

INTERNATIONAL
**RAKIA FREE ZONE:
INVESTORS' CHOICE**

TAXATION
**TAXABILITY OF SHIPPING INCOME
FROM SLOT HIRE – RECENT DECISIONS**

INDUSTRY UPDATE
**IRON ORE EXPORTS:
THE DEBATE GOES ON**

April 2009 Rs.100 www.maritimegateway.com

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KRISHNAPATNAM PORT Gateway to South Asia

FOCUS
**REVERSE ENGINEERING
CONTAINER TERMINAL DESIGN**

OPINION
BULLISH IN BEARISH TIMES
ARVIND BHATNAGAR, GTI

INTERVIEWS
KING ON THE TAKEOFF
SHANKAR CHATTERJEE
BERTLING LOGISTICS

STRONGLY COMMITTED
SACHIN SINGH
PORT OF HALIFAX

FREEZE PORT CHARGES
SARVESH KUMAR SHAHI
SKS LOGISTICS

Small Sells Big

If crisis redefines theories, it is survival of the smallest and not the strongest, at least now. Small feeder services that have been lugging cargo around coastlines are turning out to be impressive and lucrative transport options for shippers. Outsmarting the big and bonny vessels, they are winning the advantage in their small size and scale, doing business big time in recession.



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ABG Kandla Container Terminal

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Small Sells Big

If crisis redefines theories, it's survival of the smallest and not the strongest, at least now. Small feeder services that have been lugging cargo around coastlines are turning out to be impressive and lucrative transport options for shippers. Outsmarting the big and bonny vessels, they are winning the advantage in their small size and scale in recession and doing business big time.

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A Striking Blend



Like all earlier issues, *Maritime Gateway* comes out with a whole range of interesting articles, features,

interviews and news reports this time too. The big difference as you read through is the special add-on embedded inside. It is indeed a matter of keen interest to report on Singapore, the tiny giant that calls the shots in Southeast Asian maritime trade. As the magazine gears up to launch the special issue quite shortly in the island nation, readers can look forward to reading more on Singapore trade and trends every month.

A special feature on Krishnapatnam Port and an insightful interview with the

investing group chairman is another drawing point. In keeping with our resolve to report on all things topical, we have researched on the prospects of feeder services in these testing times, for the lead slot. Focus on container terminal design, iron ore exports, ship lay-up and an array of interviews with logistics service providers are the other must-reads.

Maritime Gateway, with this issue, reaches milestone seven, the number that symbolises refinement and reassures our penchant for perfection.

As the magazine comes loaded with a medley mix, we hope the readers take delight in scanning through the blend and giving their feedback.

Warm regards,

Ramprasad, Publications Director
ramprasad@gatewaymedia.in

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The editorial advisory board of *Maritime Gateway* consists of senior executives and professionals who are experts in their own discipline and with an independent view, they guide the editorial team by giving suggestions on issues that need to be focussed.



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Bullish in Bearish Times

The recent Shipping Confidence Survey produced by UK-based international shipping accountant and consultant Moore Stephens reports that the average confidence level of a shipping line owner has fallen from 5.6 in January to 5.4 this month, on a scale of 10. But respondents are still hopeful that shipping will start an upward trend in the third quarter. So, the survey seems to confirm that there are winners in every downturn!

Thanks to the economic crisis, the maritime community is looking for some real opportunities in terms of cost and quality-effective vessels. The present market conditions are therefore inviting more consolidation of shipping; and some shipping lines are in fact trying to be a part of it. While some have joined forces to start such services to the Black Sea and the East Mediterranean, other companies and freight forward providers are exploring the idea

of working together to master a larger market in this zone.

The Asian market too is witnessing such innovations. For instance, the Netherlands-based Seaarland Shipping Management and Greek-based Roxana Shipping have established a new pool for long-range product tankers. It is learnt that the Global Tanker Pool will be operated from Seaarland's Asian arm, Seaarland Management Services Singapore, and commence operations with six modern LR1 tankers.

On the other hand, some services are being withdrawn, especially from

China to India to leverage on picking up short leads from Singapore, bringing them to India and then taking the cargo to the Middle East. Such services are apparently being introduced to make the best out of unity in adversity.

Back in India too, a few shipping lines have earnestly tied up with the Shipping Corporation of India to carry on both domestic and exim trade. Joining of forces of Indian flag vessels during recession, while fetching returns in the short-term, could help the development of coastal shipping in the long-term.

Also, new opportunities are being explored and new plans drawn to get volumes. One strategy being employed by terminal operators is to attract customers with value-added services such as yard space and its rotation. For instance, Gateway Terminals is giving the customers more time to keep their containers in the depot and not have to wait outside. The customers are being allowed to keep the boxes till the second call too. This strategy is being followed to facilitate trade.

As shipping lines are diversifying their services during these tough times, terminals and shipping lines are putting in combined efforts to scale up trade. Turn-around time is being reduced by laying emphasis on increasing the productivity standards and efficiency. This way, shipping lines are being able to increase their calls at different ports. Also, efficient ports and terminals are being able to attract shipping lines. All these things, to create sustainable models, do matter at times like this.

Another recent data shows that the share of global container volumes from the Indian subcontinent, South-East Asia, Latin America and the Middle East is likely to rise by 8.7 per cent this year and by another 10.3 per cent in 2010. This ultimately points to the fact that terminal operators with a diversified portfolio, especially those having ports in developing economies, are likely to fare better than their competitors with locations fixed in traditional markets. **MB**

Arvind Bhatnagar is the CEO of Gateway Terminals India Ltd.

“Consolidation of shipping lines is helping exim trade, upholding the philosophy of unity in adversity.”



Infrastructure projects

Tuticorin Port gets EOIs for power plants

Tuticorin Port plans to create additional infrastructural facilities for port-based industries and services such as thermal power station, oil refinery, container terminal and cold storage plant.

Tuticorin Port has received expressions of interest from two companies to set up Rs 1200-crore power plant at Hare Island near the port. According to Chairman G J Rao, Madras Cements and Dubai-based Coal and Oil Company have submitted EOIs to set up a 250 MW coal-based power plant in nearly 80 acres of land.

The port also moots investments worth Rs 500 crore for a container terminal and Rs 2,500 crore for an oil refinery in around 130 acre of land at Hare Island on a long-term lease basis.

The port has achieved record handling of cargo of 220.11 lakh tonnes for the fiscal year 2008-09 with an overall

increase of 2.47 per cent over the last year, the chairman said. The port mainly handles thermal coal, industrial coal, general cargo like granites, timber logs, fertilisers, maize and cargo of Sterlite Industries. The financial performance of the port improved with a net profit of Rs 81.5 crore compared to Rs 79 crore in the previous year. The operating income was Rs 220.65 crore and the operating expenditure was Rs 99.47 crore. The operating ratio of the port is one of the lowest in all the major ports with 45.10 per cent. This is possible with the strict monitoring of the expenditure at all levels, the chairman added.



Award for Excellence: The port was recently honoured with the National Award for Excellence in Cost Management-2008 by the Institute of Cost and Works Accountants of India under the service sector category. The award recognises Tuticorin Port Trust's strenuous efforts towards providing optimum service at minimum cost.

Karaikal Port

Ready to start

Karaikal Port, the greenfield port being developed by Marg Ltd. on a BOT basis for the Government of Puducherry, will start operations by early May this year. Marg is a Chennai-based infrastructure company. Karaikal Port is located on 600 acres of land in Vanjore village of Karaikal taluk, in Tamil Nadu.

The all-weather port will have a capacity to handle vessels up to 1,20,000 DWT of cargo comprising coal, containers, liquid and general cargo. With the completion of phase I, the total cargo handling capacity of the port will be 5.2 mtpa.



Chennai box terminal

DP World to invest Rs 100 cr

DP World Chennai, the private container terminal at the Chennai port, proposes to invest Rs 100 crore in the Chennai subsidiary. Two new quay cranes, to be imported from China with the amount, will be commissioned by September, says Ennarasu Karunesan, Director and CEO, DP World Chennai. The terminal currently has seven quay cranes – five Super Post Panamax and two Post Panamax – and 24 Rubber Tyre Gantry Cranes.

With this, the total investment in the Chennai container terminal will go up to nearly Rs 600 crore ever since DP World took over in December 2001. In 2008, the terminal handled 1.20 million TEU (twenty-foot equivalent units), a 14 per cent increase over the previous year's handling of 1.05 million TEU. Among the global top 100 terminal, DP World Chennai is now ranked 83rd as against 87th last year.

Security certification:

DP World Chennai has been awarded the ISO 28000 standard for supply chain security management, joining Nhava Sheva and Mundra International Container Terminal as the other two facilities in the country to be so recognised.

The certification, given by Det Norske Veritas, has set in place processes and mechanism to address security vulnerabilities at strategic and operational levels, Ennarasu says.

According to Sultan Ahmed Bin Sulayem, chairman of DP World, the global port operator recorded 48 per cent rise in profit after tax (PAT), 20 per cent rise in revenue and 15 per cent jump in consolidated throughput in 2008.

Marginal profit

Chennai Port turnover thins

Despite slowdown in the economy which has severely affected maritime trade, Chennai port has registered a 5 per cent growth – a turnover rise to Rs 658.27 crore in the fiscal 2008-09 from Rs 628.09 crore in 2007-08.

However the port's net profit in the fiscal has come down by 35 per cent – a drop from Rs 302.49 crore last year to Rs 194.59 crore this fiscal, port chairman K Suresh told reporters recently. The port has shown better performance in handling cargo with the volume going up to 57.49 million tonnes, a marginal 0.6 per cent rise from 57.15 MT in 2007-08. The growth was mainly contributed by cars export which rose up by 80.25 per cent to 2,48,697 units from 1,37,971 last year.

"Despite recession, we have managed our performance in handling cargo and also our turnover, but we have seen a drop in export by 6 per cent to

22.85 MT compared to 24.31 MT last year and it happened due to drop in handling iron ore cargoes by 2.57 MT to 8.25 from 10.82 MT last year.

However import has gone up by 5.48 per cent to 34.68 MT from 32.84 MT last year," the chairman elaborated.



RTGs for second terminal: The second container terminal in the port that is scheduled to begin operations this year has procured 10 state-of-the-art

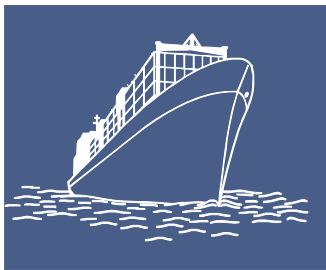
Rubber Tyred Gantry Cranes (RTGs) manufactured by ZPMC, China. The cranes recently arrived from China on board the barge MV Developing Road and grounded through a ramp on the newly constructed quay.

Rare feat

Urmila executes ro-ro operation

Urmila Project Services, a division of Ardeshir B. Cursetjee & Sons Ltd., created a rare record by loading 400 tonnes of project cargo by means of a floating ro-ro at Mumbai Port recently. The cargo included a heavy lift package of 10.2 m in diameter, loaded on to a flat-top barge using the ro-ro method. The operation, carried out for the first time in Mumbai, proves that the port has the ability and infrastructure to handle heavy lift cargo without using a single crane, said H S Acharya, Urmila's CEO. Another two packages of 105 tonnes and 95 tonnes were loaded on to the barge by using only hydraulic axles trailer. Heavy lift expert Arun Kapur and general manager S K Dasan led the team.





NEWS

Feeder service

Shreyas Shipping joins mega alliance

As the country looks inwards and seeks to strengthen the Indian flag, consolidation by shipping firms comes as a just-in-time initiative.

Shreyas Shipping has joined the Indian Flag Alliance with its vessel OEL Victory loading in Colombo for Kolkata/Haldia recently. The 350-TEU loaded vessel will be added to the Kolkata-Colombo service where two other vessels, MV Seaways Valour belonging to Seaways Shipping and MV Green Valley of the SCI are already operating.

The alliance is significant as three Indian companies have got together to cater to the feeder requirements of both exim and domestic cargoes. The move shall also help domestic cargo movement along the Indian coastline, said Captain PVK Mohan, CMD of

Seaways Shipping. "Rather than SCI doing Smile, the dedicated service to Gulf, on its own or the Seaways or Shreyas serving the domestic trade in the west coast alone, the grouping of the Indian flag services will ensure serving the entire coast of the country," he opined.

The alliance is likely to spread to other routes in the Indian subcontinent. Asset sharing may also take place on the west coast of India to neighbouring areas as also in the Bay of Bengal region. The government is also working towards boosting Indian tonnage and increasing the market share of Indian Flag vessels.



New vessels

GRSE launches fast attack craft

Garden Reach Shipbuilders & Engineers Ltd. (GRSE) has recently launched the fifth, sixth and seventh of the series of ten Water Jet Fast Attack craft from its Raja Bagan Dockyard. The ships were launched at a ceremony with their proposed names INS Cankarso, INS Kondul and INS Kalpeni, borrowed from picturesque places in the Andaman and Lakshadweep islands. All the three craft were designed in-house by GRSE.

The ships have been fitted with state-of-the-art main engine controls, electronics, communication and navigation systems. They are also equipped with reverse osmosis plants for fresh water generation and sewage treatment plant to comply with IMO regulations.

GRSE is also floating a joint venture with French naval shipbuilder, DCNS and an Indian IT partner for shipbuilding design services. According to K C Shekhar, CMD of the firm, the joint venture, to start operations from June this year, will have a design bureau in Kolkata with a headcount of 70 to 80 people.



Soft loan

Shipowners pitch for Rs 10,000 crore

The Indian National Shipowners' Association (INSA) has sought a soft loan of Rs 10,000 crore from the union government to facilitate Indian shipping companies to acquire ships. V Kumar, managing director of Bharati Shipyard and chairman of Shipyards Association of India, has, in a letter to the shipping ministry, urged that shipowners who get the soft loan should allow shipyards the right of first refusal. The shipping ministry is learnt to have forwarded the proposal to the finance ministry.

"Shipowners are finding it difficult to raise funds even if ships are available. With shipping freight rates touching new lows globally, some companies are finding it difficult to meet even their operating expenses from freight revenues," Rajeev Gupta, joint secretary in the Ministry of Shipping pointed out. Domestic shipbuilders are also demanding extension of the government's five-year shipbuilding subsidy, which lapsed on August 14, 2007.

Vessel purchase

Mercator Lines unit buys dry bulk carrier

India's second largest private shipping firm Mercator Lines Ltd. said its Singapore unit is buying a dry bulk carrier worth \$ 24.2 million. The vessel, which is currently hired by the Singapore unit, is due for delivery in May 2009. The acquisition will be financed through a mix of debt and internal accruals and will take the unit's total fleet to 10 ships.

Meanwhile, the company has also taken delivery of a new Jack up rig at a cost of nearly Rs 1000 crore from the world's leading shipyard Keppels FELS, Singapore.

The newly built state-of-the-art, premium jack up rig is class B Nod V capable of working in a water depth of 350 ft and has a drilling capacity of 30,000 ft. It was acquired through Mercator's Singapore-based wholly owned subsidiary, Mercator Offshore Ltd, said H K Mittal, executive chairman of Mercator Lines Ltd.



Pinning pirates

Cruise shipping to be expanded

Following the Cruise Shipping Policy of August 2008, the Government of India has allowed foreign flag cruise ships to call at more than one Indian port. Foreign flag ships carrying passengers can now call at more than one Indian port for a period of 10 years with immediate effect, says the notification released by the Ministry of Shipping. Further, the cruise ships need not obtain license from the Director General of Shipping.



The Shipping Ministry observed that there is a need to promote cruise shipping in India keeping in view the unparalleled growth of cruise shipping worldwide. Since adequate Indian flag ships are not available for this purpose, the government has relaxed the law.

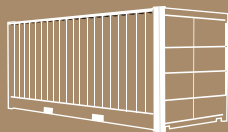
The government is also looking forward to increasing cruise passenger landings from the current 3 lakhs to 10 lakhs by 2010. The global cruise tourism is US\$ 14 billion large, with 300 ships and is patronised by 10 million customers. In India, cruise tourism is active only in the west coasts of Mumbai, Mormugao and Kochi ports.

Fleet expansion

Apeejay acquires gearless Panamax

Apeejay Shipping Limited, an Apeejay Surrendra Group company, acquired a 67,359-DWT Japanese-make gearless Panamax recently. The ship will be named APJ Mahalaxmi. The expansion schedule of Apeejay Shipping is in place with APJ Kais – the first of the three-gearless Supramaxes that the company has ordered from Cosco Shipyard Group in China, to join in April 09. This will take the fleet size to six with a DWT of 357,653 (two more ships are on order to be delivered in 2010 and 2011).

"Even though markets remain bleak, judicious addition to the fleet with second hand tonnage would definitely provide an up-side," said Capt Shekhar Mahapatra, the company CEO.



NEWS

Direct Service

DHL launches LCL consol service

The global leader in express and logistics aims to create fast, cost-efficient and reliable services for its customers.

DHL has launched its weekly Direct LCL (Less than Container Load) Consol service connecting Chennai to Felixstowe in the UK thereby increasing business efficiency and competitiveness. Through the launch of this service all local Chennai cargo and that from adjoining Bangalore, Pondicherry and Coimbatore can go directly to the UK, instead of being transhipped via Colombo.

"The weekly service is part of DHL's ongoing plans to expand its LCL services globally," Christoph Remund, CEO of DHL Lemuir Logistics said. DHL India recently consolidated its CFS activities in Chennai by creating dedicated warehousing space at Triway CFS. DHL also moved its operations in Bangalore to the Pearl

Harbour Container Terminal to improve efficiency.

LCL consolidation

Yet another milestone for the ocean freight business is the launch of direct LCL service from Ludhiana to Nhava Sheva that will considerably reduce transit time and multiple handling of cargo. Sanjay N Tejawani, director-ocean freight, DHL Global Forwarding, India, said, "With the shipment of the first Export Console Box from Ludhiana, DHL has achieved an important milestone for our LCL product as a whole." The firm has also recently moved its import LCL destination terminal from ICD Garhi Harsaru to ICD Tughlakabad, Delhi in response to customer requirements.

New logistics office

GAC strengthens Gujarat presence

GAC India has strengthened its presence in Gujarat with the addition of a new logistics office in Vadodara, offering professional logistics and international transportation services. "Expanding in this important market enables us to meet the diverse needs of domestic and international businesses in the region with our suite of logistics and global transportation services," says Gracias Thevar, GAC India's business manager – Logistics Services.



Elvin John, a veteran in the shipping industry with 16 years experience in freight forwarding, shipping, NVOCC, airfreight & CHA business, heads the new office. Vadodara is GAC India's eighth dedicated logistics office and the 24th in its network in India.

Appointment

DB Schenker head

Benjamin Strelow has joined the sales management team as head of National Sales and Trade Lane Development – Europe and APAC, DB Schenker India recently.

Prior to coming to India he was the general manager of F&E department, relocations & fine arts transports, sports events logistics and special transport. He will be based at Gurgaon corporate office.



Trade felicitation

Awards for exim players

The Tamil Chamber of Commerce has for the first time instituted Exim Achievement Awards to honour trade, shipping and logistics. At a recent function held to celebrate its diamond jubilee, the TCC gave away awards to top three exporters – Hyundai Motors India Ltd., MSPL Ltd and Orchid Chemicals & Pharmaceuticals Ltd and three importers – Chennai Petroleum Corporation Ltd, Hyundai Motor India Ltd and Toyota Kirloskar Motor Private Ltd. The awardees were judged on the statistical performance in all categories at Chennai Customs & Port for the year 2007-2008.

State Governor Surjit Singh Barnala distributed the awards. Chozha Naachiar Rajasekar, president of TCC and Nalli Kuppaswami Chetti, patron of TCC were present.



Acquisition

Gati ups stake in Kausar

Logistics firm Gati Ltd. declared on April 1 that it acquired 26.01 per cent in trucking company Kausar India Ltd., taking Gati's stake to 99.73 per cent. The shares were acquired through a reverse book-building process on March 31. Gati, the sole promoter of Kausar India, said it planned to delist Kausar shares from the Delhi Stock Exchange and Ludhiana Stock Exchange Association.

M&A

Nobel Denton merges with GL Group

Noble Denton and Germanischer Lloyd have merged to form a fully integrated technical assurance and consulting company to serve the worldwide energy industries. The new entity will provide assurance, inspection, and consulting as well as project management on a worldwide scale. Company sources said the merged entity will focus its worldwide services along the entire life cycle oil and gas – upstream, midstream, and downstream, renewables and energy installations onshore and offshore. This includes safety, integrity, reliability and performance management.

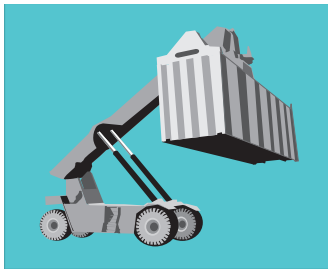
"The merger is a reflection of the needs of our clients who increasingly face challenges in technology, environment and asset integrity. They are looking for partners who can provide a single source of engineering, consulting and project management services in the geographies in which they are based. This merger will ensure that we become the premier global business partner in oil and gas, renewables and energy supply markets," said Pekka Paasivaara, member of the Executive Board Germanischer Lloyd.

