intensive, energy guzzling and maintenance intensive, this new technology employs the principle of controlled sublimation of liquid CO₂ which in the process absorbs heat from the space inside the container. to be cooled.

Cryogenics is the study of applications and maintenance of very low temperatures up to near Absolute Zero Temperatures (-273° C).

Power available from solar panels on reefer container boxes

- Average power requirement for a 20 ft reefer container machinery: 5 KW
- Rooftop area available:
20 x 6 = 120 sq ft
- Side area available:
2 X 20 X 8 = 320 sq ft
- Total area available: 440 sq ft
- Area of a typical 150 W solar PV panel: 1 sq mtr = 10.76 sq ft
- Power available from solar panels on top and sides: 6.2 KW which is sufficient to run the refrigeration machinery

Other options

- Considering only the rooftop panel with an overhang of 2 ft on all sides: area available: 24 X 10 = 240 sq ft
- Power available for such a panel: 3.5 KW which is sufficient to run a smaller unit.
- This is considering an efficiency of 15 per cent
- Commercial models of up to 20 per cent efficiency area are also available.
- Research is on to further improve the efficiency as it is simply matter of concentrating the solar energy and soon we may be able to dispense with the solar panels on the sides of the containers.

Economics of solar powered reefer container boxes

- Cost of 1 kwh using DG set at current bunker prices: 15 ct
- Cost of running reefer container per hour @ 5kwh: 75 ct
- Cost of running reefer container per day (12 hrs.): \$ 9.00
- Cost of running reefer container per year (365 days): \$ 3,295
- Cost of DG set: \$ 7,000
- Cost of solar panels: \$ 37,500
- Cost of running reefer container using solar power: nil
- Payback period of solar power vs. DG set: $37,500 - 7,000 / 3,295 = 9.25$ years (excluding depreciation and maintenance costs of DG Set and assuming constant fuel prices)
- Other long-term environmental and social gains.

Note: Bunker prices are always fluctuating and move upwards, with downward movement of payback period.



Photos: Ebbe Holsting

At the beginning of the voyage, liquid CO₂ which is of food quality grade is charged into the container bunker area. This is done after the cargo is loaded into the container and the doors are closed. This liquid CO₂ converts into dry ice snow during the charging process. During the course of the voyage, sublimation of the dry ice takes place to super cooled vapour. Sublimation is defined as the process of conversion of a substance from solid state directly into vapour state without passing through the intermediate liquid state. Other substances which sublimate are iodine crystals, camphor etc. The super cooled vapour envelops the cargo and extracts heat from within, thus maintaining the required temperature of the cargo. One single charge of CO₂ can maintain temperatures for the cargo for up to 30 days which is generally the longest transit time for a reefer container.

Advantages:

- Use of an environment-friendly refrigerant
- No external power supply required

- No Maintenance required
- Less expensive to manufacture
- One charge can last up to 30 days of voyage time.

Limitations

- Suitable for frozen products only

Who knows, with the increasing environmental consciousness across the globe and intensified regulation and legislation, this technology could totally replace the conventional refrigeration technology.

SUNRGI has recently released details about its new patent-pending solar system that could make it possible to produce electricity at a wholesale cost of US\$ 0.05 per kilowatt-hour (kWh), according to the company. Xtreme Concentrated Photovoltaics (XCPV) can concentrate the equivalent of more than 1,600 times the sun's energy onto solar cells. [MG](#)

Maheshwar is a practising marine engineer, working as manager-Training at Fleet Management Limited, a Hong Kong-based ship management company in Mumbai. He is the author of *Container Refrigeration*, published by Seamanship Witherbys.



STS Cranes

Going Strong in Hard Times

Ship-to-shore cranes are turning out to be a commercially viable option for container handling operations in these troubled times owing to high operational performance and low running costs.

by **Radhika Rani G**



Kalmar has commenced ship-to-shore (STS) crane production and engineering in Asia after a successful stint in the supply of the same to the European market. The company is opening a facility in China and is considering a number of other manufacturing sites too. As per its plan, cranes will be fabricated in the region while the control system will be sourced from Europe.

According to Jorma Tirkkonen, president of Kalmar Container Crane System Division, a new Monobox design is being worked out where the trolley runs on one box girder and this results in a rigid crane design. Rigidity is a major requirement for productivity and operator comfort. "Production and pre-assembly of this design are relatively short and it also enables erection on-site in a short period," said Jorma Tirkkonen,

president of Kalmar container crane system division, Cargotec.