New venture

Safexpress starts logistics park

Safexpress Pvt. Ltd. has launched its state-of-the-art logistics park in Gurgaon recently. Spanning over an area of 1,95,000 sq. ft., the high-tech park is equipped with ultra-modern infrastructure facilities customised to suit client requirements. According to Vineet Kanaujia, general manager – marketing, the company plans to develop 32 logistics parks adding 6 million sq ft additional warehousing space to its existing space of 4 million sq ft. An investment of Rs 600 crore has been earmarked for the venture.

The logistics park in Gurgaon is equipped with automated material handling machinery, customised racking systems for product storage, IT and networking infrastructure, power back-up system, as well as office & utilities space. The park will meet the dynamic supply chain requirements such as the outsourcing requirements of manufacturers, Kanaujia added.



NEWS

Duty credit

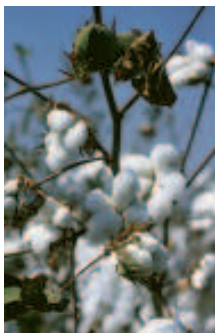
Cotton exports revive

Despite government sops, industry insiders are pessimistic of achieving the export target of 50 lakh bales against 80 lakh bales exported last year.

Cotton exports have revived due to the 5 per cent duty incentive and rupee depreciation against the dollar in the last three months. Of the total cotton exports of 9.5 lakh bales till March 31, about 5.97 lakh bales have been shipped between January and March 2009, according to data provided by the Textile Commissioner's Office, Mumbai. Traders have registered to export 13.06 lakh bales with the Textile Commissioner, Mumbai.

The government announced 5 per cent duty credit for raw cotton with effect from April 1, 2008 and the benefit was made available for all cotton exports till July 1, 2009. Mr S C Grover, chairman and managing director, Cotton Corporation of India (CCI), said, "if one adds the logistic cost and other expenses, there is still a disparity of 3-5 cents between international and domestic prices."

As the MSP procurement by both CCI and NAFED is almost coming to an end, prices in the domestic markets have come down in the last two



months, but with the demand in the domestic market picking, prices have started inching up of late. The average Cotlook A index fell from 57.70 US cents (USC) a pound in January to 55.20 USC in February and slipped further to 50.75 USC in March.

Export of food products

slows: The growth of India's exports of agricultural and processed food products is seen slowing to 20 per cent in 2008-09, from 46 per cent last year, due to the global downturn, a director of a government body said recently.

The total exports for agricultural and processed foods stood at Rs 360 billion up to March 2008, said S Dave, director at Agricultural and Processed Food Products Export Development Authority.

"The country was seeing an annual growth in the range of 36-50 per cent over the past few years. That will now slow down to 20 per cent," Dave told reporters. India exports about 25 per cent of its food products to developed countries, including the US and UK.

Ban on vegetable oil export:

India has extended a ban on export of vegetable oils by a year, a move that traders said was aimed at keeping a lid

on prices ahead of general elections in April and May.

The country – the world's biggest importer of vegetable oils after China, was selling tiny quantities of groundnut oil to the US, Europe and China before a ban was imposed last March.

"The government probably took the decision keeping an eye on elections," said B V Mehta, executive director of the Solvent Extractors' Association of India (SEA), the apex body of vegetable oil traders.

"It makes no sense. When the ban was imposed last year, prices were too high. Now the prices have drastically come down," he said.



Iron & steel

Import tax cut

India is likely to abolish a 5 per cent import tax on iron and steel after the general elections in April and May. The duty could be phased out in the next one to two months as the domestic industry has started to recover and would not be adversely affected by the move.

India had imposed the import duty in November on specified steel and iron products to protect domestic producers in the face of falling commodity prices. India is considering the demands from domestic steel makers for anti-dumping duties on cheap steel inputs from countries including China.

Sensitive cargo

Import of items goes up

The total import of sensitive items for the period April-December 2008 has been Rs 33,863.9 crore as compared to Rs 25,454.5 crore during the corresponding period last year thereby showing an increase of 33 per cent. The gross import of all commodities during the same period of the current year was Rs 10,03,947 crore as compared to Rs 6,93,445 crore during the same period last year. Thus, import of sensitive items constitutes 3.7 per cent and 3.4 per cent of the gross imports during last year and current year respectively. Imports of food grains have shown a decline at broad group level during the period. Imports of all other items – edible oil, automobiles, fruits & vegetables (including nuts), cotton & silk, products of SSI, rubber, spices, alcoholic beverages, marble & granite, tea & coffee and milk & milk products – have shown increase during the period under reference. In the edible oil segment, the imports have increased from Rs 8,439.82 crore last year to Rs 10,943.55 crore for this year.

Exports scenario

Zero growth to continue

India's exports could fall or remain flat in 2009-10, as demand contracts in key markets, according to a survey by the Federation of Indian Chambers of Commerce and Industry (FICCI). India's exports, which form close to a fifth of its GDP, have been falling since October as the global slowdown slashed demand for Indian goods, forcing the government to pare its export target for 2008-09 to \$ 170 billion from the initial \$ 200 billion.

The trade secretary last month forecast the country's exports to be flat at \$ 170-\$ 175 billion in 2009-10, anticipating a revival in exports after June. However, a majority of the exporters expect sectors like engineering goods, gems & jewellery, chemicals, marine products and tyres to see negative or zero growth in the current fiscal that ends March 31, 2010.

The rupee has fallen 3.8 per cent against the dollar in the last two quarters.

Money.

Whether you are looking to receive it or invest it, the **1st Private Equity & Logistics Forum 2009** promises to host a great gathering of private equity players, logistics entrepreneurs and advisors.

Private equity investors have demonstrated great interest in the Indian logistics sector and promoters have responded with enterprise as well as handsome returns. Challenges, however, remain. Recognizing these complexities, only amplified by the current economic environment, the India Supply Chain Council is pleased to host its first **Private Equity & Logistics Forum on May 28, 2009 in Mumbai.**

Speakers include

- Ashit Desai Executive Director, AllCargo,
- A. K. Bansal, Group CFO, TCI
- Vishal Sharma, MD & CEO, Tuscan Ventures
- Vivek Joshi, Head, Investments, Kotak Private Equity
- Prof. Raghuram, Faculty Member IIM-A/Logistics Expert
- Sivakumar Sundaram, CEO, Times Private Treaties
- Rahul Khanna, Director, Clearstone Capital
- Sankalp Shukla, CEO, Innovative B2B Logistics
- Arjun Saigal, Partner, Baring Private Equity Partners



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COVER STORY





Modern methods and innovations in maritime transport are being tried, tested and touted in these times of financial turbulence. As world shipping faces the collapse in freight rates and thereby contract defaults and bankruptcy of several leading shipping companies, the ports and shipping community is looking for ways to earn revenue.

“Prospects are far more uncertain,” predicts Drewry Shipping Consultants for the current fiscal. As dwindling freight rates have significantly nibbled away the shipping lines’ ability to generate revenue, Drewry estimates that the growth of global trade in goods and services is expected to decline from 7.2 per cent in 2007 to 2.1 per cent

in 2009. With container volumes falling, ocean carriers could jointly lose nearly US\$ 70 billion in revenues this year, it cautions.

To sustain in these difficult times, a lot of cash-strapped industries are revamping their cost structures. In such a scenario, feeder wet and dry bulk cargoes, containers and even passengers on the coastal routes is turning out to be an effective way of minimising shipping costs. Such services are apparently providing the much-needed stimulus to the movement of cargo, ahead of either road or rail transport.

Feeder service is of utmost importance for the overall operation and optimisation of any container transport and seaborne traffic, says Dusan Rudic of the University of Rijeka, Croatia, who has researched

the economic viability of container transport. “It makes the entire container service rational, well-balanced, symmetrical and dynamic,” he avers.

Technically, coastal shipping seems synonymous with feeder transport as it survives through feeder support. Conceptually, such short sea services link container terminals and supply cargo to larger mother ships to avoid their calling at every port. As they prove to be profitable, their emerging role as commercially viable means of transport is being researched and even acknowledged by early-starters. Such an alternative service also helps towards achieving a better turnover of large container ships, reducing the total costs of container system besides being useful for successful operation of container transport on any other route, Rudic adds.

SELLS SMALL BIG

If crisis redefines theories, it’s survival of the smallest and not the strongest, at least now. Small feeder services that have been lugging cargo around coastlines are turning out to be impressive and lucrative transport options for shippers. Outsmarting the big and bonny vessels during recession, they are winning the advantage in their small size and scale, and doing business big time.

by Radhika Rani G

The Domestic Scenario

Feeder services have been driving volumes and growth of coastal shipping. Being cost-efficient, reliable, environment-friendly and flexible in moving all types of cargo like containers, break-bulk and rolling stock, they have been providing a congenial option for cargo transport. Though the number of feeder services is growing on the east and west coasts of India, their viability can be further tapped, especially in these shaky times. While the Shipping Corporation of India, Samsara, Seaways Shipping, Shreyas Shipping & Logistics and SKS Logistics are some of the companies offering feeder transits, many more shipping lines are likely to join the league. Among the overseas ones, FAR Shipping Lines (FSL) of China, already calling at Kolkata/ Haldia and Chennai, has launched a new feeder service between Visakhapatnam and Colombo.

Though India has one of the most widespread hinterlands in the world filled with low-cost industrial growth, it lacks enough number of deepwater ports to service the backwoods. Bigger vessels, owing mainly to natural restrictions like lower draft at the gateway ports, cannot easily make it to most of the Indian ports. And so, nearly 90 per cent of the Indian container trade depends on feeder services that connect the Indian ports, both big and small, to international transshipment hubs like Singapore and Colombo.

Also, the growing trade with the world is by itself providing a huge potential for the container feeder industry to grow and flourish in the country, say experts. Making the best use of each vessel in the fleet and securing the best possible freight rates is the focus of commercial ship



What feeder services have

Typical ship sizes: Vary from 10,000-15,000 dwt with drafts ranging from around 3 m to 6 m.

Nature of Cargo: Wet and dry bulk cargoes, containers, rolling stock and passengers around the coast.

Typical Cargoes: Grain, fertilisers, steel, coal, salt, stone, scrap and minerals (all in bulk), oil products (such as diesel oil, kerosene, aviation spirit - all in bulk), containers and passengers (yes, even ferries).

Suitable Areas: Landlocked sea, large gulf, international hub, main feeder destination sites along sea passages

Basic Routes: Usually circular or rectangular for optimum exploitation of big ships

Advantages:

- Alleviate congestion at main ports and highways
- Environmentally-friendly and so decrease air pollution
- Save overall costs to the shipper
- Far more efficient and cost-effective than road transport
- Less prone to theft and damage
- Reliable with guaranteed transit times
- Flexible in being able to move all types of cargo.

A feeder service network can:

- Help port workers become the foundation of a new containerised transportation system eliminating thousands of daily truck trips at several congestion points
- Create new generation coastal feeder ships that can cut the need for truck fuel by 50 per cent and thereby truck emissions that contribute to global warming
- Re-establish the country as a competitive shipbuilder and create jobs in customised shipbuilding.
- Save shippers and carriers money and reduce traffic congestion at major ports
- Spur the development of a new generation of marine engines powered by non-petroleum fuels
- Increase education and training of mariners to meet short sea requirements along with research partnerships in marine engine development, terminal handling and vessel safety
- Develop new partnerships with trucking companies to deliver feeder containers
- Develop new, automated cargo handling systems, on-dock rail and alternative power for ships that reduce emissions and fuel consumption
- Use main port assessments to finance new ships and terminal upgrades backed by ocean carrier contracts.

management. "However, the core skill," says Drewry, "is the ability to read the market correctly." Taking a cue from this, several shipping lines are contemplating consolidation for efficient feeder transport. An exercise in this direction was recently attempted by Shreyas Shipping by uniting its *OEL Victory* service with *M V Seaways Valour* of Seaways Shipping and *M V Green Valley* of SCI to operate the Kolkata-Colombo service.

According to Capt. P V K Mohan of Seaways Shipping, Indian flag services, instead of going it alone, can group together and service the entire coast. Since feeder services can carry both domestic and exim cargo, Capt. Mohan opines that the USP can be further explored. "We are in fact working on a policy paper for coastal shipping which will further boost domestic cargo transportation via sea," the chairman and managing director of Seaways Shipping says. Seaways already has dedicated feeder services between Visakhapatnam, Kolkata and Chittagong in Bangladesh for moving cement, agri products, chilled fish and automobiles. "What has earnestly started on the east coast can gradually be moved to the west coast," Capt. Mohan informs. And if the situation permits, Indian flag vessels could be seen forming mega alliances for servicing the ports in Singapore, Malaysia and the Middle East too.

Taking pride in its flagship service, Shreyas Shipping claims to be the first Indian feeder operator to obtain an ISO 9002 certification. "We are the first ones to start coastal feeder services from Kandla, Cochin and Tuticorin. Today, we are the leading feeder operators at Kandla," says S Ramakrishnan, chairman and managing director of Shreyas Shipping & Logistics Ltd. The firm also touts to be the first one to use Jawaharlal Nehru Port for transshipment of exim cargo, to record the maximum number of vessel calls at JNP and to commence India-Pak direct container services.

Its logistics arm Shreyas Relay Systems Ltd. too has succeeded in implementing the 'land-sea-land' total logistics solution to move cargo. Moving cars, farm products and chemical ore by sea has helped the firm reduce 15 to 20 per cent of logistics cost for its clients, Ramakrishnan says. Yes, an efficient upstream and down-stream supply chain alone can achieve the desired results, opines Capt. Sriram Ravi Chander, COO of Visakha Container Terminal. "Use of inland water ways, coastal shipping and barging could make the existing structure of container terminals in the country more efficient and competitive," he moots.

Since short sea initiatives have proven to save money for shippers and carriers besides reducing traffic congestion at major ports, the Bombay Chamber of Commerce & Industry had long ago recommended relaxation in cabotage laws. The Director General of Shipping thereafter relaxed the norms to help foreign shipping companies relieve excessive congestion at major port terminals. As per a TCS report on coastal shipping, economic losses due to congestion and accidents on roads result in the loss of nearly Rs 400 billion annually. So feeder services can actually serve as the safe and secure alternative, declare maritime experts.

The International Scene

Feeder services have long been aiding freight transport in littoral nations in the West. As per archives, the US Maritime Commission teamed up with shipbuilders at the outset of World War II to produce 2,700 ships that could act as maritime conveyor belts for war supplies to Asia and Europe. The vessels were later abandoned. But the early 1990s saw a resurgence of the service with New York's Port Inland Distribution Network (PIDN) and Osprey Line becoming the pioneers. The Energy Independence

and Security Act of 2007 came just in time to encourage the development and expansion of vessels, shippers, port and landside infrastructure, and marine transportation strategies taken up by state and local governments.

In the sea-wealthy Europe too, the growing landside congestion and the awareness of the dangers of greenhouse gas emissions have led the European Commission to encourage the shift of freight transport from road to sea. Today, feeder services are at the forefront of



Europe's transportation policy accounting for nearly 40 per cent of all the freight moved in the continent. In the Mediterranean too, several container transshipment ports in Gibraltar and Malta catering to large container ships seek feeder services, some hired and some owned.

Thanks to the ongoing recession, more and more manufacturers, producers and processors are increasingly weighing the option of sea transport. For instance, Unifeeder, comprising of 42 vessels with a capacity between 500-900 TEU and connecting nearly 25 locations in North Europe, says the size of its fleet continues to expand. "We handle over 1.4 million TEU annually, representing more than 7,500 port calls on busiest routes. In short, we provide the efficiency and convenience of a one-stop shop."

The hub-and-spoke system – directly linking the major ports – is gaining support as cost-effective means of

transport among cargo shippers in New Zealand. "Shippers are looking at every possible way to reduce supply chain overheads," says Rod Grout, chief executive of Pacifica Shipping. The feeder service provider has recently started a new weekly coastal service linking New Zealand's four big ports of Auckland, Tauranga, Lyttelton and Otago. Since exporters and importers are looking for certainty of shipments without any delays and associated costs, Pacifica's 700-TEU coastal container vessel *Spirit of Endurance* is providing a scheduled service up and down the country's east coast.

In view of stringent environment norms, feeder operators are confident of reduced emissions. The 130-metre *Spirit of Endurance* can cut down carbon emissions by a mindboggling 60,000 tonnes a year, Rod says. If this is just one vessel drastically slashing emissions, the scale of 100 vehicles can be

anybody's guess. The operators also vouch for increased port productivity. Stas Margaritis, president of Santa Maria Shipowning & Trading in the US, says feeder vessels can greatly help in moving containers from ocean carrier terminals to nearby ports. "By doing so, they can improve productivity at major ports like Los Angeles, Long Beach, New York, New Jersey and Norfolk," he opines.

Riding on the crest of profits, the Singapore-based feeder service provider Samudera Shipping Line reports net earnings of \$ 26.8 million for the year 2008. Executive director of the group Dhruvajyoti Das hopes that the demand for shipping will remain stable in the coming months. Having made a humble beginning through feeder line service between Singapore and Jakarta, the group is a name to reckon with in short sea shipping. "What is important for us now is to be proactive in seizing the right opportunities and in seeking innovative ways to optimise our operational efficiency," Das confesses.

To mitigate the slowdown in the regional container segment, the Samudera board plans to rationalise its capacity via slot exchanges and NVOCC (non-vessel operating common carrier) arrangements. Several shippers are trying to mould the current freight market condition into a blessing in disguise. Nikos Varvates, president of Mediterranean Cargo Vessels Shipowners' Union, says the current crisis can create opportunities for short sea shipping, since smaller sums of letters of credit mean smaller cargoes. He suggests that products from China can be replaced with those from the Mediterranean and Europe, thereby enforcing the feeder services market.

The feeder operators, unlike giant ocean carriers, have weathered the financial storm. So despite challenges gnawing at the maritime sector, they are upbeat about the growing demand for this lingering and thriving time-tested services. **MG**

Inputs from Jagadeesh Napa

“Feeder ships can de-consolidate import volumes thereby easing security at feeder ports. They also provide the alternative of shallow draft to move cargoes in and out of main ports in case of natural disasters and can serve rivers and coasts during emergencies.”





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KPCL Heralds a New Era in Port Operations

Gateway to South Asia

The seed for futuristic ports, that think ahead of times, has just been sown and the Indian maritime sector shall witness nothing less than a revolution in the coming decade. As Krishnapatnam, the port in nature's fold, is nurtured to bloom into a full-fledged hub for international merchandise trade, it is tacit knowledge that the groundwork for India's international competitiveness has just begun.

A **Maritime Gateway** feature.



The new-age ports that are dotting the shorelines of Asian countries are coming equipped with world-class infrastructure, efficient cargo handling systems and unrivalled customer service. Going by their blue prints, they are expected to rewrite the contours of the port sector and transform the way trade is done in Asia. Nurturing itself to be the preferred port of choice, a new era port on the East Indian coast is gearing up to be the fastest growing maritime gateway in South Asia with its unrivalled port services. With this, India is sure to witness

the coming of age of ports in the next decade.

Having started its operations in a modest manner in 2008, Krishnapatnam Port Company Limited (KPCL), promoted by Hyderabad-based CVR Navayuga Group, is on its way to becoming one of the largest greenfield ports in the continent. With a throughput of 8 million tonnes till February 2009 and a target of 9 million tonnes in the current fiscal, the all-weather, deep-water port is already steering its way towards the high tide. A fast-growing corporate entity, the over Rs 2,500-crore Navayuga Group

that believes in “engineering the new era” has a diversified portfolio spanning core infrastructure projects in roads, bridges, lift irrigation, metro rail, marine works, IT/ITES, ports, power, steel and niche geospatial technologies.

If new-born ports with clear goals in sight have started shaping the Indian port panorama, KPCL is contributing to the growth story, in its own way. “Krishnapatnam port will have best-in-class infrastructure including a deep draft, adequate land area and excellent road and rail connectivity,” says C V Rao, Chairman of CVR Group. It has added several firsts to

With 15 m draft, Krishnapatnam port is capable of handling both Panamax and capesize vessels leading to huge savings in ocean freight. It has high discharge / loading rates (20,000 to 25,000 MT per day). The modern equipment installed at the port makes the operations highly efficient, and provides end-to-end services right from stevedoring to custom documentation.



Photo: KPCL

its credentials, such as completing the construction work of Phase I in a record time of 18 months, starting trial operations from July 2008 and progressing thereafter. The port has already become the first port in the country to achieve the impressive volume output in its first year of operation. While this accomplishment marks the emergence of new generation ports, the port management says “this is only the beginning and a lot more needs to be achieved.”

High on infrastructure

A glimpse at the master plan of

Krishnapatnam port will indicate that it is indeed in the league of the generation next. The waterfront is being designed to accommodate 42 berths with a draft of 19 metre and the port is being linked to the upcountry with a 6-lane road and a double track broad gauge rail. An expanse of 6,500 acres is being allotted for storage capacities and backup area for various types of cargoes such as bulk, container, break bulk, petrochemicals and project cargo. The port development has been planned in three phases and Phase II works are being carried out.

As part of Phase I, the capacity has been built to handle 25 million tonnes per annum with the cargo mainly comprising iron ore and coal and topped up by general cargo like granite and raw sugar. Though operating with only four multipurpose berths on a quay length of 1,200 m, the port boasts of a draft of 15 m both alongside the berth and in the channel; and considers this as the chief contributing factor in achieving an impressive cargo throughput. The port is looking at bringing two more berths into operation in the next four to six months to further boost its throughput.

Having achieved the financial closure for Phase II in March 2009, KPCL is likely to begin operations from 2010. While the total cost of the phase is Rs 4000 crore, work worth Rs 500 crore has been completed so far. The Phase II comprises of seven berths with a quay length of 2400 m and a draft of 15 m. The berths will be designed to handle bulk, general and containerised cargo. The Phase II is likely to be commissioned by January 2012. When finished, this phase will offer 40 million tonnes of capacity in addition to the current 25 million tonnes and pave way for containerised cargo with an installed capacity of 300,000 TEU per annum. KPCL has also plans to develop a dedicated container terminal near the southern breakwater and shift the entire container handling operations to this end.

Investment: The port initiatives are eliciting a good response from capitalists. "Promoters and investors have already invested Rs 1400 crore, which will be sufficient even to develop Phase III and take the port's cargo handling capacity to 100 million tonnes by 2015," said Mr Rao

“Industrial majors and the state-controlled power generating company APGenco are setting up six coal-based thermal power plants in the vicinity of the port.”

during the press meet of financial closure for the second phase. Further to this, an international private equity firm 3i Group has picked up a minority stake in the port for US \$ 161 million or approximately Rs 800 crore. The investment was made through 3i India Infrastructure Fund that has a portfolio of infrastructure investments. "We regard 3i as a strong partner which understands the local infrastructure space and offers us a wide global network of contacts and experience," added Mr Rao.

The management, to ensure optimum use of technology, is installing sophisticated cargo handling equipment. It has already pressed into service four mobile

harbour cranes, each having a lift capacity of 110 tonnes (safe working load). As part of mechanised cargo handling, conveyor systems are being constructed to transport 4,000 tonnes of iron ore and coal per hour. On the storage front, a 50,000-square metre closed warehouse has been built and one more is getting ready to store commodities such as wheat, rice and raw sugar. The port also provides 23,00,000 square metre (2.3 million) of open storage area for dry bulk cargoes.

Connectivity: KPCL is also prioritising better accessibility to its customers. Hardly a 30-minute drive from the national highway No. 7 connecting Chennai and Kolkata, the port has laid a 25-km stretch of



Photos: Jagadeesh Napa

Potential Growth Drivers

Name of the company/SEZ

- 1 Kisan SEZ
- 2 Coastal Andhra Power (Reliance Power) (4000 MW)
- 3 D Sanjeevaiah Thermal Power Project (1600MW)
- 4 International Leather Complex
- 5 Krishnapatnam Power Corporation Ltd. (1980MW)
- 6 Simhapuri Energy Pvt Ltd. (540MW)
- 7 Meenakshi Power (540MW)
- 8 Kineta Power (1980MW)
- 9 Multi-product Industrial Park at Krishnapatnam
- 10 MAS Textile Park
- 11 SBQ Steels
- 12 Apache Footwear SEZ at Sullurpet
- 13 Caparo Industrial Park and SEZ at Naidupeta
- 14 Leather product SEZ by Bharatiya International at Tada

Note: All the mentioned companies are/will be located in Nellore district.

4-lane road from the port connecting the national highway at Venkatachalam near Nellore and plans to further expand it to 6-lane road to meet future traffic needs. Plans are also afoot to develop a railway line to propel cargo volumes and bring down transit time. A double-track railway line is being constructed to cover a distance of 113 km from the port to Obulavaripalle in Kadapa district joining the Mumbai-Renigunta main line. A special purpose vehicle has been floated to handle the project in two phases. The first phase work connecting the port to Venkatachalam railway station on the Chennai-Howrah main line is in full swing. The port is expected to handle 14 rakes of cargo daily, of which 7 will be dedicated to handle iron, 5 for coal and the remaining 2 for general cargo.

On the IT side, the port is planning to employ Enterprise Port Management System (EPMS) that will connect all the activities in the port and enable better efficiency in cargo handling.

Bountiful hinterland

To reach its target of 35 million tonnes in 2009-10 fiscal, KPCL is laying major impetus on iron ore and coal. While iron ore mainly comes from the Bellary and Hospet belt, the port expects to make further inroads into this hinterland in the next fiscal. Having location advantage over other iron ore exporting ports like New Mangalore and Ennore, KPCL plans to cash in on its proximity to the mines by further enhancing connectivity. The port is also looking at other iron ore mining sites in Andhra Pradesh, Karnataka and Tamil Nadu and is putting efforts to move 17 million tonnes in the 2009-10 fiscal.

As for coal imports, cement industries in Kadapa district in AP and Jindal Steel of Karnataka are currently importing through the port. Industrial majors and the state-controlled power generating

Details of Phased Development

Phase	Investment (in rupees)	Date of commission	Capacity contribution (in million tonnes)	Quay Length & Draught
I	1400 crore	July 2008	25	1100m, 15m
II	4000 crore	January 2012	40	2400m, 15m
III	5000 crore	N.A.	60	8000m, 19m
			Total capacity=125	Total berths=42

Traffic Projection

Year	Cargo (million tonnes per annum)	Containers (million TEU per annum)
2010	20	0.5
2012	50	1.0
2015	70	3.0
2020	75	4.5
2025	100	6.0



company APGenco are setting up six coal-based thermal power plants in the vicinity of the port to produce 12000 MW of power. Of them, Coastal Andhra Power (Reliance Anil Dhirubhai Ambani Group) and APGenco have already started work at their respective sites. The port can serve as a gateway to the power plants for importing their entire coal requirement of nearly 37 million tonnes per annum. Besides, Chennai-based SBQ Steels is setting up a 500,000-tonne steel plant near the port to manufacture special grade

steels. The steel plant will include a coke oven plant, a 60 MW captive power plant and a mini cement plant. This will make KPCL a hub for coal imports. Such huge volumes will further bring down the cost of handling coal. For the fiscal 2009-10, the management is aiming to move 8 to 9 million tonnes of coal.

As ports are considered to be economic growth drivers having enormous impact on the domestic industrial development, KPCL can propel the growth of industries in



DOUBLE RECORD

The port achieved two milestones on March 25 by handling the first Capesize vessel and by achieving an All-India record load rate in 24 hours. MV Cape Santa Milagria, owned by Salgaocars of Goa, arrived at the port on the morning of March 25 to load iron ore. KPCL created a record by loading 48,889 million tonne of iron ore in the cape vessel in 24 hours using the conventional handling system of shore cranes. Total cargo of 85,000 MT was loaded within 48 hours with an average load rate of 42,947 MT per day and the vessel was turned around in a record time of 54 hours. The 270-metre long MV Cape Santa Milagria with a beam of 43 m has a capacity of 1,39,816 metric tonnes and such large vessels are handled only at select ports in the country. Apart from iron and coal, the port also handles a wide cargo mix including coke, fertilizers, raw sugar, granite, quartz, rock phosphate and gypsum.

Nellore and adjacent districts and thereby drive cargo volumes. The port can also tap the potential market opening in the existing industrial belt in Tada near the Tamil Nadu border and the upcoming SEZ in Naidupet in Nellore district. At present, these industries depend on Chennai Port for their import-export needs.

Enhancing customer service

Being a new port on the block, KPCL has put in place a strong customer service team that will handle the entire spectrum of customer issues. In addition to the daily routine of updating customers about the status of their cargo, the department also involves actively in developing customer relationships. Single-window operation has already become a norm and end-to-end services are being targeted to provide through dedicated account managers. The customer services department, through the account managers, takes care of issues related to cargo handling, documentation and other services for export. Similarly, it covers all the issues pertaining to imports such as cargo unloading, storage and documentation. The management claims that the service department is the one-stop shop to solve all client issues in the shortest possible time.

The way forward

The port earned gross revenue of Rs 296 crore till February 2009 and expects to achieve Rs 350 crore by March-end. It hopes to achieve the breakeven point by 2013 by targeting gross revenue of Rs 2,500 crore per year. Further, KPCL projects to achieve 100 million tonnes of cargo throughput and 6 million TEU by 2025.

The growing trade is apparently adding momentum to the trade volumes and with huge investments and a proactive management in place, the port gears up to be East India's gateway. It is also exploring the potential of being a transshipment hub for Southeast Asian traffic. The journey has just begun. **MG**

Port of Prosperity

Krishnapatnam Port, a mega port in the making on the east coast of India, envisions port-led development that shall transform the wilderness around into a vibrant and prosperous economy. "The port shall provide the best value to both exporters and importers thereby making the exim community more globally competitive," Mr **C V Rao**, chairman of CVR Group, talks of his vision for the 'Port City' in an interview with **Maritime Gateway**.



What are the major milestones in the second phase of Krishnapatnam Port Development?

Krishnapatnam Port plans to add seven new berths and mechanise the entire process of coal-handling with the help of unloaders, conveyor system, stackers, reclaimers and wagon loaders. We also plan to add a container berth and equip the project cargo berth as one of the highest load-bearing capacities in the country. The deep draft is being increased from 16 m to 19 m. Also, a large covered storage capacity is being installed besides cargo-wise dedicated rail sidings inside the port.

Why should an exporter or importer prefer Krishnapatnam over the established ports in the eastern region?

Krishnapatnam wins over other ports by its unique strengths. The port has a high discharge/ load rate averaging 20,000 to 25,000 MT per day, made possible by modern shore cranes and advanced equipment. The deep draft of

15 m enables Panamax and baby capesize vessels to call at the port with minimal or zero waiting time. Hence, there is no demurrage. End-to-end services provided at a single point ensure hassle-free transactions.

The port has a huge covered storage capacity of 35,000 sq mt that will eventually be increased to 70,000 sq mt and a vast backup area in its vicinity. Excellent road and rail connectivity linking NH5 and Chennai-Howrah rail line are a big plus.

Shipping lines' concern at the port is low turnaround time and high quality of service. What are the systems that are in place to maximise customer satisfaction?

As I mentioned, minimal waiting time and high discharge rates are leading to very low turnaround time at the port. As for customer services, there is continual interaction with all the stakeholders – vessel master, agents, shipper and importers –to provide real-time information. Any requests or grievances are attended to immediately.

What is the economic and social development that can happen around Krishnapatnam port and its impact on peoples' lives?

The port is going to change the face of Nellore town and its surrounding areas by bringing in a lot of economic prosperity through creation of one lakh jobs, either directly or indirectly. The port will attract new industries to set up shop in the nearby areas leading to further job creation and improvement in the overall standard of living.

The Long Wait

Freight rates have plummeted worldwide bringing down charter rates along with them. With no other option before them, shipowners are laying up their ships and preparing themselves for a long wait for the cargo to arrive. Does laying up of a ship too add to the costs? Let us find out.

by Jagadeesh Napa

Unlike other industries affected by the global recession, the shipping industry worldwide is gearing up to face a prolonged recession, which according to industry experts, is expected to stretch for another four years. Countless experts from across the world foresee a turnaround in 2010 and the world trade is hoping to shift gears for the better. With billions of dollars being pumped into the economies to help the industries survive and improve consumer confidence, the global markets are hoping to see brighter days once again. But, this may not hold true for the shipping industry. Given the current demand-supply equation, the supply side far outwits the demand. Even if the demand increases in due course, analysts feel that the supply in ship tonnage will be far more than the demand and will take three to four years to get back to the equilibrium.

The rise in world trade had spurred shipping activity in the last few years and with charter rates skyrocketing, shipowners worldwide placed orders for new tonnage speculating accelerated growth ahead. Shipyards in Asia are filled with orders and are getting ready with deliveries. Meanwhile, the chartering rates for a capesize vessel, which were in the range of \$ 150,000 to \$ 200,000



have fallen down to drastic levels of \$ 5000 to \$ 10,000. At these meagre levels, the rates are not even covering the operating costs, fuel, staff, insurance etc. Thus, more and more shipowners prefer to lay up their ships at the ports instead of operating for a loss.

A BBC estimate puts the lay-up figure at 70 ships in Hong Kong and several hundred ships in Singapore. As the

waters around Hong Kong are cyclone-infested and perilous in nature, the parked ships are to be continuously manned and engines kept running, just in case a situation arises. While this kind of lay-up is termed as hot lay-up, abandoning the ship with engines turned off is called as cold lay-up. Comparatively, hot lay-up has more hidden costs in terms of fuel, staff and maintenance

of the ship. Further, parking of more and more ships also presents the threat of colliding with each other in these unsafe waters. The situation is no different at the European ports too. For instance, in Greece, hundreds of bulkers and tankers float idly outside the port of Pireaus waiting for cargo and to the local industry this scene is evoking the painful memories of 1980s when the markets dried up and hundreds of ships had to be laid up from the port of Pireaus till the island of Salamina. Greece owns one fifth of the world's tonnage and its shipping industry contributes around 7 per cent of its GDP.

On the other hand, marine insurers have become cautious about the risk of collision among the laid-up ships. Insurers like UK's P&I Club have imposed stricter norms to keep the number of insurance

claims at bay. They have developed extensive checklists covering lay-up site, mooring arrangements, security, safety, protection and environment, preservation and maintenance, preparation procedures and approval of inspection arrangements. The insurer also hiked its premium in view of this and its members have renewed their expiring cover at 11.5 per cent higher premiums compared to 2008 figures.

Thus, with the demand for cargo at its lowest levels and big glut in ship tonnage, it seems the light at the end



of the tunnel looks far for the shipping industry. Having parked their ships at various ports and waiting for cargo and trying to minimise the costs to as low as possible, shipowners are gearing up for a prolonged recession. **MG**



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King on the Takeoff



Bertling is a privately-owned company recognised for delivering multi-modal transportation solutions across the globe. In 1865, Friedrich H Bertling established his own company providing transport links throughout Scandinavia and the Baltic region, enabling access to the industrial centres of continental Europe. His vision of a complete logistics chain – combining shipowning, chartering and freight forwarding, as well as port and warehouse management and operations – reflects what Bertling is today. “The level of commitment by every single person within Bertling India is not only an example for many; but a sheer collective strength which propels the organisation as a whole,” says **Shankar Chatterjee**, managing director, India & South Asia, Bertling Logistics in an interview with **Radhika Rani G.**

How has the performance of Bertling Logistics been ever since setting shop in India?

For Bertling Logistics, India and South Asia operations is only a manifestation of their bullishness and recognition towards the sheer business potential in this region. Having commenced operations since mid-June 2007, Bertling Logistics is less than two years old in its India operations. However, it has been received extremely well by the customers in this market primarily because it comprises a team alongside the backdrop of a global organisation, which has credibility, expertise as well as an individual stature. The very fact that Bertling made its investment to not only set up its regional headquarters for South Asia in Mumbai, but also to expand to other branches in New Delhi, Chennai, Kolkata, Ahmedabad, alongside associate offices in Bangalore and Kandla, bears testimony to the company’s growth engines and its strong commitment to India.

What is the USP of Bertling and how do you leverage on it?

Bertling’s most important USP is that it is a very focussed project forwarder and is the only functional company in the world which is both a ‘project forwarder’ as well as a ‘shipowner’. Unlike most other international forwarders, Bertling remains focussed on its core competence and continues to add value to its project forwarding expertise and shipping services. In short, it does best, what it knows best.

The expertise of the Bertling’s team singularly and collectively, are behind this ‘success’. Bertling Logistics also focusses a lot on serving its customers with very personal and undivided attention and performs every job with quality service, while raising the levels of efficiency each time every time. Finally, the greatest derivative of strength for Bertling India is its strong bondage with Indian associates, partners and support

staff, without whose assistance, any team is always incomplete.

Your financial performance and the value of investment.

Being a closely held organisation, we would like to reserve financial information for strategic reasons. However, it may be worth mentioning that in spite of reasonably large investments in the last 21 months, we have as an organisation already achieved our target breakeven on a yearly basis, which in itself demonstrates our success and in turn can only solidify our business base in this country. Our partnership within the regional markets can only add further capabilities to the strength of our business model.

How do you foresee Bertling's growth and expansion five years from now?

In the next 5 to 10 years, the Indian market for project forwarding and shipping will be on the rise and can only perform better. There are many elements of business and several indicators within the economy which substantiate this bullishness and optimism. Of course, one has to remain focussed and at the same time cost-conscious.

The year 2009 is a very unique year for business when most companies are likely to oscillate between hope and despair. However, for South Asia, the silver lining is to see that economies like India, are still growing at almost a 7-per cent growth rate in terms of GDP, when the whole world economy is on its lowest ebb in terms of growth ever since the World War II. Most interesting of all is the sheer resilience of the Indian economy against the odds of recession. A number of India / South Asia's growth engines are fairly insulated from the world economic hazards. Our dependence on capital goods infrastructure business of projects makes us a formidable player even today; despite the world economy reaching its points of debacle. For Bertling Logistics therefore, we see not only a ray of hope in this market, but a huge element of confidence supported with business optimism in the year 2009 and even beyond.

- Year 2007 was for us the year of our establishment in this region;
- Year 2008 was the year of structure and control;
- Year 2009 will effectively be Bertling India & South Asia Region's take-off phase.

In what way is recession affecting integrated logistics firms and what are the key strategies of Bertling for the coming months?

The greatest challenge faced by the industry in general is its perception about the economic downturn, resulting in overcautious business transactions and at

“Our dependence on capital goods infrastructure business of projects makes us a formidable player even today; despite the world economy reaching its points of debacle.”

times suspension of growth. While there is no denial to the fact that the world economy is hit by a global recession and its consequences, the silver lining is that India as an economy and market is showing good signs of growth. It is time for the trade in general and the logistics industry in particular to therefore ride on this economic resilience and show its character, instead of succumbing to certain over-perceived economic recession. It is also unfortunate to see how certain customers of our industry are also using the economic recession as a pretext, if not an alibi, to delay payments to vendors resulting in a forced creation of cash-flow problem. This aspect needs to be arrested, while the business community at large must understand and appreciate that supply chain and logistics efficiency, if nurtured, promoted and protected can bring in immense advantages to the business of any project or organisation.

Since you are into multimodal transportation solutions, how do you see such a concept and also multimodal logistics parks evolving in India?

Multimodal logistics park is still in its phase of infancy and evolution and we require some more time before the concept evolves and actually graduates into making logistics and project forwarding business available to its customers like a shopping mall. There are several structural, commercial, legal and most importantly functional aspects of it that needs to be ironed out.

Your strengths.

Our greatest strength is a derivative of our people and their commitment within the team. For them, it is like a 'mission' and not a job. The team is extremely well-balanced with youthfulness and age on one side and commercial acumen and technical expertise on the other. Our customer contacts and relationships have always been our strength and will continue to be so.

Finally the whole team – as a unified business unit – simply has one 'mission' and that is to succeed and succeed very soon. This impetus continues to propel our business momentum. 

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How has the growth of APL in India been so far?

A: Since the early 1970s, APL has built a strong presence on the Indian subcontinent and is a leading carrier today in India. APL was the first shipping line to land a marine container on Indian soil in 1973 and has been operating in the country ever since. We also began offering value-added logistics services in 1992. So we have tried-and-tested processes and the right blend of people with local and international experience running our countrywide network of 30 offices.

APL's network of services call at 12 ports in India. APL also serves 36 inland clearance depots via a comprehensive intermodal network into India's hinterland.

What has helped APL stand ahead of competition in providing comprehensive services?

A: As an international player, APL offers customers a range of supply chain benefits including a global network, industry vertical expertise, knowledge of best



Simon Trobe, managing director of APL India.

practice, IT tools and a proven track record of innovation. We believe that by investing in the nation's infrastructure we can add value for all our stakeholders and create synergies across all our lines of business.

How has the IndiaLinx service been benefiting North India's hinterland?

A: Since the launch of IndiaLinx in June 2007, the

service has grown steadily every month and has achieved utilisation levels of 95 per cent on a sustained basis. IndiaLinx offers customers certainty of delivery and supply chain control with a single point of contact for coordination of the inland and ocean portions of their transportation in India. The service provides reliable rail connections with container ships, significantly shortens inland transit times and offers first and last mile connectivity via trucking services to and from inland container depots. Dedicated reefer trains commenced in 2008 and the IndiaLinx service has also been extended to Mundra and Faridabad. We have also been successful in offering dedicated customer trains.

Who are your prospective clients and what are your customer-friendly approaches?

A: Our key industry sectors include retail, high-tech and electronics, automotive and FMCG. Most customers are exporting to the US, China, Japan, Southeast Asia and the Middle East. The major countries from which India's imports are sourced are China, the US, Malaysia, Thailand, Japan, the UK and Germany. Our focus is on consolidating and enhancing our presence in the key verticals and trade lanes.

India has a growing educated middle class that already numbers around 300 million – as large as the entire US population. These consumers are driving considerable retail sales growth in India. This phenomenon has caught the attention of the global business community. Accordingly, India's logistics industry has the potential for strong growth.