Customers are now considering delivering STS cranes to terminals outside Europe, Jorma says. "We decided that now it is a good time to target increased volumes by starting to offer our STS cranes in all continents. The decision supports our strategy of growing our business and presence in the Asia Pacific region and the Americas. We also value the lower production costs in Asia that makes it possible for us to maintain our competitive pricing," he adds.

Recently, the Georgia Ports Authority (GPA) in the United States announced the arrival of four new super post-Panamax cranes at the Port of Savannah. The new cranes arrived aboard a specially designed vessel. The state-of-the-art cranes were designed in Finland and built in China by Konecranes VLC in China.

"The new additions to our fleet will reduce operating costs, increase flexibility and efficiencies for our customers," says Director Doug J Marchand. With the addition of the new cranes, GPA's Garden City Terminal has the largest fleet, 23, of ship-to-shore cranes at one facility. "The cranes are part of the GPA's long-term strategic growth plan to accommodate 6.5 million TEU of capacity by 2018, doubling its

current capacity. The new cranes will be operational by mid-summer 2009," Marchand adds.

As a consequence of starting production in Asia, the focus of the Kalmar STS unit in Rotterdam is changing from manufacturing to a crane competence centre. The competence centre supports Kalmar globally with marketing, sales and product support as well as customer-specific engineering. The regional organisation in Europe continues to provide spare parts and services including maintenance, inspection and training.

The new global approach to manufacturing has led to a number of improvements to the product design. "We have changed our cranes so that it is easier to make the final assembly on the customer's site. This makes transportation simpler and less expensive. Some customers may still need to have the cranes fully assembled before delivery, especially if they lack space for assembly at the terminal, but most will value the cost-effective logistics," Jorma Tirkkonen says.

All Kalmar's STS cranes will be delivered with a new Kalmar crane control system that includes the crane's controls, crane management and fault diagnostics. The Kalmar system provides a greater flexibility in customer support for customer-specific issues.

"The cranes will generate more than 30 per cent of their total energy requirements by tapping into the power of gravity and kinetic energy," says GPA's director of Engineering and Maintenance Wilson Tillotson.

The new cranes are energy-efficient and will be powered solely by electricity. "The cranes will generate more than 30 per cent of their total energy requirements by tapping into the power of gravity and kinetic energy," said GPA's director of Engineering and Maintenance Wilson Tillotson.

"For every one hour each of these cranes is operational, it uses its own power for approximately 18 minutes." Modern and environmentally friendly, the new cranes are the largest of their kind in the world, with the capability of handling super post-Panamax vessels the size of 22 containers wide.



Terminal tractor for LoLo operations: Launch of a new 4x2 terminal tractor TT616i, for LoLo (lift-on, lift-off) operations has taken customising to a new level. Customers can choose from a range of features that transform the basic machine into a customer-specific tractor. Additional options help fine-tune the machines. According to Timo Matikainen, director, Kalmar Heavy Terminal Tractors, the new TT616i tractor can be customised to very specific operations because it is based on a heavy duty frame and modules. The machine features a 95 tonnes gross combination weight and its fifth wheel load capacity is the biggest in the market at 36 tonnes. **M6**



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- Kolkata

Delhi Office

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L School with a Difference

Chennai is considered to be the hub of maritime training with many prestigious academic institutions like NMA and AMET involved in transforming students into capable mariners. Now the city is also home to the first academic institution dedicated to the logistics industry to churn out qualified logistics professionals. A **Maritime Gateway** feature.

Indian Institute of Logistics (IIL), a school of multimodal logistics set up in Chennai, is the only institution in India offering structured training programmes in Logistics and Shipping. There are other academies that offer such courses but IIL seems to be the only one giving practical exposure to students in logistics operations and an understanding of industry nuances. By doing so, it is trying to bridge the gap between what is taught by institutions and what is required by the industry. Founder director of IIL Capt. Pushpa Kumar drives in the point that the need for practical knowledge has prompted him to establish an exclusive L school. IIL therefore emphasises on practical exposure to help students face day-to-day industry challenges.