In the long-term, we can expect high growth rates for both outsourced and contract logistics in the country. There are great opportunities to participate in infrastructural logistics projects such as rail. Following the successful launch of the IndiaLinx container rail freight service in 2007, we are also developing a network of distribution centres to cater to growing domestic as well as international demand.

Our customer service approach is characterised by a comprehensive suite of supply chain solutions that are tailored to meet each customer's specific business need. Creating positive customer interactions and customer experiences is the key to differentiating one carrier's services from others in today's highly competitive environment.

Some of the initiatives APL India has undertaken include:

- APL was the first carrier in India to develop a first of its kind Interactive Voice Response System in early 2007. Today with the advanced IVR enhancements we have made, around 10 per cent of all calls are being directed to this IVR.



Anil Radhakrishnan, director - commercial & customer support (second right) and Capt R P Shroff, director - network & operations (right) of APL receive the Best Shipping Line India 2008 award from the Supply Chain and Logistics Conclave of Mumbai 2008.

- An innovative solution in the form of a Token Management System developed to optimise customer queues but to also allow APL to measure the speed of our responses.
- APL India launched an E-BL product in 2008 which has been well received by customers.

How is the ongoing recession affecting the maritime community and how is APL facing challenges?

A: The ongoing recession is having a profound impact on international trade and the maritime community. The shipping industry was among the first to experience the effects of reduced consumer spending and the extent of the recent decline is well beyond the cyclic variations typical of our industry.

In late 2008, APL announced capacity reductions of 25 per cent in our Asia-Europe trade, 20 per cent in Transpacific and 16 per cent in Intra-Asia trade. During the fourth quarter of 2008, we reconfigured networks, rationalised services, began to lay up vessels, off-hired charter vessels, reduced our container fleet and shaped our asset base. But despite making business adjustments from the second half of 2008 onwards, service excellence has remained APL's first priority.

How do you foresee APL's growth in the next two years? Could you talk about your expansion plans?

A: India is a key market for the NOL Group. Further investment in land-side rail depots is planned for 2009 to enhance the IndiaLinx™ service offering.

We are also exploring options for investing in terminals, CFS and opportunities in contract logistics.

In container shipping we are aiming to keep our market leadership position in the Transpacific and Intra-Asia trades while also focussing on other liner trades. **ME**



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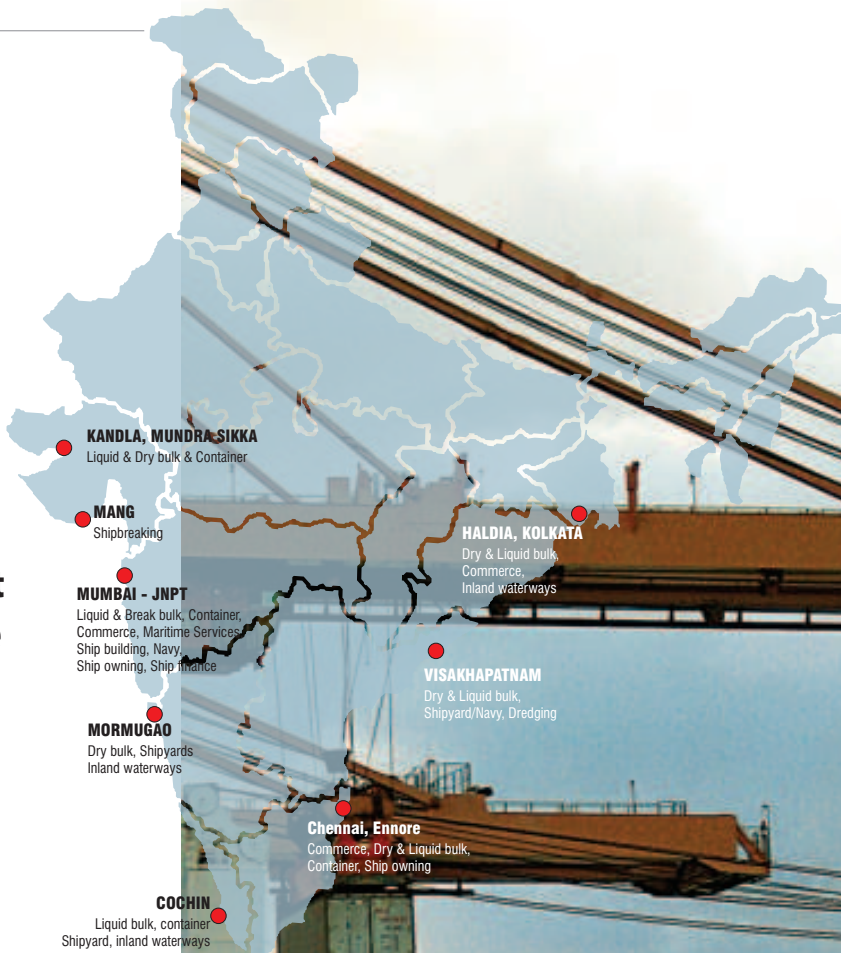
Indian maritime sector has all the components to be competitive in the global scenario. As ports, shipping and logistics interlink with each other to get connected to the global maritime trade, they indeed underpin the growth of the emerging economy called

by Radhika Rani G

Emerging India

The financial bubble that burst and the ripple effect that set off are ushering in a new financial order that moots global currency as the panacea for ills ailing economy. The roadmap for global recovery as conceived by the G20 nations proposes to inject \$ 1 trillion into the depressed economic system. However, India with foreign exchange reserves of \$ 250 billion is optimistic about its way forward despite the looming slowdown.

Prime Minister Manmohan Singh is clear when he visualises the country



being comfortable without any stimulus package from the IMF. “The decision to inject money in emerging market economies will reverse the decline of capital flows from international financial institutions and help the world overcome the crisis by next year,” he hopes.

Hailed as the modern economy aspiring for an average annual growth rate of at least 7 per cent in these troubled times, the nation is keen to modernise its infrastructure – rural, transport and communication – for balanced and inclusive socio-economic development. As per World Bank estimates, India needs to invest an additional 3 to 4 per cent of the GDP on infrastructure to sustain its current levels of growth and to spread the benefits more widely. Accordingly, the nation endowed with a strong local economic architecture, is treading carefully to reach its target.

India’s liberalised trade norms since the early 1990s have been encouraging private investments, more so in maritime transport that contributes immensely to the overall economic development. The government has also formulated the National Maritime Development Programme as part of its resolve to drive capital mobility in port projects to improve the service quality and competitiveness. Interestingly, several vibrant littoral nations in Asia such as Singapore, China, Malaysia, Vietnam and South Korea have succeeded in generating employment and income through maritime-propelled world trade. They have also been making great inroads in port, shipping and logistics services and ancillary businesses such as shipbuilding, ship recycling, ship registration, supply of seafarers and ship repairing.

According to Efthimios E Mitropoulos, Secretary-General of International Maritime Organization, sustained investment in maritime industries is imperative for growth in the subcontinent. If India has to grow its external trade, he says,

“there needs to be exponential growth in the country’s shipping fleet and that major improvements need to be made in the overall transport infrastructure, not least in the ports sector.” Rightly so, private participation is being encouraged in shipping, national highways and also inland water transport.

As India goes global by utilising globalisation as a positive driver of its maritime projects, it surges forward as the second fastest growing economy in Asia, after China. With trade barriers breaking up between nations paving the way for liquidity flow, cost-effective and competitive enterprises and global port operators are coming forward to forge joint ventures and partnerships with the Indian industry to develop and run port terminals, shipping lines, logistics operations and offer other maritime services.

Port scenario

The 12 major ports and 185 minor ports dotting the coastline line of 7,517 km have handled 717.2 million tonnes of cargo in the year 2007-08 with a fleet strength of nearly 820 vessels. In 2008-09, the major ports registered a 2.13 per cent growth over the previous year cashing in on the surge of trade in petroleum products, thermal and cooking oil, finished fertiliser and

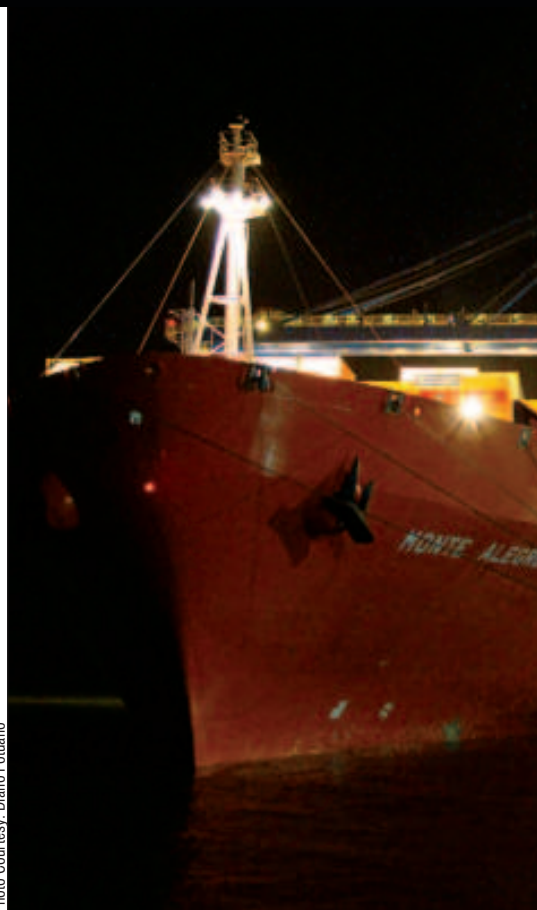
Indian ports emerge as sophisticated units and Gujarat stands out for multiple-port business model – an outcome of proactive policy that promotes private participation in port operations.

iron ore. According to the data released by Indian Ports Association, the major ports alone handled 539.35 MT of traffic this year as against 519.31 MT last year. By 2020, the Indian maritime sector as a whole hopes to handle 1.7 billion tonnes.

The NMDP, having identified specific port projects that can further propel trade, plans to give shape to the schemes by 2011-12 at an estimated cost of Rs 558 billion. While 58 per cent of the investment is being used to develop and modernise berths, nearly 72 per cent of the investment is being requisitioned from the private sector. Already, foreign players like P&O, Dubai Ports Authority and PSA have set up operations in Indian ports, while Maersk and Mitsui have entered the shipping sector.

Arguing the case for more private participation as Indian ports try to face capacity constraints in the future, Prakash Iyer, head of PPP practice at Crisil Risk and Infrastructure Solutions Ltd., says

Photo Courtesy: Diario Potuano





Indian seafarers in demand

Indian seafarers are the preferred lot by shipping lines around the world. As per estimates, foreign firms absorb nearly 3,500 cadets, who complete their courses in the various maritime academies in India annually. India has a total of 2.5 lakh mariners and most of the trained seafarers are employed by reputed companies. According to Efthimios E Mitropoulos, Secretary-General of IMO, Indian seafarers are renowned all over the world for their skills, their knowledge, their integrity and their reliability – in short, their quality. “They are in great demand right across the shipping industry and can be found, in their thousands, in positions of great responsibility throughout the world’s fleet,” he said during the India Maritime Summit in Mumbai.

Recent reports point to the shortage of 34,000 officers for the year 2008 and an estimated 83,900 by 2012. In view of the growing demand, the IMO is keen to popularise the Go-To-See campaign. In India, the Indian Maritime University, the first central university recently set up by the Department of Shipping, is keen to improve the quality of marine training further and help Indian seafarers compete globally. “The world class university will promote maritime studies, research and extension work with focus on emerging areas of studies, including marine science and technology, marine environment, socio-economic, legal and other related fields,” says vice-chancellor Dr P Vijayan. Good news for youth fascinated by the sea.



that there is a need for investors to recognise opportunities. He suggests that investors could basically look at capacity expansion projects, modernisation of equipment for operational efficiency and investment in port connectivity projects.

Endorsing these views, Commodore M K Banger, consultant-marine to the Government of Maharashtra, too moots privatisation of more and more terminals to improve port efficiency. “Also, there is a need,” he says, “to develop LNG and liquid handling terminals, captive ports for handling coal, dedicated berths for coastal trade and increased rail connectivity.”

On the other hand, corporatisation of ports is also being mooted to lend flexibility in port operations and make the ports more market-savvy. Experts opine that entry of big business houses into ports and shipping can help the sectors grow by way of access to latest technology and investment. The concept of greenfield ports too is a case in point.

Shipping scene

The Indian shipping fleet has a great potential for growth to carry out exim trade though the present situation has mellowed owing to the slowdown. The fleet in offshore activities too is likely to increase as government gives fillip to offshore deepwater drilling and port expansion. All this bodes well for shipping companies aiming to make it big. The Shipping Corporation of India, the premier government-owned company, has already placed order for 39 ships as part of its \$ 4 billion plan to purchase 79 vessels in the Eleventh Five-Year Plan. The International Convention for the Prevention of Pollution from Ships (MARPOL regulations) too calls for phasing out of 30 single-hull tankers by 2010. As ship prices have fallen almost 50 per cent in the dry bulk segment, thanks to the financial crisis, Indian shipping companies see this as a blessing in disguise. The Indian National Shipowners’ Association (INSA), the voice of Indian shipowners has asked the

government to offer Rs 10,000 crore in soft loans for acquiring new vessels thereby increasing their capacity and getting a good share of the domestic cargo.

The expansion drive is also propelling shippers to consider investing in captive terminals to lower freight costs and manage direct control on the supply chain. Maritime consultants also see the possibility of shipping companies taking up terminal handling to expand their service domain and further strengthen their bond with shippers. For instance, SCI is willing to develop the fourth terminal in JNPT while the Container Corporation of India (CONCOR) is open to the idea of terminal business.

Integrated logistics

As globalisation gives scope for manufacturing and distribution on a global scale, logistics and supply chain management sectors have been getting a lot of attention. They have been helping companies achieve economies of scale in terms of cost,

quality, delivery and even flexibility and so the sector has been recording a growth rate of 20 per cent as against the world logistics average of 10. While corporate companies, inspired by the potential of the sector, have started in-house logistics divisions, more and more wealthy entrepreneurs are entering the asset-less segment. Also, shipping companies are acknowledging the importance of logistics outsourcing to reduce their costs, improve delivery performance and eventually customer satisfaction.

The government too is doing its bit for infrastructure development by introducing the golden quadrilateral project, free trade and warehousing zones (FTWZ) and special economic zones (SEZ) by way of either 100 per cent foreign direct investment or public-private partnership. Vast tracts of land in the vicinity of ports are offering the advantage in the form of SEZs for manufacturing companies. Since rail-road connectivity is a major issue, experts suggest port trusts to improve rail infrastructure for better accessibility to and from the hinterland. Also, the developments in information and communication technology can offer customised logistics solutions and intermodal transportation services.

Singapore trade links

The agreement of mutual cooperation signed by India and Singapore has set the momentum going for investment and trade in the Asian nations. It is seen as a milestone in bridging trade gaps, if any, between the two growing economies. India's tryst with Singapore through an integrated package – Comprehensive Economic

Investments envisaged in Indian ports sector under the NMDP by 2011-12

Project Head	No. of Projects	Budgetary Support	Internal Resources	Private Investment	Others	Total	Total (US\$ billion)
Deepening of channels/berths	25	2,731	3,340	185	48	6,304	1.54
Construction/reconstruction of berths	76	563	3,867	28,083	50	32,564	7.94
Procurement of Equipments	52	0	1,428	1,075	130	2,633	0.64
Rail and Road connectivity works	45	90	2,232	0	3,634	5,956	1.45
Others	78	225	2,904	5,162	56	8,347	2.04
Total	276	3,609	13,772	34,505	3,918	55,804	13.61

Operation Agreement (CECA) – is deemed to be the first bilateral agreement in services with any country.

It comprises a free trade agreement, a bilateral agreement on investment promotion and protection, an improved double taxation avoidance agreement and a work programme for cooperation in healthcare, education, media, tourism, customs, e-commerce, intellectual property and science and technology.

Also, the signing of the long-pending free trade pact between India and the Association of Southeast Asian Nations has created a new trade area of 1.5 billion people. The 11 nations taking part in the deal are likely to record a combined gross domestic product of \$ 2.3 trillion. The ASEAN leaders hope to advance their business interests through the pact and are optimistic of investment flows between the two entities. Terming it as the 'just-in-time' engagement, they predict economies

going stronger by the day as they are bound by common economic structures and marked by principles of mutual respect of sensitivities.

The leaders also foresee trade taking a 'quantum jump' from the prevailing over \$ 30 billion to over \$ 50 billion by the end of 2010. After concluding the deal with Singapore's industry minister Lin Hng Kiang, Indian commerce and industry minister Kamal Nath hailed the pact as "an important milestone for our region."

The two countries recently deliberated on issues regarding cooperation in various sectors, including security and patrolling of the Malacca Straits, one of the important shipping lanes in the world. They updated each other on developments taking place in various sectors and expressed satisfaction at the strengthening ties. Singapore and India are also eager to work towards a comprehensive relationship in trade, investments and defence cooperation.

As Singapore serves as an easy-to-access cluster – the potential gateway to Asia – India too can draw lessons by mapping a pathway to achieve global competitiveness in turn enhancing the competitiveness of its ports – the maritime clusters in their own way. Thereby, the two countries can indeed sail towards a synergy of sorts. 

The emerging role of IT in optimising supply chain management systems is being acknowledged and business players are keen to improve their existing business process models.

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KONECRANES
Lifting Businesses

The spectacular rise of Singapore, a mere swampy tropical island only a few decades ago with no natural resources to speak of, as a maritime nation must surely be one of modern era's most endearing success stories. Since going separate ways from Malaysia in 1965, Singapore, which derives its name from the word *singa* or lion in Malay, has grown spectacularly into a developed nation with a highly developed market-based economy. Today, the republic has emerged as a shining beacon of a developing nation in this region, despite its lack of natural resources. Although domestic demand is relatively low, Singapore's economy more than compensates this drawback with heavy dependence on exports produced from refining imported goods in a form of extended entrepot trade, especially in manufacturing and electronics.

Singapore can claim the status of the region's financial and high-tech hub, but its biggest acclaim is as Asia's main transshipment hub and a maritime centre of tremendous importance. The superb location and infrastructure of its port, one of the world's busiest, entrench its status as a megahub port. Year after year, Singapore Port achieves record breaking feats in shipping tonnage, container throughput, bunker sales and ship registration. Its efficiencies and superb infratructures make the tiny city-state a choice port of call for owners and operators of all types of ships.

The island nation has developed into a premier International Maritime Center (IMC) and a shipping hub where essential ancillary services in shipping, commerce and logistics flourish. It boasts of comprehensive range of maritime services catering to the diverse needs of shipowners, operators and other players in the shipping supply chain. These ancillary services thrive under Singapore's stable and pro-business government, efficient and highly skilled manpower, excellent transport



In unravelling Singapore's success as a Maritime Mecca, a compendium of complex factors involving geo-strategic, historical, trade, economic, political, regulatory, financial and technical elements must be analysed and appreciated. Nazery Khalid provides an insight into Singapore's stunning growth and the reasons beyond 'what it does right' to be an international maritime hub.

The Lion Roars

infrastructure, high-tech global telecommunications links, and its status as a premier business and financial centre.

The impressive statistics say it all about Singapore's maritime accomplishments. On a typical day, around 500 vessels sail in and out of Singapore port, making it among the world's busiest ports. It is also one of the world's biggest transshipment hubs and the world's biggest bunkering port. For container traffic, Singapore Port's terminals handled 29 million TEU or 6 per cent of global container throughput in 2008, up from 28 million TEU in 2007, wresting the position as the world's busiest container port from Hong Kong. This success was due to growth in global trade and Singapore's own efforts to expand its global port business and improve its port and maritime services to remain competitive.

In an UNCTAD report, the Singapore merchant fleet is ranked ninth among the world's principal merchant fleets as of 1 January 2008, with a total of 869 vessels. The maritime industry contributes about 6 per cent to the GDP and provides jobs for some 120,000 workers. Plans are afoot to double the capacity of throughput handled at Singapore Port by 2018.

Having occupied such a lofty position as a maritime mega hub, Singapore has not rested on its laurels but has continued to introduce new initiatives to attract more main line operators to its port and generate more maritime-related activities. A look at the strategies adapted by the Singaporean maritime planners and the incentives provided could give a glimpse into what makes the port so successful, and perhaps a lesson or two for other aspiring nations to emulate to enhance the attraction of their own ports.

The role of government agencies

Singapore's commanding position as a maritime hub owes in large part to

“Combining political will with business acumen, Singapore undertook the task of synthesising the promotional, regulatory and developmental functions to meet the objectives of the International Maritime Center.”

the relentless support of its government to the maritime sector through various agencies. They are renowned for being proactive, efficient and customer-friendly in servicing and supporting the maritime industry. Singapore's maritime success can be analysed by looking at the roles of these agencies and principal players instrumental in supporting the sector:

1) Ministry of Transport

The Ministry of Transport (MOT) oversees the development and regulation of the maritime and ports sector. Its main focus is to bring about efficient and cost-effective transportation to enhance its economic competitiveness and quality of life. It strives to make Singapore an international civil aviation and maritime centre for the region.

2) Maritime Port Authority of Singapore

The MPA is one of the four statutory boards established to oversee all port and maritime affairs. Formed in 1996 as a statutory board, MPA undertakes the task of promoting, regulating and developing IMC and actively markets Singapore Port to attract shipowners and ancillary services operators to use it as their regional base

3) PSA Corporation Ltd.

PSA Corporation Ltd, the global leader in port and terminal operations and management, is

renowned for best-in-class services and successful partnerships.

4) Singapore Shipping Association

An amalgamation of six separate bodies, Singapore Shipping Association (SSA) actively engages in representing the interest of its members in various shipping and maritime issues.

5) Association of Singapore Marine Industries

The ASMI is a non-profit trade association formed in 1968 to promote the interests of the marine industry in Singapore through the development of productivity schemes, skills upgrading programmes, safety, health and environmental standards.

Incentives provided for maritime services providers

The fact that Singapore is taking the challenge of becoming an International Maritime Centre is evidenced by a multitude of incentives that the authorities have given. Despite suffering a setback when Maersk Sealand and Evergreen shifted their regional transshipment hubs to Port of Tanjung Pelepas in 2001 and 2002 respectively, Singapore Port has bounced back to attract other mainline operators and become the busiest container port in the world. Besides the slew of incentives already in place, new ones are frequently offered to strengthen Singapore as a maritime centre par excellence.

The incentives are grouped according to these categories:

- **Strategic planning:** Promotion of Singapore as an International Maritime Centre, formulation of Port Improvement Plan of Singapore and establishment of Singapore Maritime Foundation.
- **Port infrastructure development:** World-class facilities, equipment and manpower, high level of port vigilance and safety, fast and accurate dissemination of value-added information and services to port users.
- **Financial incentives:** Seed financing to upstart companies, simple and transparent tariff structure, promotion of insurance, shipbroking and ship management, favorable tax regime with Approved International Shipping Enterprise (AIS) Scheme and the Approved Shipping Logistics Enterprise (ASL) Scheme.
- **Research and development:** Establishment of the Centre for Maritime Studies to help industry cope with growing competition, Maritime Innovation and Technology Fund to strengthen technology clusters, Maritime Research Centre (MRC) at Nanyang Technological University to serve as a one-stop centre for R&D in port and maritime technology.
- **Human resource development:** Training facilities to produce highly skilled workforce that is ahead of regional rivals, no restrictions on crew nationality, the role of Singapore Port Workers Union and the Port Officers' Union in cross-functional utilisation of human resources to meet changing needs.
- **Ancillary services support:** Singapore Chamber of Maritime Arbitration known for dispute settlement, ship broking firms such as Clarksons, Simpson Spence and Young and R S Platou

with excellent infrastructure, shipping registry offering quality administration and attractive commercial terms to shipowners, bunkering facilities, shipbuilding and repairing industry and more than 300 ship management and agency business units.

- **Logistics support:** Strategic location with world-class maritime, air and road distribution infrastructure, provision of 'total

logistics' services by the government and use of advanced supply chain management practices.

- **Other supporting features:** Bilateral shipping agreements, free trade agreements, recognition of foreign certificates of competency, choices of classification societies, liner immunity, freight clearing and leveraging the use of IT.

Singapore's vibrant ship financing scene, pro-business environment and favorable tax regime foster the growth of the sector. Many international marine underwriters and P&I correspondents have established presence in Singapore to tap into the ever-growing market of ship and cargo owners.



Lessons for aspiring maritime nations

Singapore has realised quite early the dynamism of a globalised world and knew the significance of being economically competitive. In doing so, it has long identified its maritime sector to be a pillar of its economic survival, and has pulled all the stops to provide a plethora of incentives to attract shipowners and operators and maritime service providers to its port.

It is often said that Singapore is an outstanding example of a competitive port that stands heads and shoulders over its rival ports. But what makes Singapore Port so competitive? Why do other regional ports, which are comparatively as efficient and as well-equipped as Singapore in certain aspects, lag behind in overall competitiveness? There are indeed elements such as port charges, connectivity, location, efficiency and facilities, among many others, that can be used as yardsticks

to gauge the competitiveness of ports. Singapore's attraction as a maritime hub goes beyond the confines of ports and those elements, although even neutral observers can vouch for the unparalleled efficiency of the port and maritime infrastructure of the republic. Singapore seems to appreciate the need for branding and accentuating its strengths in a manner that is almost unrivalled by many of the world's nations.

Those who have dealt with Singaporean government agencies will attest the responsiveness, enthusiasm, dynamism and professionalism of their officials. In addition, it boasts a highly-trained, skilled and literate workforce. The government is pro-business: not only does it invite maritime players to set up shop in Singapore, but also goes out of its way to make them stay and help them flourish in whatever way possible. The top leadership takes a serious interest in maritime-related matters – lays out meticulous, well thought-out long-term strategies to solidify and enhance Singapore's already significant reputation as a maritime Mecca further and to stave off competition from rival ports. And like a chess Grandmaster, it always analyses the current situation and dynamics, and plots its next move many steps ahead.

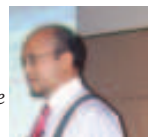
Perhaps enjoying the nimbleness of a city-state, problem-solving and decision-making in Singapore are made fast, and planning and control are exerted effectively. In creating a pro-enterprise environment, the Government has established fuss-free rule on all licenses, outsource licensing and other government functions. It allows businesses to retain intellectual property from government projects, and enacts generic competition law. It is always acutely aware of the competition it faces from rival regional ports and seeks to improve on what it can offer to attract shipping lines and

maritime players. All these, among many other 'sweeteners', contribute to make Singapore a place of choice for maritime players and the choice port of call for shipowners and operators.

In a study conducted by the International Monetary Fund (IMF) titled '*Singapore: Selected Issues*' in 2005, it was found that Singapore had moved up the quality ladder and widened the quality gap with its major trading partners. The results suggested that the Republic produces higher quality manufacturing goods, on average, compared to its low-wage competitors, and this gap has increased over time. Against developing countries which are its low-wage competitors, this average quality gap has increased markedly, an achievement attributed by IMF to its quality upgrading efforts in response to competition from low-wage countries. Singapore's export growth in certain products had been unaffected by the export growth of those countries, and it appeared to be shifting out some products that they were engaged in and moving into new ones, particularly in the electronics and chemical sectors.

This points to an admirable degree of responsiveness to challenges and an impressive capacity of Singapore to take swift policy actions to protect the nation's growth prospects and long-term interests. The same approach can be seen in its successful handling of its maritime affairs. The current global economic recession has affected the economies of Singapore and its trading partners, and may also affect the business of its port. But one can expect the same kind of diligence, persistence, thoughtful planning, responsiveness and innovation that has made Singapore an international maritime hub to steer the island Republic through these challenging times. 

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



Celebrating Synergy

Singapore, the gateway to Maritime Asia and home to over 5,000 shipping companies, ancillary service providers, commerce and logistics units, beckons the world to its maritime mélange. A **Maritime Gateway** update.

As curtains rise for the fourth edition of Singapore Maritime Week (SMW) on April 18, the international maritime community gets ready for a week-long animated dialogue and display. "It is all about people, ideas and opportunities," says the Maritime and Port Authority of Singapore.

The congenial blend of the three elements has made the maritime industry in this small but strategic land a vibrant enterprise, ensuring a seven-per cent growth of its Gross Domestic Product and employment for more than 100,000 workers.

MPA, the main driver of the event, is confident that the dynamism and the range of issues that it brings to the podium are a major draw for maritime decision-makers and business networking platforms. "We are in fact looking forward to the fraternity call," says a shipping agent.

Started in 2006 as an annual event, the Maritime Week has been witnessing a steady growth of participants year after year. Other events planned on the sidelines include the third Singapore Maritime Lecture and the International Chemical and Oil Pollution Conference (ICOPCE) 2009. The event that culminates in Singapore International Maritime Awards (IMA) Gala Dinner on April 24 testifies



Photo Courtesy: MPA



Singapore's strength as a major maritime hub in the backdrop of its cosmopolitan culture, says MPA.

Sea Asia, to be a part of Singapore Maritime Event for the first time this year, will see high-profile speakers debate on issues concerning the industry. To be held from April 21 to 23, the esteemed event is likely to deliberate on the Asian voice in maritime activities such as shipping, chartering, finance, insurance,

technical trends, LNG transport, shipbuilding and procurement.

"Sea Asia smashed all targets and expectations in 2007!" organisers – Seatrade and Singapore Maritime Foundation proudly say. Upbeat about the imminent response this year, they say it is not without reason though. "The past event has seen more than 7,000 people from 42 countries participate, including 250 companies taking part in the

exhibition and 1,000 delegates attending the conference."

As the coming together of the community can facilitate and hasten transfer of knowledge and information, the organisers are keen to provide a viable platform for the collective benefit of the fraternity. "Business networking and keeping abreast of the latest market trends are topmost on the agenda of most participants, and Sea Asia and the Singapore Maritime Week promise to provide just that in different ways," the organisers say.

Growing in size and significance each year, the power-packed week marked with conferences, exhibitions and social events hopes to forge and strengthen ties among maritime players, both old and new. And novelty coming as a surprise package every year, the upcoming event too promises to arrive with a bag of surprises! **MG**

“Having won the ‘Convention of the Year’ title at the Singapore Business Events Awards last year, Singapore Maritime Week hopes to make it bigger, better and more relevant this time. The encouraging response testifies the resilience of the maritime community, the organisers say.”



Photos Courtesy: Rickmers Maritime

Being Judicious Pays

Rickmers Trust Management Pte Ltd., the trustee-manager of Rickmers Maritime in Singapore, is responsible for safeguarding the interests of unitholders, formulating and implementing investment and financing strategies, asset acquisition and disposal policies, and carrying out the overall daily management of Rickmers' business. In the wake of the global slowdown, ship managers could find it a tough ride in the short term, "but with the right scale and organisation in place the future is likely to bring great opportunities," says **Thomas Preben Hansen**, CEO, Rickmers Trust Management Pte. Ltd. in an interview with **Maritime Gateway**.



Could you please brief us about the growth of Rickmers Maritime since its inception?

Rickmers Maritime is a business trust formed to own and operate large container ships on long-term fixed-rate charters to leading container liner companies. We are still in the early stages as we got listed on the Main board of the Singapore Exchange on 4 May 2007. Rickmers Trust Management Pte. Ltd. is the Trustee-Manager of Rickmers Maritime and is responsible for managing the business of Rickmers Maritime.

In less than two years since our listing, we have successfully expanded our operating fleet from 5 at the point of initial public offering (IPO) to 15 vessels ranging in size from 3,450 to 5,060 TEU as at April this year. As a result of our fleet expansion, we have seen our revenues increase correspondingly from US\$ 37.6 million in 2007 to US\$ 102.1 million in 2008.

What are the strengths of the Trust?

Our business model of leasing out our vessels on long-term fixed-rate charters to leading container liner companies generate a steady and predictable revenue stream which is reassuring, especially during this downturn when there is a severe pressure on rates. Currently, the average remaining charter period of our contracted fleet is more than seven years.

In addition, we only focus on containerships of at least 3,450 TEU which naturally defines our customer base to the larger container liner companies as smaller companies would not have sufficient base loads for large vessels. In addition, container liner companies tend to take a strategic view on large container vessels on long-term hire and consider these vessels as part of their core fleet.

Our charterers are all leading container liner companies such as Maersk, CMA CGM, Italia Marittima (part of Evergreen Group), Mitusi OSK Lines and Hanjin Shipping. Having these established companies in our portfolio of charterers minimises our counterparty risks.

Last but not least, we benefit from having a strong sponsor in Rickmers Group which has been in the shipping industry for 175 years. The Rickmers name has good standing and instant recognition in the shipping circles and this is important for the acquisition and retention of quality liner companies in our portfolio of charterers.

Rickmers Maritime recently won an award for investor relations. What was it for?

As a shipping trust listed on the Singapore Exchange, Rickmers Maritime has certain obligations and disclosures that it needs to comply with. The recent award that we received from Asiamoney was for 'Best Investor Relations in Singapore' and it recognised our

“As the current downturn in shipping is severe, companies must carefully monitor their balance sheet and conserve cash flow. More liquidity is needed in the market.”

efforts to be as transparent and fair as possible in our communications with our unitholders and other potential investors and the efforts that we undertook to promote understanding of Rickmers Maritime's business so that investors can make an informed investment decision.

How does Rickmers Maritime build customer loyalty?

We are committed to providing our charterers with modern ships and high quality ship management services. We believe that, as with all businesses, the only



way to build customer loyalty is to be fair in all our dealings and to provide quality services which they can rely on. For example, in 2008, we had only 8.3 off hire days out of a total 4,003 vessel operating days. This represents a fleet utilisation rate of 99.8 per cent which is very high reliability.

In what way has the global slowdown affected vessel acquisitions?

In the current situation, there is a lack of visibility as to when the market will rebound, and compounding this is the lack of financing due to the credit crunch. As a result, we now have a vacuum in the S & P market, especially for the large containerships and a newbuilding market which has come to a complete standstill. We will for the time being focus on our existing portfolio until such time we find it favourable to re-enter the market. Rickmers Maritime's long-term strategy of being the preferred tonnage provider to the leading liner companies has not changed.

As the current downturn in shipping is a particularly severe one, companies must now carefully monitor their balance sheet and conserve cash flow. There has got to be more liquidity in the market before companies with strong balance sheets start taking advantage of the lower asset prices.

What is the outlook for ship financing in 2009?

From financing point of view, we are seeing currently deleveraging, high cost of financing and in the longer-term, we could also see fewer players in the ship finance sphere.

With the credit crunch and lower asset values, it is harder for companies to secure loans and even when credit facilities are already in place and some shipowners may not be able to obtain the desired level of funding.

What is the outlook for ship management industry in 2009?

One could be led to believe that ship managers are downscaling in line with the number of ships lying idle. The fact of the matter is that the demand for shipping continues to grow, albeit at a slower pace now, and with a record number of new ships on order, ship managers are scrambling to ramp up their organisations and train sufficient number of crew to cater for future demand. Ship managers are also facing tighter regulatory controls, which is raising the entry barriers significantly and will possibly lead to further consolidation. With increasing demands of both authorities and customers, ship managers are facing ever increasing levels of responsibilities and accountabilities.

What is the impact of piracy on your operations?

The root of the piracy problem is the political instability in East Africa, in particular Somalia and until the problems have been solved in the region, piracy in the Gulf of Aden will continue. To reduce the risk of piracy attack and avoid the additional war risk premium being charged when transiting the Gulf of Aden, an increasing number of ships have been diverted around the Cape of Good Hope. In the meantime the remaining vessels are relying on the protection of international forces policing the area. However, despite the international deployment of naval and other maritime security forces in the area, there is a limit to the area they can protect and piracy still remains a serious threat to shipping in the Gulf of Aden.

Insofar as our vessels are concerned, we are fortunate not to have encountered any pirate attacks. Our container ships are large and have a high free-board, and they travel at relatively high speeds which are deterrents to the pirates.

What are the lessons that the maritime industry can learn from the global recession?

Shipping is a cyclical business and while the industry has experienced downturns in the past, the current one





differs vastly from previous ones in terms of its severity and the cause. The current downturn was partly brought on by the financial crisis which caused a drop in global consumer demand as the main consuming economies of the US and Europe grapple with increasing job losses and diminishing wealth as a result of falling home and other asset values. This was further exacerbated by the credit crunch which put a clampdown on trade financing, thereby impacting further trade volumes which are already suffering from a drop in consumer demand. And all this coincides with an orderbook for new ships which is at an all-time high. The result, as we have seen, is a significant over-capacity of tonnage and a dramatic drop of freight rates to across all routes.

“The container shipping industry is facing pressure and the global recession has one lesson for us – never ignore the risk of multiple risks taking place at the same time.”

Simultaneously, the credit squeeze also resulted in the lack of financing for ships that were already on order.

All in all, the container shipping industry is facing pressure from various quarters and it will take some time for the credit situation to untangle and for the excess tonnage to be absorbed. The lesson we can all take away from all this is never to ignore the risk of multiple events taking place at the same time which can exponentially amplify negative impacts globally.

How do you foresee Singapore as a maritime hub in the next five years?

Singapore has done a tremendous job in attracting quality shipowners to locate here and it has put in place a good maritime framework. The republic boasts one of the busiest ports in the world, has a well-entrenched marine industry offering world-class ship repair services and has the whole complement of ancillary services to support shipping.

I trust that Singapore will come out of this downturn as one of the stronger maritime hubs and the Maritime and Port Authority (MPA) of Singapore should be complimented for their proactive approach in engaging the industry and for the measures and incentives that they have introduced to attract shipowners as well as other shipping related companies such as ship finance, legal, brokerage etc. to locate here. [MG](#)



Photos Courtesy: PSA Corporation Ltd.



Singapore's Pride

by **Sadhana**

This is a well-known name in the marine transportation world. This is the world's second largest port operator in terms of container throughput handled. And this is critical to the tiny country's trade-intensive economy. Yes, we are talking about PSA International, founded in 1972 and owned by Singapore's state-controlled Temasek Holdings.

Singapore, which is in a promising geographical location, has been a major financial and telecommunications centre with a well-developed infrastructure and a pro-business environment. It is home to one of the world's busiest ports and one of the largest foreign exchange trading centres.

On the international logistics map Singapore has propelled itself to dizzying heights. Today it is undoubtedly one of the world's busiest and most successful shipping hubs. Indeed, one can't deny the fact

that the corporate image of Singapore depends mainly on the busiest container ports.

Singapore's ambition to be an International Maritime Centre (IMC) is gaining momentum as more companies set up bases here to leverage on the efficient infrastructure to tap the sterling growth in the region.

PSA International, a global leader in the ports and terminals business, originally known as the Port of Singapore Authority, provides container terminal services across 25 ports in as many as 15 countries in the Asia Pacific region, including Singapore, Belgium, Brunei, China, India, Japan and South Korea.

The company's operations in Singapore account for about half of its overall container traffic. In the world's gateway hubs, PSA is "The World's Port of Call". The company's flagship operations are PSA Singapore Terminals, PSA HNN and PSA Marine.

PSA Singapore Terminals has been recognised as an industry benchmark for its port efficiency and professionalism and PSA Singapore has captured the title of the world's busiest ports in terms of shipping tonnage.

The company's award-winning innovations include Computer Integrated Terminal Operating System, Portnet, Flow-through Gate and Remote-controlled Overhead Bridge Cranes and a network of more than 300 advanced servers to achieve greater efficiency.

PSA's flagship terminal in Singapore, PSA Singapore Terminal, handles about one-fifth of the world's total container transshipment throughput and 6 per cent of global container throughput.

PSA Singapore Terminals operates four container terminals at Tanjong Pagar, Keppel, Brani and Pasir Panjang and they operate as one seamless and integrated facility.

As a leading container transshipment hub, PSA Singapore Terminals uses the state-of-the-art IT solutions to improve its operational efficiency, reduce vessel turnaround time and achieve better services.

Vessels berth daily to discharge transshipment containers meant for other vessels. Upon discharge, all these containers have to be assigned temporary yard locations while waiting for their connecting vessels to arrive. These assigned locations have to satisfy a stringent set of safety and operational conditions.

Moreover, it is also one of the world's largest refrigerated container (reefer) ports with over 5,000 reefer points, handling more than a million reefers in 2008.

PSA Singapore was voted the "Best Container Terminal Operator (Asia)" for the 19th time at the 2008 Asian Freight & Supply Chain Awards, and "Container Terminal Operator of the

“PSA Singapore was voted the “Best Container Terminal Operator (Asia)” for the 19th time at the 2008 Asian Freight & Supply Chain Awards, and "Container Terminal Operator of the Year" at the Lloyd's List Asia Awards, for the eighth time.”

Year" at the Lloyd's List Asia Awards, for the eighth time.

The company's main forte is optimisation technology which allows it to boost customer service goals with productivity, company's resources and capabilities.

People working in the company are represented by the Singapore Port Workers Union and the Port Officers' Union. Both Unions have a good

rapport with the PSA Management and play a critical role in skill enhancement.

PSA Singapore Terminals is continually improving its services for its business partners. Besides efficiently managing the complexities of its core container handling business, PSA Singapore Terminals extends value-added Container Services and Shippers Services and

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Photos Courtesy: PSA Corporation Ltd.

PSA port projects in India

- PSA ABG Kolkata Container Terminal is a gateway to eastern and northeastern India. It started vessel operations in November 2004 and has a designed capacity of 250,000 TEU.
- Chennai International Terminal, the second container terminal in Chennai Port, is positioned to tap the high growth Chennai region. Operational in 2009, the terminal can accommodate deep-draft and new generation container vessels.
- Hazira International Terminal in Surat will tap into the rich cargo hinterland of Gujarat, Maharashtra and Northwest India, once it becomes operational in 2010.
- Tuticorin Container Terminal, located along the busy Europe-Far East trade route, is supported by comprehensive logistics facilities. Vessels are berthed on arrival and turned around in less than 12 hours.
- PSA ABG Kandla Container Terminal serves the western and northern regions of India. Pressed into operation in March 2007, it has a designed capacity of 1 million TEU.

maintains maximum security readiness through its participation in various security initiatives.