Capt. Kumar reiterates that as an exclusive L school, IIL is focussed on logistics training to provide skilled human capital to the industry. "Shipping and Logistics training is our core focus and we are proud that we are unique institution in the country," adds Capt. Kumar.

IIL has developed academic partnerships institutions of repute. It has tied up with Tamil Nadu-based Vels University and London-based London School of Business Management. While the partnership with Vels University gives IIL a



continuous flow of students, the tie-up with London School of Business Management helps in providing the required international exposure to its scholars.

IIL boasts of reputed faculty, most of them being practising professionals from the industry. The unique system of training logistics professionals, which it claims as its USP, is being widely accepted and appreciated in India as well as in the Gulf. It provides educational visits to the students to different industry establishments. "We provide practical visits to all logistics-connected industries like ports, shipping, ICD, CFS and warehouses etc. during their association with our institution," says Capt. Kumar. Further, the students

are supposed to undergo a 3-month mandatory internship in the logistics companies to have hands-on working experience in the industry. To support the students in this regard, IIL has signed memorandums of understanding with more than 100 logistics companies in India to facilitate smooth access to the company for internship.

The academy currently has two campuses – one in Chennai and the other in Vijayawada, Andhra Pradesh – and placement cells in New Delhi, Mumbai and Dubai. Capt. Kumar says IIL will begin operations in its Kochi campus this year and is planning to expand its presence by setting up campuses in New Delhi, Bangalore, Gujarat and Pune by next

Profile



Capt. J V Pushpa Kumar, a master mariner by profession, is the founder director of Indian Institute of Logistics.

After finishing his pre-sea training at NIPM, Capt. Kumar started his career as a cadet with South India Shipping Corporation in 1991.

He cleared his Master's Licence within a span of eight years and went on to captain bulk carriers, general cargo vessels and container ships. After the stint at sea, he joined P&O Ports as Operations Superintendent.

He also served as Commercial Manager at Good Earth Maritime Shipping Company and as Assistant General Manager for Benline Agencies India Pvt Ltd.

year as these places are considered to be the most happening logistics hubs. He also claims that IIL in its short term of existence has become highly acknowledged institution for placements and recruitment.

Some of the students are recruited by the industrial giants in the Gulf like Sharaf Group, Khimji Ramdas and Agility Logistics. Given the track record in this short period and excellent relations with the industry, Capt. Kumar envisions to create the first logistics university in India very soon. **M6**

Courses offered at Indian Institute of Logistics, Chennai

Diploma Courses

- Logistics & Shipping
- Logistics & Port Management
- Logistics & Supply Chain Management
- Logistics & Exim Trade (IBM)

Duration: 6 months

Post Graduate / Advance Diploma Courses:

- Logistics & Shipping
- Logistics & Port Management
- Logistics & Supply Chain Management
- Logistics & Exim Trade (International Business Management)
- Logistics & Dredge Management
- Logistics & Retail Management
- Logistics & Marketing Management
- Logistics & Human Resource Management
- Logistics & Financial Management

Duration: 15 months (12 months class room study + 3 months guaranteed Internship)

MBA (Master of Business Administration) - Under UGC norms

- Logistics & Shipping
- Logistics & Port Management
- Logistics & Supply Chain Management
- Logistics & Exim Trade (International Business Management)
- Logistics & Dredge Management
- Logistics & Retail Management
- Logistics & Marketing Management
- Logistics & Human Resource Management
- Logistics & Financial Management

Duration: 18 months (12 months class room study + 3 months Internship + 3 months project work)



Ennore Port Modernisation

Work on for World-Class Terminal

Union Minister for Shipping, Road Transport and Highways T R Baalu said the Centre is determined to develop Ennore Port with world-class facilities to make it the 'Eastern Gateway Port of India'. After laying the foundation stone for the Rs 1407-crore container terminal recently, he said a continuous quay length of 1,000 metres and longside depth of 16 metres with a capacity to handle 1.5 million TEUs will be developed in the port. The terminal will be designed to handle the largest container ship available in world today that can handle three mainline vessels simultaneously. Later, the minister also laid the foundation at Tuticorin for the Rs 312-crore second container terminal. Tamil Nadu Electricity Minister Arcot N. Veerasamy said nearly 90 lakh tonnes of coal was being imported through Ennore Port at present.