PSA Singapore links shippers to 200 shipping lines with connections to 600 ports in 123 countries. Shippers have access to daily sailings to every major port in the world. The shipping fraternity has recognised PSA as a standard-bearer of excellence in port operations.

For the year ended December 31, 2008, PSA handled 63.2 million TEU of containers at its port projects around the world. This volume represented a growth of 7.3 per cent over 2007, with PSA Singapore Terminals contributing 29.0 million TEU (7 per cent growth) and PSA's terminals outside Singapore handling 34.2 million TEU (7.7 per cent growth).

Moreover, PSA, which handles the vast majority of Singapore's container cargo, reported a volume of 3.72 million TEU in the first two

months of 2009, down 19.7 per cent year-on-year.

Total cargo handled at the port in February, 2009 was 35.2 million tonnes, down 12.8 per cent compared to the same month a year ago. The decline in box figures comes

after Singapore's key non-oil exports slumped in January at a record 34.8 per cent from the corresponding period of the previous year as the global financial crisis hits demand for Asian goods.

Despite the global doom, PSA considers its people as its most valued asset. The people are being sustained in their hard times and are trained to enhance their business, technical and management skills to tide away the bad times. PSA definitely is looking beyond the gloom and doom, as the saying goes 'when the going gets tough, it's the tough that gets going.'

With recession showing its ugly face everywhere, maritime Singapore may be hit hard and may come to a standstill. What once was a parking lot for many ships crisscrossing each other, the scene looks completely different now. The still life on the waters is visible. The company says that the year ahead is likely to be tough. [M6](#)



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Singapore Shipping Association For the Cause of the Industry

The proactive approach taken by the Singapore government in the past has resulted in the country becoming a maritime hub in the Asian maritime scenario. Living up to the expectations of the government, the Singapore Shipping Association, which represents the shipping industry of the island nation, has been actively working to make the country one of the leading maritime powers.

by Jagadeesh Napa

Since its inception, SSA has been strongly supporting the government's objective to develop Singapore into a major maritime centre for major shipping lines in the world. To provide impetus to the maritime sector in south Asia, it is working to bring about healthy competition among the countries of the region. It works closely with the Government of Singapore to prevent those unhealthy business practices that pose a threat to the industry. Its support to the Competition Commission's Block Exemption Order 2006 (BEO) for liner shipping agreements is an evidence of SSA's commitment to maintain a healthy open market economy. SSA had recommended all its members to adhere to the BEO and file necessary shipping agreements in a timely manner.

Maintaining healthy competition

Not restricting itself to Singapore, SSA assumes active role in global maritime sector as well. Singapore is known for its container transshipment hub and container trade is one of the main businesses that drive the maritime trade in Singapore. The island country has fierce competition with its neighbour Hong Kong, which is also a major container transshipment hub. In a scenario where competition can bring in undue trade practices, SSA has attempted and succeeded many a time to work with the Government of Hong Kong to maintain healthy



Photo Courtesy: Ports Authority of Singapore



Photo Courtesy: Rickmers Maritime

competition between the two countries. SSA on its part had even proposed a few suggestions when the Government of Hong Kong was preparing a Competition Law. Measures related to barriers of entry, transparency, market efficiencies, market share and international legislation were suggested. It also urged the Hong Kong government to treat the international container transportation as a single market and leave the regulation of shipping business to the market forces of supply and demand with little or no intervention from governments. SSA believes that market forces are in the best position to produce an efficient and competitive market environment and contribute to the economical development of all trading partners involved.

Enhancing efficiency

It has been a constant endeavour of SSA to improve the efficiency of its

Singapore Shipping Association as on August 1, 2008, represented 342 members covering wide businesses of the maritime industries in Singapore. Of this, shipowners, shipping lines, shipping agents and ship managers form the ordinary members and total up to 215 companies. The remaining comprise of associate members like ship financiers, marine insurance brokers, P&I clubs, maritime law firms, classification societies and terminal operators.

members and their services. SSA feels that the best way to maximise efficiency is by putting the existing assets to the best possible use. Increasing service frequencies without additional tonnages and covering more number of ports are some of the ways to maximise efficiency, claims SSA.

Further, to improve productivity, SSA backed the formation of consortia in the liner shipping business. Time and

again, the association has made efforts to make consortia more effective in terms of rendering services to the trade. The association views consortia strictly as operational agreements aimed at improving efficiencies. It considers vessel sharing agreements, slot charter and swap agreements as some of the essential characteristics of a consortium and strives to make the consortia more inclusive than ever before.

Incentives and concessions

SSA boasts of putting in consistent efforts in close association with the Maritime and Port Authority (MPA) of Singapore to make the industry attractive to both the domestic and international stakeholders. As Singapore largely depends on the foreign trade, the Singapore government has announced a lot of incentives for the international trade to use Singapore as their preferred maritime platform. SSA's

involvement cannot be ignored in the incentives and concessions that the MPA had announced time and again. SSA has been successful in negotiating a 10 per cent concession in port dues to all ocean going vessels as recently as in February 2009. The association feels that such measures will further increase Singapore's competitiveness as a regional hub for maritime services. The president of SSA, S S Teo, in spite of economic downturn, exudes confidence that the association will continue to work closely with MPA to further explore ways to reduce costs and enhance the competitiveness of Singapore's maritime industry.

Piracy

The issue of piracy and safety at high seas is a matter of extreme concern, claims SSA. The association feels that Somalian piracy in the Gulf of Aden has already had a major impact on

the global shipping patterns and world trade. Shipowners are forced to divert their ships from the cost-efficient Suez Canal route and take the more expensive Cape of Good Hope route. The cost of excess fuel, increased payroll and higher insurance premiums are all the offshoots of piracy pinning down the industry at a time when it is fighting economic downturn. While commending the decision of Singapore government to send a naval ship and two helicopters to join the multinational efforts to suppress piracy, SSA strongly urges the international community to look for a long-term solution to the problem. It feels that the solution lies on the Somalian soil where internal stability and law & order have to be restored.

Maritime training

While fighting against the global downturn and slowdown, SSA is of

the opinion that unnecessary retrenchment should not take place as it may lead to serious consequences in the long run. To avoid such incidents and improve manpower efficiency in these difficult times, SSA joined hands with Singapore Industrial and Services Employees' Union (SISEU) and MPA to extend the benefits of SPUR to maritime industry. SPUR or Skills Programme for Upgrading and Resilience is an enhanced financial support scheme developed by the Singapore Workforce Development Agency (WDA) in consultation with tripartite partners – Ministry of Manpower (MOM), National Trades Union Congress (NTUC) and the Singapore National Employers Federation (SNEF). SPUR was launched in November 2008 and companies under this scheme are given incentives to upgrade the skills of their employees. **MC**

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The answer to what next for Singapore is simple, says Professor Torger Reeve, Professor Chair at the BI Norwegian School of Management. Singapore should aspire to become a “super” maritime cluster.

Like any global business, he says, Singapore’s maritime sector follows a development hierarchy, from a maritime centre, to a maritime cluster, to a global maritime knowledge hub, or “super” maritime cluster.

“Singapore should reach for the top,” he says.

After all, the country is perfectly positioned to do so. Not only is Singapore in a strategic location, it is also a premier global hub port and an international maritime centre offering a suite of maritime services in training, insurance, brokerage and finance.

What separates the ‘super’ cluster from the mere ‘great’, then, is robust maritime research and development (R&D).

“Maritime R&D bolsters the competitive edge of our maritime cluster, and allows Singapore to broaden its technological know-how as well as introduce new products and services to the maritime world,” says Toh Ah Cheong, Director for Technology at the Maritime and Port Authority of Singapore (MPA).

This is even more important during the economic downturn, he said. The maritime hub which invests in maritime R&D and logistical preparations now will be able to take advantage of the spike in demand when the economy regains its momentum.

Making good sense, then, is the upcoming International Symposium for Maritime Logistics and Supply Chain Systems Conference 2009. To be held on the 23rd and 24th of April as part of the Singapore Maritime Week, the event will gather industry leaders and researchers together to



SUPER size Singapore

Singapore’s dedication to maritime research and development is helping the city to become a ‘super’ maritime cluster. For an international maritime centre like Singapore, what comes next?

discuss recent R&D advances in maritime logistics and related disciplines.

This year’s Singapore Maritime Week takes place from the 18th to 24th of April. Singapore’s iconic maritime event is part of MPA’s efforts to develop the country as a global maritime knowledge hub, or “super” cluster.

Investing in maritime R&D to ensure that Singapore’s maritime sector

stays ahead of the curve, however, is not something new. In 2002, the first Maritime Research & Development Advisory Panel (MRDAP) charted the Maritime Technology Cluster Development Roadmap in order to spur local maritime R&D initiatives.

Comprising well-known researchers and academia as well as public agencies, the MRDAP called for the enhancement of R&D capability in tertiary and research institutions.



Photo Courtesy: MPA

The Panel also recommended the development of a strong technology cluster within the maritime industry.

“With these recommendations, Singapore’s maritime knowledge hub began to reach critical mass,” recalls Goh Kwong Heng, MPA’s Chief Information Officer and Deputy Director for Research & Technology Development. “The ‘cluster’ approach raised Singapore’s maritime R&D to a higher plane.”

To help both industry players and research institutes transform concepts to commercial reality, MPA established the \$ 100-million Maritime Innovation and Technology (MINT) Fund in 2003.

Companies that have benefited include environmental recycling firm NewEarth and maritime Infocomm and Technology (ICT) system developer, BTS.

Backed by the MINT Fund, NewEarth developed a technology which offers a one-stop solution to industrial waste treatment and reuse, while BTS established several ICT systems for the bunkering and ship management sectors.

Another beneficiary of the MINT Fund, PPL Shipyard drives R&D projects in collaboration with local research institutions. In 2006, a joint project with the Agency for Science, Technology and Research’s Institute of High Performance Computing used 3D simulation technologies to create a new generation of offshore jack-up drilling rig designs.

Beyond the MINT Fund, other technologies and products – researched and developed in Singapore – include Prosafe Production’s innovative turret mooring systems, and SingTel’s 1.5-metre C-band stabilised satellite antenna.

Recently, homegrown research and technology company Ecospec launched a device to reduce greenhouse gas emissions and pollutants from ships in a single process system.

Goh says: “With environmental issues pressing on the minds of the global maritime community, including the International Maritime Organization, the main strategic thrusts for maritime R&D over the next few years are in clean energy and environment technology.”

Whatever the focus, one thing is certain: it will be R&D on a super-duper scale. **MG**

This article is contributed by the Maritime and Port Authority of Singapore, who is hosting the fourth edition of the Singapore Maritime Week, 18th-24th April. Singapore’s iconic maritime event, the Singapore Maritime Week gathers the international maritime community in Singapore for a week of conferences, exhibitions, forums and networking events. Renowned speakers and researchers will share insights and impart knowledge on topical maritime issues.

Hi-Line Shipping Aiming High



U S Vedha, managing director of Hi-Line Shipping Services.

Hi-Line Shipping Services is an Indian owned International freight forwarder and consolidator with seven years of experience in the market. Hi-Line has a profile of providing entire logistics solution to various clients with focus on carrying goods for the customers without any interruption. Basically, it's a matter of providing good service to the customers, the management says.

Trying to make a mark in international freight industry, Hi-Line

“Hi-Line believes in the acronym EIGHT - Efficiency, Integrity, Guarantee, Hardwork and Team Work.”

has been venturing into overseas markets too. “In fact, we are strong in Singapore sectors,” managing director U S Vedha elaborates. With offices in Bangalore, Chennai, Cochin, Delhi, Ludhiana, Tuticorin, Tirupur and Mumbai, Hi-Line has a dedicated team of 55 people striving to deliver quality customer service, which is vital in freight forwarding and customs brokerage industry.

The company is passionate about its role as a supplier. “We consider our work as an important extension of our customers’ own operations that can affect their success,” says Vedha. Additionally, they have a policy to always look for new ways to save customers money, he adds.

Talking of recession, Vedha says, “Honestly, the impact is much more and all freight forwarding and customs brokerage companies are in a deep trouble.” Yet, Hi-Line has been trying to strengthen its foundation to nurture mutually beneficial, long-term business relationships. “This is what is leading the company forward.” So, despite integrated logistics being a competitive sector, “Hi-Line accepts and agrees the challenge or else boredom will set into business,” Vedha reveals. At the end, the survival of the fittest is based on the ‘Eight-fold path’, he quips.

What are the future plans for the next two years? “Nothing specific,” says Vedha. “We will follow what we are now and add some small feathers on Hi Lines Hat.” But for now, concentrating on the current business, establishing more clients and wanting to be the best logistic provider is top on the agenda. **MG**

Panalpina opens logistics complex

Panalpina officially opened its expanded Singapore Logistics Complex, which will serve as the group's premier logistics facility for Asia Pacific. The new complex has a total area of 11,277 sq mt, of which a warehouse – designed to meet a variety of customer requirements – accounts for 8,546 sq mt. It is situated in the immediate vicinity of Changi international airport in the Changi International LogisPark.



Tan Choon Shian, assistant managing director of Singapore Economic Development Board with Monika Ribar, chief executive officer of Panalpina Group and Volker Sachse, managing director of Southeast Asia Area, Panalpina Singapore.

NYK Logistics starts new facility

NYK Logistics (Asia) has opened a new warehousing and logistics facility in the Keppel Distripark in Singapore. The new 55,000 sq ft facility is located near the port precinct, allowing for fast, efficient and cost-effective transshipments. NYK Logistics (Asia) now operates in four locations: the regional HQ in HarbourFront, the 216,000 sq.ft Singapore Logistics Centre in Tuas, Pasir Panjang Wharf and the new new facility in Keppel Distripark.



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Established seven years ago, Uniworld Logistics is a total logistics company and is emerging as one of the most versatile and dynamic logistics provider in Asia. Registering its own offices in China, where they have the Class 'A' license, Hong Kong, Taiwan, Singapore, Malaysia and JV in Thailand, Vietnam and Indonesia, Uniworld is getting stronger and stronger in this part of the world. With exclusive tie-ups, Uniworld serves 400 business locations around the world for freight forwarding and related activities. "With 29 offices in eight countries in Asia, along with exclusive partners worldwide, Uniworld is well-equipped to serve 400 business locations globally," M Prem Kumar, Group Managing Director and CEO says.

With a steady focus on the market changes and the service requirements, Uniworld strives to be one of the best and flexible logistics company to provide the end-to-end solution to customers. Keeping this in mind, they have established the Singapore office and warehouse inside the Free Trade Zone (FTZ) of Changi Airfreight, which assures their clients a peace of mind. Transshipment cargo, for example, can be broken down and re-consolidated without any customs formalities.

The close proximity ensures that cargo, with all its documentation in order, will be on its way in minimal time.

Excellent customer service coupled with extensive industry knowledge ensures that clients' shipments are monitored closely. Their dedicated staff work as a team to guarantee that their clients receive the most effective and professional service.

To further improve their services, they have come up with a Integrated Logistics park in Chennai, India. They are also planning to create a FTWZ in Chennai to help foreign companies to park their cargo inside India as a foreign entity to gain the time to market without getting into the hassle of the Indian Tax Structure.

Uniworld caters its services to five major areas: garment & textiles, IT, telecom, & IT related services, auto industry, consumer white goods and engineering. "In 2009, we see a slump in garment and auto industry, however IT and engineering are expected to grow. We are also looking at exploring opportunities in the pharma and power sector," the CEO adds. The company is hoping and looking forward to some government initiatives to help infrastructure development. **MG**

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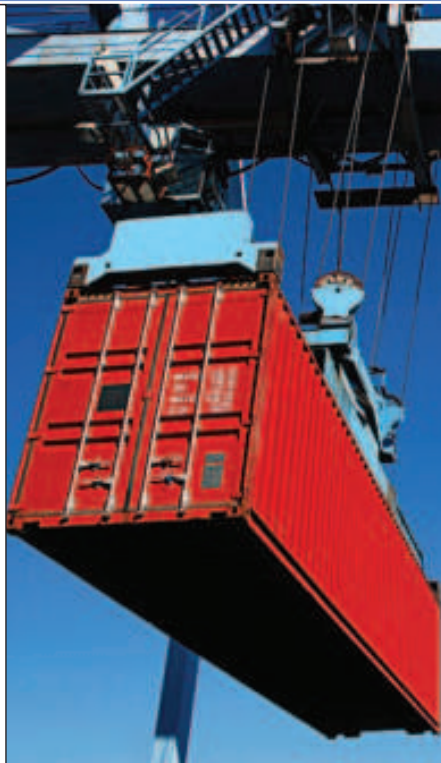


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Freeze Port Charges

Considered as a pioneer in transshipment of containers in India, SKS Logistics is involved in transportation of bulk cargo and containers. Established in 1985, SKS Logistics has interests in varied marine businesses and operates 36 vessels currently. It provides container transshipment services between JNPT and Mumbai Port through barges that can carry up to 500 TEU. Sensing the growing demand for ship repairs and maintenance, SKS Logistics has started a floating dry dock in Mumbai Port wherein marine vessels can halt for repairs and maintenance. Its floating bunkering station targeted at the fishing boats and other small boats for their fuel requirements and its tie-up with Indian Oil further drives its business prospects.

Sarvesh Kumar Shahi, Chairman and Managing Director of SKS Logistics in a candid interview with **Ramprasad** of MG reveals about the company's commitment and strategies to stay afloat in these difficult times.



Shipping lines are reeling under tremendous pressure. As a shipper with three decades of experience, what is your assessment of the current scenario?

A: Scenario worldwide is very grim. Somewhere it was reported that 30 per cent of shipping lines will be out of business due to recession. I am not sure how far it is true. But certainly 30 per cent of our business got affected. Growth has been down compared to what it has been before. Oil and gas sectors are still doing well. So, some shipping lines are sure to get out of business by the time recession recedes.

What is the effect of recession on your business?

A: We have been hit on the bulk side quite badly. About seven vessels are tied up in bulk carriage. But we survive because of our diversified activities. We operate a floating dry-dock in Mumbai harbour. We have tied up with some dry-dock suppliers from Korea and China. This gives better business prospects.

The floating dock is like a hospital. Every ship has to go Dry dock after two and half years. On the floating dry-dock the ship gets examined by surveyors and

maintenance is done. Mumbai harbour got this dock for the first time.

We have a floating fuel station which is unique and perhaps first in the country when started five years ago. It has 600 kl capacity with four flow lines to bunker four vessels at a time. Any vessel in the harbour can go alongside this station and fuel without worrying about holidays which delays vessels. This is very useful for small vessels like fishing trawlers and supply vessels. I should say it is doing extremely well.

Another innovative solution that we came up with is transshipment service. When we have seen container movement between JNPT and Mumbai Port by road we came up with this idea which became very successful. In 2005 when containers from JNPT could not move out due to disruption in railway service, we moved all the containers to Mumbai port from where they were moved to Delhi. We have offer from Cochin port which we will be starting in October. We are working out on Chennai to Ennore.

Is there market for bunkering in India?

A: At our ports taxes are too high for the ships to call. Government should take serious steps in reducing the



taxes at ports. Also, bunkering stations need to be set up on the lines of Singapore. Cost is a factor for the ships to bunker here. Sometimes ships from Singapore load

less cargo and carry more bunkers in order to save costs. As most of the ships pass through our channels, bunkering can grow if these issues are resolved.

The government has been trying to help some sectors to survive this downtrend. Is there a way that the government can help shipping sector also?

A: Shipping sector needs a lot of support from the government. We do not need bailout packages. What we need is reduction in taxes. The taxes for each and every activity at the port kill us, particularly the coastal

operators. The government should come up with a solution wherein the coastal vessels pay service tax once a year and not every time they visit ports. Finally, the Government should at least execute the policies which have been announced. In recession time, everything has come down except the port tariffs. In fact, Mumbai Port Trust requested TAMP for increase in tariff. That is further going to kill the industry. Ideally, the government should freeze all charges for the next two years.

What are your future plans?

A: We are seriously thinking of getting into ship repairing and shipbuilding. We see a great demand for this business today. While managing large fleet, we were affected due to non-availability of dry-dock. So our thrust area for the next three years is going to be repairs and maintenance.

We have in-house requirement and we also signed an understanding with the Government of India for building 14 vessels. We are trying to tie up for patrol boats for the Navy and the Coast Guard. We have 35 acres of land with 1 km sea front, located in Makule, 30 miles across the Mumbai harbour. **MG**



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Iron Ore Exports

The Debate Goes On

While the steel industry demands a complete ban on iron ore exports, miners and exporters feel the other way around. Though the government retained export duty on iron ore lumps and the issue looks to be subdued as of now, it may surface yet again once the new government is formed at the Centre.

by Jagadeesh Napa

The ongoing debate between the steelmakers and the iron ore exporters has to wait till the Lok Sabha elections are over and a new government is formed. The debate that included the ministers for steel, mines and commerce has been one of the most vociferous in the recent times. With the elections scheduled in April and new central government to be formed in a couple of months thereafter, the contending parties – steelmakers and iron ore exporters – have to be content with the status quo on the debate.