Earlier, the minister inaugurated six projects at Ennore Port at a cost of about Rs 520 crore. The projects include a Marine Liquid Terminal at a cost of Rs 250 crore, Deepened Port Basin (Rs 91 crore), newly laid port roads (Rs 8.6 crore), project works on multipurpose general cargo berth (Rs 110 crore), rail connectivity



The marine liquid terminal at Ennore Port.

(Rs 51.60) and new roads at a cost of Rs eight crore. The multi-liquid terminal project has been implemented by Ennore Tank Terminal on a 30-year license from Ennore Port. The 360m berth's capacity is 6,000 DWT to 150,000 DWT and costs Rs 250 crore. The storage tank has a capacity of 130,000 litres. There are 42 storage tanks and the total cargo handling capacity is 3 million tonnes a year.



Minister T R Baalu inaugurating projects at Ennore Port.

Dubai Maritime City

Marina Phase I Completed

Dubai Maritime City, the world's first purpose-built maritime centre and part of the Dubai World Group of companies, has completed phase one of its marina comprising 44 berths. A total of 1,000 berths are set to be featured within Dubai Maritime City, adding a significant number to the much-needed space required for leisure boats and crafts that are expected to enter the market over the next few years. Officials within DMC estimate that around 30,000 to 50,000 new boats poised to be berthed at Dubai in the next 5 years.

The berths will be used to test the impact of water movement around the City and the stability of boats within the marina. It will also house a number of vessels owned and operated by Dubai Maritime City Authority. "This is one of the key achievements in the project's development, as upon completion a large number of



The phase I of the Marina with 44 berths ready for use in the Dubai Maritime City.

vessels will be docked within Dubai Maritime City and we need to ensure that they can withstand the water movement and are stable within their positions," said Ali Al Daboos, chief operating officer of Dubai Maritime City.

Upgradation Work

Garden Reach's Wide

The Indian Navy is developing blue water capabilities that will enable its ships operate far from their base for prolonged periods of time, Minister of State for Defence Production Rao Inderjit Singh said in Kolkata recently after inaugurating the modernisation project of state-owned Garden Reach Shipbuilders and Engineers Ltd (GRSE). India is one of the slowest shipbuilding countries in the world and now it was time to expedite the process of delivery of vessels to the Indian navy, he added. The GRSE flagged off the second phase of its Rs 530-crore project that is estimated to be completed in the next 28 months. Besides enhancing the production capacity of the yard that is under the control of the defence ministry since 1960, it would also significantly help reduce the built period of ships.

The project comprises building a 180-metre long dry dock to handle ships up to the size of 10,000 tonnes, an inclined berth of the same length, a large module hall for fabrication of hull shapes and an integrated blasting and painting booth capable of handling large blocks. "This will help us build four frigates or destroyers besides building



Minister of State for Defence Production Rao Inderjit Singh, (second from right) inaugurating the modernisation project at GRSE. Chairman and Managing Director of GRSE Radm K C Sekhar (right) looks on .

smaller vessels like hovercrafts, interceptor boats and fast attack crafts (FAC)," said K C Shekhar, chairman and managing director of GRSE.

Taking Cognisance

Women, Wind 'n Water



I have been in Chennai for the past three years and today was the best day of these three years. I never knew anything like this existed!" This was the beaming response of one of the 43 ladies from Cognizant who experienced sailing with Tamil Nadu Sailing Association. As part of their Women's Day celebrations, the Association took an all-women team from the software firm into the sea and gave them the time of their lives. Daily chores forgotten, all cares thrown to the wind, they had a watery world at their feet and boats to dance to their tunes. And willing hands from TNSA taught them the ropes and a glorious way to a clean and eco-friendly sport which thrilled you even while testing you. The ladies were taken out on rescue launches and 4 Lasers and 4 Enterprises glided out alongside. Many just jumped into the water with a lifeline and enjoyed being towed by the launch. They quickly picked up the basics and were soon trying their hands at the helm with enthusiasm.



Employees of Cognizant enjoy a sea ride as part of the Women's Day celebrations in Chennai.

DP World Intermodal

Sharing Success with Customers

Private Container Train operator 'DP World Intermodal' (CRRS) celebrated its enhanced presence in Ludhiana along with its customers and thanked the trade for the continuous support to its realigned services connecting the location with gateway ports of NSICT and MICT. DP World Intermodal commenced operations in Ludhiana in early 2008 from ICD Dhandharikalan, and later relaunched the service, independent of ICD DDL, by directly connecting to the CFS in the area. The event evoked an unprecedented response from the trade comprising shipping lines/agents, shippers, CHAs, freight forwarders and NVOCCs. The shipping lines/agents were represented by Maersk, APL, CMA, CSAV, Emirates, OOCL, IAL, UASC, Hapag, NYK, Kline, CMT, Albatross, IRSIL, Safmarine, TAS and Caravel. Among the major exporters in the region, Ralson Industries, Nahar Exports, Eastman International, Kashmir Apiaries, Hero Exports, Deepak International, Nucon Switchgear, Oswal Woolen Mills attended



Sitting from Left: Jugal K Vashist (GM-Commercial), Parikshit Nagpal (Manager Operations), Capt Rustom Dastoor (CEO), Vivek Sharma (COO), Amit Dhawan (GM-Marketing), Bhagvinder Jeet Singh Panesar (Branch Manager- Ludhiana)

Standing from Left: Parakram Gupta (Executive Marketing), Samit Gupta (Deputy-Manager, Finance & Accounts), Masud Hasan Khan (Operations Incharge-Ludhiana), Devinder Thakur (Operations Ahmedgarh), Manoj Kumar Sharma (Operations ACTL Faridabad), Arvind Kumar (Surveyor), Ramit Jain (IT Dept), Navin Negi (Sr Officer Operations), SJU KS (Sr Officer Marketing)

the event. Capt. Rustom Dastoor, CEO DP World Nhava Sheva & CRRS thanked the customers for making his firm's entry into Ludhiana market possible despite the dismal economic scenario. "For us, CRRS also means Customer Requirements Responded & Served," he said and hoped to grow with their support.

MARCH 2009



3-7

Dubai Boat Show**At Mina Seyahi, Dubai**

Dubai International Boat Show is the largest and the most established event of its kind in the Middle East and as one of the fastest growing leisure marine industry exhibitions in the world, the 17th edition of the event will be a classic showcase of boats from both local and international scene. More than 600 exhibitors from nearly 50 countries are likely to showcase their products, supplies and services.

www.boatshowdubai.com

APRIL 2009

10-12

India International Maritime & Logistic Expo 2009**At World Trade Centre, Mumbai**

An exhibition exclusively focused on shipping and transport logistics, the event invites professionals from maritime industry, decision makers, senior government officials, shipping & port associations and chambers of commerce to know about the true potential of this emerging field.

www.maritimeexpoindia.com


20-21

Singapore Maritime Week: Shipping Risk & Insurance**At Grand Copthorne Waterfront Hotel, Singapore**

The conference will provide a useful platform for ship-owners, risk managers, underwriters, club managers, insurance, reinsurance and brokers to take stock of the changing risk landscape and seek opportunities amidst the gloom as well as to prepare for economic recovery.

www.shippingriskandinsurance.com

MAY 2009

13-15

LTI (Logistics and Transport India) 2009**At Pragati Maidan, New Delhi**

To tap the potential of the logistics industry, the trade fair on logistics and transport management will provide an international B2B platform for professionals to meet and brainstorm issues on the Indian logistics sector.

www.lti2009.com


EVENTS

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

FEB 24-26
Asian Shipping and Work Boat 2009
At Hall 401 of Suntec Singapore

A large number of vessel owners, operators, builders, designers and equipment/service suppliers for all types of ships are likely to take part in the three-day event.

<http://baird-online.com>
FEB 25-27
Maritime Vietnam 2009
At Saigon Exhibition & Convention Center, Ho Chi Minh City

The event will showcase the latest innovations on ship building, ship repair, shipping, maritime engineering, offshore engineering & technology, ports & logistics for Vietnam's buoyant maritime industry, and will feature some 350 companies from some 20 countries.

<http://www.maritimeshows.com>
MAR 20-21
India Infrastructure Summit
At Federation House, N Delhi

The summit aims to enhance policy and regulatory framework to boost investor confidence in the infrastructure sector and encourage Public Private Partnership in the process of developing world class infrastructure.

www.ficci.com
MAR 26-27
7th Intermodal Africa 2009
At Le Méridien President Hotel, Dakar, Senegal

A gathering of 700 senior executive decision makers from the Americas, Europe, Africa and the Asia Pacific will attend and address latest global and regional issues on transportation and logistics.

www.transporevents.com
APR 21-23**Sea Asia 2009**

Co-organised by the Singapore Maritime Foundation and Seatrade, the region's leading maritime conference and exhibition will focus on 'The Asian Voice in World Shipping - Clearer and Stronger.'