Steelmakers have been opposing the export of iron ore since long. They have been lobbying hard with Ministry of Steel, citing many reasons for the ban on iron ore exports. Their main contention being that the exports have increased the domestic prices and erode iron ore

reserves quickly. The steel ministry too feels that the country is ruining its iron ore resources by exporting mostly to China, a country that sits on huge piles of iron ore. The Minister for Steel, Ram Vilas Paswan, an active advocate to impose ban on the export of this precious raw material, has many a time taken this issue to the Prime Minister. While this matter was placed before the cabinet, the empowered group of ministers in 2007 ruled out the imposing of any qualitative and quantitative restrictions on the exports.

The National Steel Policy envisages production of steel to increase to 120 million tonnes by 2019-20. The government has also allocated Rs 80,000 crore to help the industry reach this target. A revolving fund of Rs 1,000 crore has also been allocated to assist the infrastructure

set-up. The steelmaking industry argues that to achieve such a massive target, sufficient raw material (iron ore) has to be available domestically. Though many of the steelmakers have captive mines, they allege that the mines mostly contain iron ore fines. They contain lesser percentage of iron and the currently available methods to use them as raw material are long and winding and incur huge costs. Fines are a type of iron ore that is made up of small grain like structures. It is often difficult to use the fines directly in the blast furnace as it results in efficiency loss and higher costs. Thus, they are usually made into pellets which in turn are fed to the blast furnace. However, there are only three steel mills in India that have invested in pellet making plants as it is a costly affair. All the other steelmakers use another form of iron ore called lumps that

“The steel industry is looking forward to having unhindered supply of high quality iron ore at lower costs. It is averse to the idea of export now and import of the same at higher prices later.”

can be directly fed into the blast furnace. Lumps also contain higher percentage of iron in them – more than 65 per cent. Therefore, steelmakers claim that they are deprived of the cost-effective lumps which are exported to China.

The other major reason that the steel makers quote is that of the dwindling iron ore resources. Though India boasts of 24 billion tonnes of iron ore reserves, ore of high quality (lumps) is not more than a billion tonnes and it may not last for another 20 to 30 years at the current rate of mining. This has become a major concern for the steel ministry and the steelmakers alike. With ambitious plans laid out, the steel industry is looking forward to have unhindered supplies of high quality iron ore at lower costs. It implies that if the high quality reserves run out, the domestic steel industry has to import it from abroad at many times the current domestic rates. Further, the industry argues that it would be foolish to export the high quality ore today and import the same in the future at a higher price.

The other side of the coin

Refuting the claims made by the steel industry, iron ore miners and exporters have alleged that the steel industry has given a free rein to such misinformation campaigns purely to bring down the mining activity and

include more mines under their captive lists. They claim that the steel industry is lobbying hard to impose ban on the exports. Such a ban will lead to reduced mining activity and the resulting inactive mines can be brought under the captive mines of the steelmakers. Hence, the main motive behind the hard lobbying of steelmakers, claim the exporters, is to include more number of captive mines in their kitty.

A senior executive from a mining company based in Hospet, on condition of anonymity, said that the current exports are in no way hindering the domestic steelmakers' requirements and this should not at all be an issue. Whatever the exports that are happening today are more of fines and not of lumps. Fines today are not being used in India except in three mills which can convert them into pellets. As their captive mines produce lumps in meagre amounts, steelmakers are looking at acquiring lumps at cheaper rates. When a ban on exports is imposed, the steelmakers can lobby with the government and bring more mines (that produce lumps) under their fold so as to ensure unhindered flow of raw materials at cheaper costs.



↳ Iron Ore Fines



Iron Ore Lumps ←

A spokesman from the Goa Mineral Ore Exporters Association stated that a complete ban on iron ore export, as demanded by the steelmakers, will not make sense at all as that will lead to closure of a majority of mines in India. Further, the steelmakers do not use the fines while Goan Iron ore is 100 per cent fines. Such a ban would put an abrupt end to this industry in Goa, which is unthinkable.

The ore exporters refer to the Hoda Committee Report which recommends that all qualitative and quantitative restriction on iron exports be removed (However, it recommended export duty on the lumps with Fe content of more than 65 per cent). The mining industry also claims that the iron ore resources have been increasing over time. For instance, in 1980, the total iron ore reserves in India were estimated at 17.56 billion tonnes. But after 25 years (in 2005), due to the new reserves discovered in this period, the figure jumped to 25.25 billion tonnes. This indicates that these reserves had increased at the rate of 300 million tonnes per annum over the last 25 years. Citing these statistics, the exporters contend the allegation of steelmakers that there will be scarcity for the domestic consumption.

In November 2008, the government removed the export duty on fines, leaving that on the higher quality lumps untouched. Thus, in the government's view justice has been done to both the parties. Though the debate looks to be restrained as of now, steel industry still demands a complete ban on exports and hence, this issue may surface yet again in the near future. At a time when the country is going to polls, wait-and-watch stance seems to be the best option till the new government is formed at the centre and subsequent action is taken in this regard. Let us hope that the next government will take a balanced approach towards the issue and brings an amicable solution that is acceptable to both the parties. **M6**



HIGHLIGHTS OF 2007- 08



- Record Traffic of 214.80 lakh tones
- Cargo Growth rate 19.33%
- Third Major Port having achieved highest Growth Rate
- One among the Five Major Ports crossing the Ministry's Target securing Third Place (5.37%)
- Record Container Traffic of 4,50,398 TEUs

Inner Harbour Development Projects NMDP Phase - I



Planned increase in capacity- 22.225 MTPA

- Deepening of Approach Channel & Basin to cater 12.8m draught Construction of North cargo berth No.9
- Formation of new roads
- Up-gradation of Coal Jetty –II
- Construction of Coal Berth at NBW
- Replacement of old wharf cranes at Berth No. I & II
- Road Connectivity Project
- Project for solid waste management



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RAKIA Free Zone Investor's Choice

Ras Al Khaimah (RAK), perched at the north end of the coast of the Arabian Gulf, is one of the seven Emirates that form the United Arab Emirates. Strategically located at the crossroads of trade and commerce between East and West, it accommodates unprecedented influx of foreign capital as the UAE opens fresh avenues of investment. **A Maritime Gateway** Report.

Ras Al Khaimah Investment Authority (RAKIA), the government body responsible for the socio-economic growth of the RAK emirate, has revealed a phenomenal increase in foreign investor activity in Ras Al Khaimah as a result of the UAE's intensified campaign to open new investment channels to accommodate the unprecedented influx of foreign direct investments to the country.

"RAKIA is leading campaigns to diversify Ras Al Khaimah's economy and build new channels for growth and income. Specifically, we have doubled our efforts towards strengthening the emirate's infrastructure and policies that cater to foreign investors because of the huge economic potential of this

rapidly emerging sector. In fact, within a short span of time we have noted a substantial increase in foreign owned companies within the RAKIA free zones, a clear indication of the success of our strategy and industry-focussed initiatives," says Dr Khater Massaad, CEO of RAKIA.

"Inviting foreign investors has a significant impact on the social growth of our society, particularly in establishing a stronger and highly skilled workforce base. This will in turn enhance the quality of life in the emirate as foreign investments will help bring in improvements to the

RAKIA Advantages

Fiscal Benefits

- 100% income and corporate tax exemptions
- No Foreign exchange controls
- 100% capital and profit repatriation.
- Strong appreciating and fully convertible currency
- Low Inflation
- Easy funding from international banks

Regulatory Benefits

- 100% ownership in Free Zones
- No trade barriers or quotas
- Easy licensing procedures.
- Simple import and export policies
- Liberal labour laws
- No restrictions on hiring expatriates



Photo: RAKIA

Key Statistics of RAK

Area : 2468 sq km

Coastline : 65 km

Population : 250,000

Languages : Arabic and English

Currency : Dirham (AED 3.67 = 1USD)

Crime rate : Close to Zero

social infrastructure such as a wider selection of educational institutions and more advanced healthcare facilities,” adds Massaad.

Since its establishment in 2005, RAKIA has become one of the pillars of the emirate’s economic progress, generating multi-million dirhams in annual revenues through groundbreaking investment initiatives within the emirate and across international markets. RAKIA plays an important role in nurturing the emirate’s investment landscape as it has been appointed to manage Ras Al Khaimah’s Industrial Zone and Free Zone in Al Hamra, and the Industrial Park in Al Ghayl.

“At present, nearly 1,600 foreign investors are operating within RAKIA Industrial and Business Park. A substantial majority of these companies have moved into the emirate within the last two years. This certainly shows a remarkable surge, which can only be explained by the vastly improving investment conditions in Ras Al Khaimah, a trend that is prevalent wherever you go in the UAE. This year, our efforts have been rewarded with ‘The most attractive Foreign Direct Investment destination in the Middle East’ by The Financial Times, London,” adds Massaad. RAK’s investor-friendly policies and flexibility has attracted an array of international brands including Guardian Glass, Arc International, Franke, Duscholux, Mitsui, Kludi, Becker Industries, Kempe, Ashok Leyland to name a few.

RAKIA has more than 450 companies registered, with more than 200 of them in manufacturing sector. It could attract close to US\$ 1.2 billion of investment in various industry segments as diverse as glass & table ware, float glass sheet, cement, DVD media factory, renewable energy,

consumable hygienic products, vehicle assembly, hotels & hospitality business, health & education, tourism industry and many more.

According to recent forecasts, the UAE economy is expected to expand by 9 per cent this year, despite the current global crisis. The country’s increasing wealth, particularly its windfall oil revenues, has been channelled into various non-oil sectors in a bid to create a more sustainable and resilient economy, while at the same time protecting the country from possible oil price fluctuations.

This strategy forms the core of Ras Al Khaimah’s long-term economic development plan, which has seen tremendous improvements in real estate, foreign direct investment, manufacturing and industrial sectors. Foreign direct investment has been particularly strong because international investors are taking advantage of Ras Al Khaimah’s investor-friendly climate.

Ras Al Khaimah currently has one of the region’s best investment regulatory framework, offering foreign investors best-of-breed features such as 100 per cent income and corporate tax exemptions; full repatriation of capital and profit; easy access to labour; straightforward licensing procedures; and absence of foreign exchange controls, trade barriers and quotas. Moreover, the emirate is strategically located within reach of key destinations in the region through its modern travel and port facilities. 

“According to recent forecasts, the UAE economy is expected to expand by 9 per cent this year, despite the current global crisis.”

Strongly Committed



Sachin Singh, business development manager, Port of Halifax

Port of Halifax is known for its proximity between North American and Asian markets. As most of the US-Asian trade happens through the Suez Canal route, Port of Halifax provides a low-cost entry into the lucrative North American markets.

Being closer to India than any other port on the east coast of North America, the port is actively promoting itself in India to drive more traffic to it. **Sachin Singh**, business development manager, Port of Halifax talks to **Jagadeesh Napa** of Maritime Gateway in this freewheel chat about their cutting corners in the Indian market as well as their future plans.

Please tell us about your agreement with Chennai port. What will be the mutual benefits for the two ports?

A: We have entered into an agreement with Chennai port wherein Chennai port will be the sister port of Port of Halifax and vice versa. This relationship basically focusses on the marketing of the each port in other's market as they are of symbiotic nature. So Chennai port will be marketing Port of Halifax in Chennai and in turn, Port of Halifax will market Chennai port in its domain. Chennai port is surrounded by very rich industry profile, with a base for auto components, engineering and textile industries. Moreover, Port of Halifax is strategically located in North America, and this is a huge and lucrative market for India. So these characteristics are per se mutually beneficial to each other.

The second aspect of this alliance is the exchange of technical knowhow. Port of Halifax is high in technology in terms of port security and operations. It maintains very high standards as far as security is concerned and is compatible to US Homeland Security Act. We have got a strong technical expertise and state-of-the-art infrastructure and facilities both in terms of handling and storage of cargo and this can be exchanged with the Chennai port.

What special services do you offer to the traders through this tie-up?

A: We are right now working on developing special shipping services and privileges between India and Port of Halifax. Currently, there are certain direct services between Chennai Port and New York operated by Maersk. We are in talks with them and other shipping lines whereby we provide special incentives to the shipping lines to call at Halifax. We are working on one-to-one relationships with the shipping lines wherein we can provide special privileges like discounts on the terminal usage charges and other port-related charges to them which can be passed on to the trade and to the final customer.

What is the strategic fit between India and your international operations?

A: As you know, India is a low-cost manufacturing base and North America is mainly a consuming market. When we talk about a lot of industries like leather goods, textiles, auto components, semi-engineering and heavy engineering goods, India has indeed climbed up through the value chain as compared to the past and is providing the right value for the money to the US market.

Port of Halifax is the nearest North American port on the east coast to India while China is nearer to the west coast. In this route, we are one of the strong bases from

“Companies are looking for rationalisation and optimisation of logistics costs and if you can reduce your costs, it will add to your competitiveness. Hence, our value proposition is much more relevant in the current scenario.”



where one can connect to the important markets of central Canada, mid-west US and northeast US. As these areas aggregate to 30 per cent of total North American population, Port of Halifax can provide very good connectivity to all these markets.

Please brief us on your relationship with Jeena & Company. What is the role played by Jeena & Company in your India operations?

A: Jeena & Company is basically our ambassador in India and they will promote Port of Halifax in India. As you know, Jeena & Company has historic presence in India and their branch network spans across the country. So we are leveraging on their network and their goodwill to make our presence felt in this market.

What are the countries that you are looking at other than India in South Asia?

A: Other than India, we can talk about Bangladesh and Sri Lanka in the subcontinent which are also becoming low-cost manufacturing hubs. As the political situation in these countries is slightly unstable, we have not yet ventured in full-fledged manner. Otherwise, they are our potential markets and we will enter them sooner or later. Further, Vietnam will be another potential market that we wish to explore.

Can we expect further alliances in the Indian market?

A: Yes, definitely. They will happen either through Jeena or through other partners. Within Indian subcontinent, we would like Jeena to spread their tentacles in these markets.

Will there be any impact of the current downturn on your alliances and subsequently on your business? If so, how?

A: While that cannot be neglected in the current situation, our pitch to the Indian market is on the 'low-cost entry' to the North American markets. We feel that our value proposition is of more relevance today than ever before. Companies are looking for rationalisation and optimisation of logistics costs and if you can reduce your costs, it will add to your competitiveness. Hence, our value proposition is much more relevant in the current scenario.

Despite the downturn and recession, we will do strong branding in the Indian market as our commitment to this market is much stronger now. We are not deterred by any slowdown or recession across the horizon and we feel that it is the right time to invest in this market. So, whenever the economic cycle changes and when the current downturn gives way to economic boom, we will be in a better position to leverage on that. **ME**



Reverse Engineering Container Terminal Design

An Approach to Better Performance

Historically, container terminal design has revolved around civil engineering with the actual operational concept being derived from either a benchmarking exercise and/or previous experience. This has in many instances led to inherent design issues that have been difficult to overcome in actual operations, more so when sub-system(s) of terminals have been looked at in isolation. A scientific approach to terminal design can allow for the realisation of a terminal facility plan that meets the design goals of the operator whilst being robust in operation.

by **Capt. Rohit Suraj**



Photo Courtesy: Port of Los Angeles

The current economic downturn and the cascading effect it has had on ports and terminals has in many ways forced terminal operators building additional capacity to re-think their investments. While there is an overall pall of gloom, in general, over the economy reviving in the short term, the period also presents an opportunity for the determined to strategically invest, thereby capitalising on the lower cost of civil construction, and the equally attractive prices that equipment vendors are willing to offer. However, terminal developments must always involve, even in good times, a

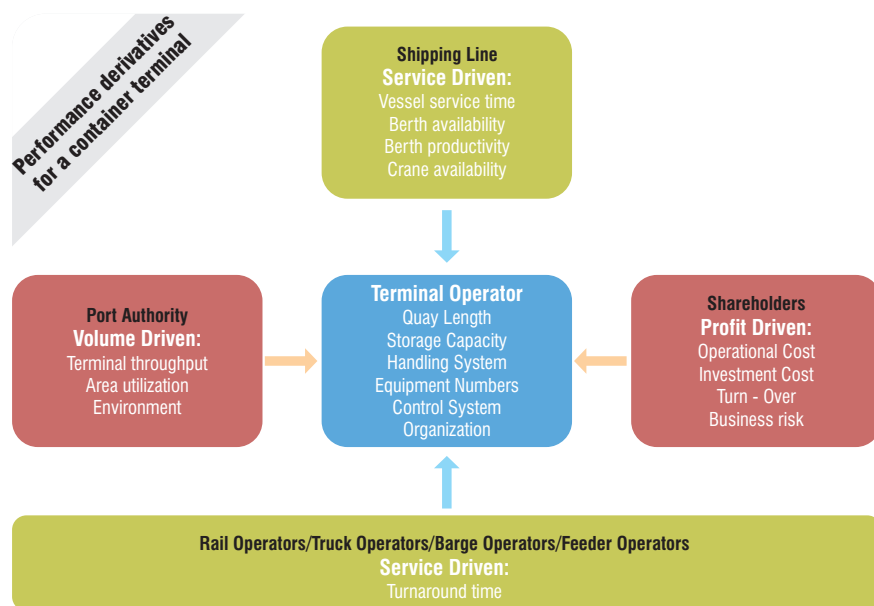


Figure 1

rationalisation of investment with the focus on efficiency and reliability of service levels in operation, and amidst a competing environment.

A container terminal is about 'operations' and 'numbers' and what is required of a good design is that it remains robust in differing operational environments. Therefore, when a terminal is designed, for an operation in the future, one would go principally wrong if the design parameters are set on existing benchmarks. More so, when the benchmarking exercise involves terminals that possess inherent design issues that limit them from achieving better performance and efficiencies in operation. Isolated numbers on berth productivity, volume per metre quay, number of lifts per crane, number of cranes per metre quay etc. from current terminals may seem 'excellent' or 'poor' but never offer a true picture, if not viewed in the overall context of 'service levels' being achieved.

We are often challenged with questions about whether a terminal can achieve the set targets. The question should really be "is my facility designed to offer the target productivities that we have set." The answer to this question would

certainly be 'yes' provided the terminal facility plan is designed to support the peak requirements in volume and handling, through a infrastructure and superstructure design, that does not inherently create bottlenecks in real operations.

Targets and design goals

It has been the so called mantra of TBA to push the envelope of "doing more with less." In many ways this has led to an approach to terminal design that involves a process of 'reverse engineering,' wherein the design targets of the terminal are first placed in a 'strategic environment' from where the process of terminal design begins. Container terminals typically operate as origin-destination facilities, transshipment facilities or relay-aggregation facilities and while a terminal's overall volume mix could be a combination of these flows, its regional function is most often evident. The setting of a terminal's performance goal(s) should then be ascertained within this regional setting.

For each of the parameters shown in Figure 1 there must be a clear 'set of goals' that are documented and quantified through the means of a

‘decision document’ that remains accountable and supplements the final design drawings.

Balanced terminal design

Principally, a good terminal design is one that is cost-effective, functionally reliable and offers sufficient contingency to cope with peak storage and handling requirements. What is further expected is that the design achieves this without compromising the service levels offered to its clients. Figure 2 shows what comprises balanced terminal design.

While examining various terminal layouts and system configurations, importance should be given to three aspects – Handling Capacity, Storage Capacity and Operating Costs. This helps in determining which layout and mode of operation can handle peak loads, both in terms of handling and storage, at the lowest possible costs.

The financial analysis must evaluate both CAPEX and OPEX objectively and determine financial and operational gains of shifting from one mode to the other, based on the design goals.

Figure 3 below shows various combinations of systems that could offer possible solutions. In practice variations to the suggested combinations exist but they are primarily due to local constraints or peculiarities in certain terminals.

Systematic approach to system design

A terminal design should entail a system design, i.e. the design of a material handling facility that works as a complete system. Much too often we have been asked to design parts of a greenfield facility in isolation and this is often the least prudent approach. The design of a material handling system involves different stages, as shown in Figure 4, and must be looked at together through ‘concept’ and up ‘until realisation.’

On the completion of the commissioning process the terminal enters the phase of ‘operations’ wherein lies the ‘proof of the pudding.’ However, it must be noted here that the process of design is never complete as there are always ways to

continuously improve. Therefore, the period of operation should be used for continuous updating and fine tuning. Exception management, training of personnel and continuous improvement should be seen as an extension to the process of terminal design and should be an ongoing activity through the life cycle of the terminal.