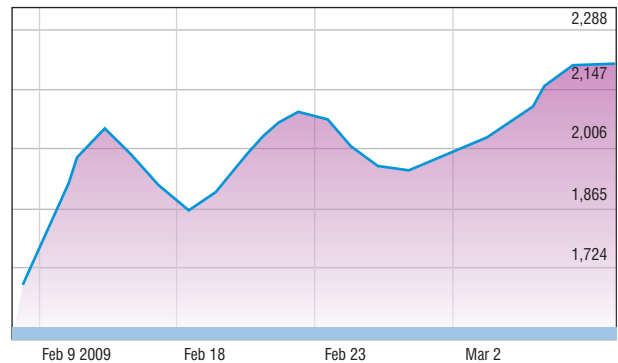
www.seatradeasia-online.com

Shipping Tidbits

- Chinese shipowner Sinotrans Shipping Ltd said it would invest a total of \$ 388 million in new ships over the next three years in anticipation of a better outlook for 2009. The Hong Kong-listed shipping group said it would take delivery of 10 new ships from the end of 2009 to 2011 and would spend \$ 163.3 million in 2009, \$ 211.2 million in 2010 and a preliminary \$ 13.7 million in 2011 on the vessels.
- Korean exports plunged 31.4 percent in the first two months of this year, as companies slashed production in anticipation of increasingly weak demand for their goods and consumers worldwide reduced purchases in the face of a worldwide downturn. Samsun Logix Corp., the country's seventh-largest shipping line, was placed under court receivership after facing a credit crunch.
- China Shipping Development shares jumped after it reported better-than-expected contract freight rates for 2009 and announced plans to launch a LNG joint venture. The energy and iron ore shipper said it would shortly sign an agreement with the parent of PetroChina to set up a \$ 5 million joint venture to ship liquefied natural gas (LNG).
- SOLID Shipping Lines, one of the Philippine's main cargo carriers for the domestic market, said it has shelved plans to acquire new vessels this year as vessel prices are still on the high side. It was supposed to buy two second-hand vessels this year, each with a capacity of between 300 to 400 TEU to replace its ageing vessels.

DnB NOR, a leading Norwegian bank, opened a representative office in Mumbai. The Mumbai office will focus on shipping, energy and seafood and will primarily serve clients from these sectors in India besides other Norwegian companies operating in India.

Baltic Dry Index - February 2009



February 09 - 1815 March 06 - 2225 Percentage change - 48.53
Source: www.wikinvest.com

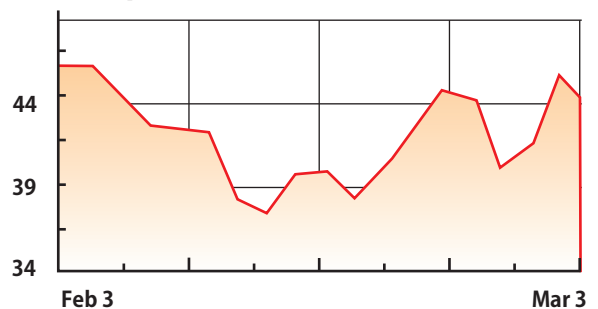
Stock Price Movement of Indian Shipping and Logistics Firms

COMPARISON OF SHARE PRICES

Company	Closing Price in Rs.		Percentage Change
	10-Feb-09	09-Mar-09	
Shipping Corporation of India	85.10	71.45	-16.04
Essar Shipping Ports & Logistics	33.30	23.85	-28.38
Varun Shipping	46.15	40.05	-13.22
Great Eastern Shipping	216.05	146.35	-32.26
SKS Logistics	14.95	10.30	-31.10
Sical Logistics	25.15	20.55	-18.29
Allcargo Global Logistics	684.65	691.20	0.99
Container Corporation of India	685.75	641.4	-6.47
Transport Corporation of India	39.15	37.85	-3.32
Gati	38.95	37.95	-2.57
ABG Shipyard	88.80	69.25	-22.02
Bharati Shipyard	69.95	45.55	-34.88
Mundra Port & SEZ	375.10	299.50	-20.15

Source: www.bseindia.com

Crude oil price moment



Source: www.oil-price.net



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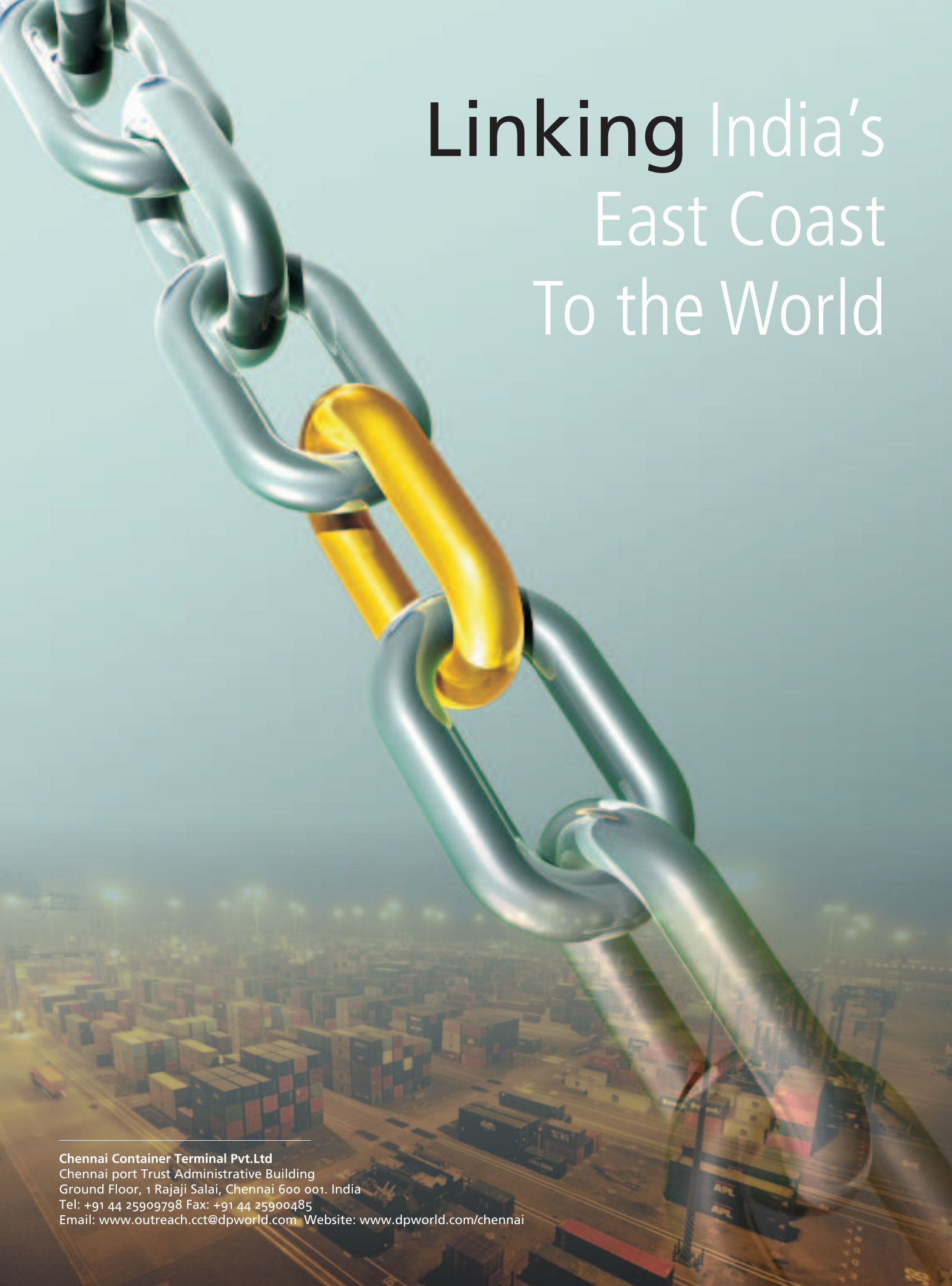
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e-mail: info.forklifts@linde-htd.com

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