Analyse, quantify and then decide

Numbers rather than perception(s) are again something we stress when we are with clients. No terminal can be ‘predictably designed’ without a

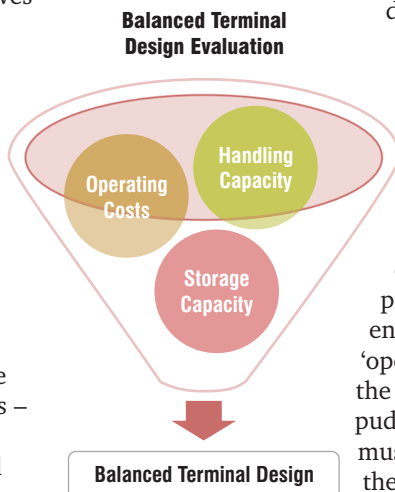


Figure 2



careful analysis and quantification procedure. Phrases often encountered are ‘this will pose a heap of issues,’ ‘this is not viable financially,’ ‘the landside peak is huge,’ ‘we cannot do this’ and these phrases while ‘dramatic’ merely confuse a discussion and offer no tangible outcome unless they are backed up with a solid analysis. The way we approach the design process is through the use of reliable numbers. The highly quantitative approach (using detailed simulation, with an accuracy of beyond 95 per cent), leads to the ability to objectively assess the contribution of a certain design measure or for that matter, identify a potential bottleneck in a result-oriented way. Instead of perceptions, opinions, strong opinions, beliefs, gut feelings, pessimism (or optimism for that matter), we have comparisons of the contribution to performance and cost of all the design measure(s), or

Yard Handling System	Transportation System				
	Truck	AGV	Straddle Carrier	Shuttle Carrier	ALV
Straddle Carrier			YES		
Rubber Tyred Gantries (RTG)	YES				
Cantilever-RailMounted Gantries(C-RMG)	YES	YES			
Automated Stacking Cranes (ASC)	YES	YES	YES	YES	YES

Figure 3



Photo Courtesy: Port of Los Angeles

involves a stage of representation which must be followed by a stage of validation. Every container terminal is different with each having its own processes that need to be explicitly identified. Therefore, the period of validation must be used to identify the accurate representation of such processes.

Levels of system / sub-system simulation in a container terminal

There are several systems and sub-systems in a container terminal that are required to be modelled. Each needs to be modelled and brought together to depict the system as a whole. The following areas need to be addressed:

- Layout (where, and how big?)
 - Gate
 - Truck interchange
 - Rail terminal
 - Yard layout
 - Traffic pattern
 - Landside apron
 - Waterside apron
- Equipment
 - Specifications (type of machines, kinematics etc.)
 - Number and type
- Operational strategy
 - Yard strategy (allocation filters, designated areas, filling rate, housekeeping etc.)
 - Equipment assignment
 - Stowage planning vs. yard planning

Each of these areas need to be looked at in detail with the final operational strategy being detailed through system logic that would finally be used to specify the functional description of the eventual terminal management system i.e. the TOS (Terminal Operating System). Different equipment types, different layouts with different gate and rail requirements all have their own specific complexities that add to the demand of the TOS functionality.

The stages in the design of a material handling system

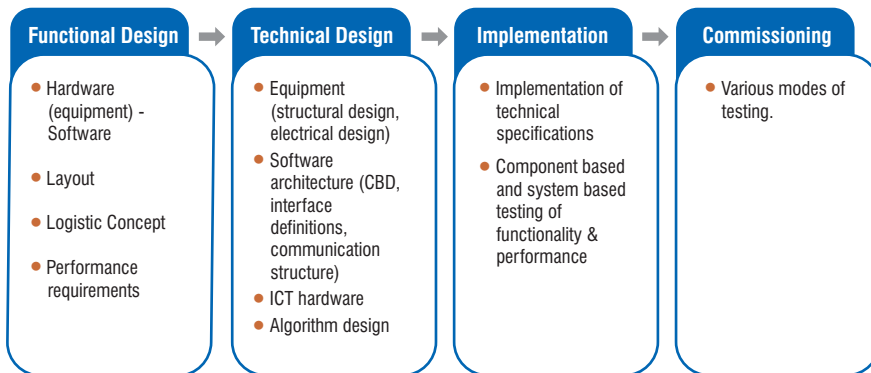


Figure 4

combinations of them we suggest. Although this approach can be time-consuming (typically we spend 4-6 months on a master planning and design process), the results are solid. What this approach also achieves is that it forces the client to think over issues that were possibly omitted in their own conceptualisation. The flowchart in Figure 5 depicts this

iterative approach to design.

What is simulation?

Simulation is defined as the use of a mathematical model, in this case, through computation techniques, to recreate a situation, often repeatedly, so that the likelihood of various outcomes can be more accurately estimated. A simulation cycle

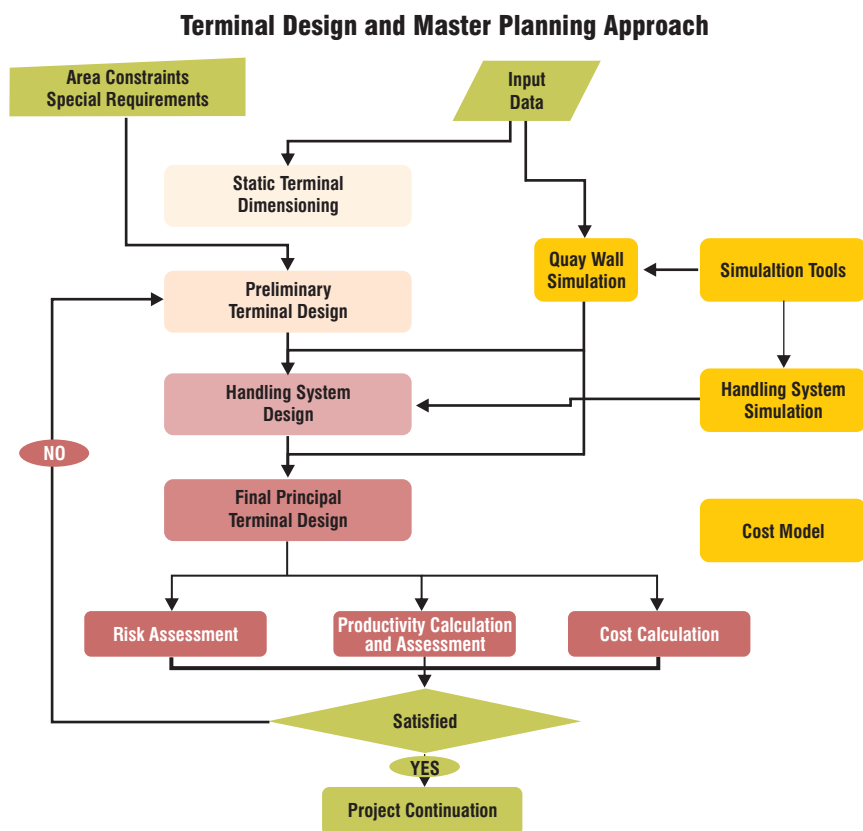


Figure 5

Simulation and NOT ‘animation’

Simulation as a decision tool must not be confused with animation. Therefore, the focus should diverge from attractive graphics. Animation should merely be used to visualise the process. What is however, of imminent importance is the numbers that constitute such representation. Therefore, one needs to also appreciate the process thereby recognising possible shortcomings in incorrect representation. The following considerations must be taken into account for reliable simulation results:

1. Gathering data
 - a. Time-consuming
 - b. Difficult to get a representative operation
 - c. Unavailable information
2. Reduction
 - a. What to include and what to leave away?

3. How do we model behaviour of various players, e.g. drivers?
 - a. How do we represent operational strategies?
4. Validation
 - a. How do we compare simulation with real operation?
 - b. Understanding why and what aspects can be left away
5. Accreditation
 - a. Creating trust in results with decision-makers i.e. explaining the process and assumptions
 - b. Interaction, validation workshops, sensitivity analysis to allow an inclusive approach
6. Interpretation of results
 - a. Translation of numbers into operational numbers

Development trajectory and investment plan

In order to complete the process of design, a stepwise development

trajectory defining each phase of the process from the start-up to end phase has to be prepared. It should ensure that each intermediate step is in line with the expected growth in terms of both storage and handling capacity.

This must be placed in context and together with the anticipated investment plan that has been run through and shown to make ‘good sense’ in the financial analysis part of the design. The terminal facility plan must contain the civil/ operational AutoCAD drawings, the design/ decision document and the investment/ development plan and these together constitute the final plan that is achieved through a thorough process of rationalisation described in the preceding sections.

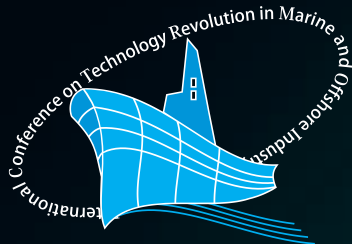
Container terminal design is a complex process that requires careful understanding. Effective planning and a thorough analysis are the only ‘means’ to the realisation of a high performing facility. Clear performance goals at each stage of development need to be established and targeted through an inclusive approach and a global perspective. While ‘high productivity’ demands at terminals need to be addressed, ‘high productivity’ together with ‘high efficiencies’ are the elements that constitute ‘high performance’ and that remains the purpose of all our designs. **MG**

Rohit Suraj is

Regional Director, Asia-Pacific at TBA BV a leading simulation consultancy firm, involved in the design, development and operations of container terminals. His experience includes managing and supervising projects for both small and large terminals operating with both traditional and automated solutions. He is a certified Master Mariner and has had over 10 years of experience within the maritime industry. He also holds a Master of Science (MSc) in Maritime Economics and Logistics from the Erasmus University and Rotterdam School of Business.



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TMIL Limited

Adding Cargo Portfolio to Haldia Dock

TM International Logistics Limited, subsidiary of Tata Steel, has been adding substantial value to the cargo handling capabilities to Haldia Dock Complex over the years. **Maritime Gateway** dwells into its operations.

The role of TM International Logistics Limited (TMIL) has been quite instrumental for Haldia Dock Complex (HDC). The logistics company has been supplementing the operation of HDC as a bulk cargo handling port in the country. TMIL Limited, a subsidiary of Tata Steel, is a joint venture between Martrade holding of Germany and Tata Steel. The company has a concession agreement with Haldia Dock Complex for undertaking operation at berth number 12 for a period of 30 years.

Value on handling assorted cargo

“Since the beginning of our concession agreement with HDC during the year 2002, our intention has been to support the bulk port by handling assorted nature bulk cargo and in turn leverage the customer profile and business volumes of the port, not to mention meeting our own captive cargo requirements effectively,” mentions K L Bhowmick, Chief (Port Operations), TMIL Limited.

TMIL Limited handles range of bulk and break bulk exim cargo at berth number 12 for companies belonging to the Tata group. The cargo comprises fertilizers for Tata Chemicals, limestone and coking coal for Tata Steel, coal for Tata Power and also other bulk cargo for Tata Metaliks. Apart from meeting own captive requirements for Tata companies, TMIL Limited has customers like Renuka Sugars, for whom it handles sugars, and Jayshree chemicals, for whom it handles fertilizers among others.

The operation of TMIL Limited at Haldia has gained significance mainly due to the imports of project cargo through the port for customers like National Thermal Power Corporation and imports of power equipments for the PSUs, upcoming greenfield Barh power station in Bihar and Lanco Infra. The logistics



Photo Courtesy: Port of Canaveral

company has also handled critical project cargo for Mitsubishi's chemical's plant at Haldia and a manufacturer of electro steel castings, prominent steel pipes manufacturer located in Kolkata suburbs.

The company also provides cargo handling services for wide range of finished steel products meant for exports such as wire rods, steel coils, steel billets, hot rolled coils, cold rolled coils, galvanized coils etc. to various Asian destinations. The finished steel products are exported for Tata Steel, Jindals, Bhushan Steel and Power.

Handling of range of bulk, break bulk and project cargo in growing volumes over the years for the company has been possible owing to its good infrastructure consisting storage and handling space arrangement and elaborate equipment positioning, and its optimum use. The company has a 30,000 sq ft warehouse storage area and an equipment fleet comprising heavy duty forklifts, mobile harbour cranes for lifting up to 100 metric tonnes of cargo, pay loaders etc.

Supported by elaborate cargo handling infrastructure, TMIL Limited has till now handled 0.61 million tonnes of cargo during 2003-04, 0.7 MT during 2004-05, 1.16 MT during 2005-06, 0.89 MT during 2006-07, 0.85 MT during 2007-08 while till March 2009 the company has handled 0.45 MT of cargo respectively.

Proximity to HDC and its advantages

The proximity to HDC contributes significantly to the growth of TMIL, feels Mr Bhowmick. With the promised industrial investments lining up at Haldia and the region in the near future, HDC signals bright future for the company.

He elaborates mentioning, "...wide dependence of industries like steel,



power and heavy engineering based in West Bengal and Eastern India on HDC would continue to grow. This would provide us an opportunity to explore enhanced business potential for cargo handling services through Haldia Port."

Major steel producers like Tata Steel, SAIL, Jindals and Mittals have huge expansion plans for their brownfield and greenfield projects in West Bengal and Eastern India hinterland. Apart from steel industries, other port-based industries such as Haldia Petrochemicals and CALS brownfield and greenfield projects located near the port. The expansion plans could ideally provide business potential for TMIL Limited to operate and expand.

However, as of now it is the location advantage that provides TMIL Limited an operational advantage to operate at Haldia Dock compared to other East Coast Ports both for its captive use and other customers. As per Mr Bhowmick, "...better proximity of the user industry based in hinterland to the port provides a business and logistics advantage to operate at Haldia." For instance, the distance of Tata Steel's flagship plant at Jamshedpur to HDC is 244 km,

whereas that to Paradip Port is 511 km. Similarly, TMIL provides the logistical advantage to many industries to operate at Haldia.

Notwithstanding, it also has the dual railway connectivity to the port provided both by South Eastern and Eastern Railway and in turn greater availability of wagons for handling larger volumes of bulk cargo provides an added advantage for TMIL Limited to operate through Haldia.

Taking cue of the advantage offered and future business potential, TMIL Limited has lined up certain expansion initiatives in near future to handle more cargo. As per these plans, TMIL Limited would be looking to develop an additional 10,000 sq ft storage area.

The company has so far developed 6 acres of its 15.5 acres of land. It is also in the process of constructing a separate railway siding for better connectivity to the berth it operates. The siding is expected to be ready by the year 2010. The company is also contemplating to operate barge jetties on the east coast. 

Taxability of FSC income

Recent Decisions

Lately, taxability of income of FSC from slot chartering arrangements has become a subject matter of extensive litigation before the Mumbai Income-tax Appellate Tribunal ('Mumbai Tribunal'). The key contention before the Mumbai Tribunal, in the recent cases, has been whether freight income earned by FSC from slot chartering arrangements be construed as income from 'operation of ships', so as to entitle FSC to the benefit of Article 8 (i.e. Shipping Income) of the concerned Double Tax Avoidance Agreement ('DTAA').

It is often seen that due to lack of adequate infrastructure facilities available in India, mother vessels of FSCs do not call Indian ports. However, to tap the Indian exim trade, typically, slot arrangements are entered into by FSC, whereby container slots are purchased by them on vessels of other operators, including feeder vessel operators.

Article 8 in most DTAs provides that profits earned by FSC from 'operation of ships' in international traffic is taxable only in FSC's resident country / place of effective management. As such, said profits are not taxable in source country. This position is in consonance with the internationally accepted norm that shipping and airline income ought to be taxed on 'residence' rule and not 'source' rule of taxation.

The crucial question, therefore, arises as to how one should interpret the meaning of the term 'operation of

In the previous edition, we took a bird's eye view of taxation of foreign shipping companies (FSC) in India. In this article, we discuss the most tax litigative issue presently faced by FSC – taxability of freight income from slot chartering arrangements.

by **Girish Mistry & Nikhil Rohera**



ships'. For instance, a FSC incorporated in UK, carries out shipping business internationally (including India) by using chartered vessels and avails container slot spaces on vessels of other operators. The question here is whether the freight income from slot chartering

be considered as income from 'operation of ships'? If yes, then such income of FSC, similarly, will be taxable only in UK and not in source country, e.g. India.

AP Moller, Maersk's case

The above issue first came up before



Photo: Ebbe Hoisting

Mumbai Tribunal in case of AP Moller, Maersk Agency India Pvt. Ltd. in the year 2003, wherein it was held that slot hire income is not entitled to the benefit of Article 9 of India-Denmark DTAA. It is interesting to note that, due to certain peculiar, factual and legal position of case, the assessee itself stated that slot fee cannot be construed as income derived from 'operation of ships' and Mumbai Tribunal proceeded on that basis. As such, this issue was never deliberated at length before the Mumbai Tribunal. Consequently, no commentaries of Model Conventions or of learned authors were referred to by the Mumbai Tribunal in arriving at the above understanding.

Thus, one may assume that the aforesaid decision cannot be an authority for the proposition that income from slot charters is not entitled to the benefit of Shipping Article of the DTAA.

Balaji Shipping's case

Recently, the Mumbai Tribunal had an occasion to deal with this very issue in the landmark case of M/s Balaji Shipping (UK) Ltd. The assessee, a UK company, was engaged in the shipping business internationally by using chartered vessels as well as availing container slot spaces on vessels of other operators. While examining the taxability of freight income from slot chartering, Mumbai Tribunal

observed that the term 'operation of ships' was neither defined in India-UK DTAA nor under Indian domestic tax laws [i.e. Income-tax Act, 1961 ('IT Act')]. Presently, the Indian Tonnage Tax provisions, which came into force in 2004, explains the meaning of 'operating ships' to include slot charter. However, since, the said term was not present in the IT Act at the time when India-UK DTAA was entered into (i.e. in 1993), the Mumbai Tribunal applied the rule of 'contemporaneous thinking' for interpreting the said term. As per this rule, the meaning of the term (if not defined in the DTAA) has to be ascertained from the provisions of domestic tax laws, as existed at the time when DTAA was executed, and in the absence thereof, from various international tax commentaries.

The Organisation for Economic Co-operation and Development ('OECD') Model commentary provides that profits derived by an enterprise from transportation in international traffic by ships operated by other enterprises are covered under Article 8 to the extent such transportation is 'directly connected' with the operations of ships by that enterprise or if the same is 'ancillary' operation. The commentary illustrates that an enterprise engaged in international transport which transports some of its passengers or cargo internationally by ships operated by other enterprises (e.g. under code sharing or slot chartering arrangements or to take advantage of earlier sailing) should be regarded as doing an activity directly connected to operation of ships.

Hence, relying on the aforesaid commentary, Mumbai Tribunal concluded that the assessee's entire income (including from slot arrangements) was held to be not taxable in India under Article 9 (i.e. Shipping Income) of India-UK DTAA. It is interesting to note that the above decision of AP Moller, Maersk (supra), although relied upon by the tax department, was not commented upon by the Mumbai Tribunal.

Keeping the above principle in mind, the Mumbai Tribunal, in two subsequent decisions namely, China Navigation and CMA-CGM has decided the issue in favour of the assessee FSC. However, in two other decisions, discussed below, the matter was decided against FSC and remanded back to tax officer, due to language of the DTAA and the peculiar facts of the case involved.

Cia De Navegacao Norsul's case

Considering the definition of term 'operation of ships' present under Article 8(4) of India-Brazil DTAA, in case of Cia De Navegacao Norsul, the Mumbai Tribunal concluded that scope of this expression has to be restricted to business of transportation of passengers or goods by ships owned or leased or chartered by the assessee. Since, the assessee was neither owner nor lessee nor charterer of feeder vessels, Mumbai Tribunal held that profits attributable to such slot chartering arrangement would be outside the scope of Article 8 of India-Brazil DTAA.

The Mumbai Tribunal further held that benefit can be granted only when it is shown that goods were transported through ships, either belonging to assessee or to members of consortium under pooling arrangement. However, even this benefit, as per the Tribunal, will be available to the extent of income

attributable to the onward voyage on assessee's / pool's vessels.

Accordingly, the matter was restored to the file of tax officer for verifying as to whether cargo sent from Indian port was transshipped onto assessee's / pool vessels.

ANL Container Line's case

Similarly, ANL Container Line's case was remanded back to tax officer by the Tribunal to establish the linkage of cargo transshipped by feeder vessels onto assessee's / pool vessels, and, if such transportation was found to be incidental / ancillary to main transportation, then benefit of Article 8 would be available to the assessee.

Interestingly, the Mumbai Tribunal has applied the above principles of interpretation to some of the foreign airlines' cases also, namely, Delta Airlines and Federal Express Corporation.

Emerging tax principle

As such, the principle that emerges from all these decisions is that when the term 'operation of ships' is neither defined in the DTAA nor domestic tax laws (at the time the concerned DTAA was executed), only in such an event, commentaries of OECD Model Convention can be relied upon as an external aid to understand the meaning of the term. Furthermore, as per the Mumbai Tribunal, it appears that, it will be

essential upon FSC to establish a linkage between feeder vessels and their mother vessels in order for them to claim that their freight income is eligible to tax exemption (full or proportionate) in India.

Moving forward, it will now be interesting to see how the Bombay High Court interprets the term 'operation of ships' vis-à-vis slot chartering, especially considering that requirement of linkage of cargo from feeder vessels to mother vessels has not been mentioned either in OECD commentary or in the commentary of learned authors on international taxation.

While, the Indian Tonnage Tax provisions, as applicable to Indian shipping companies, have specifically explained 'operating ships' to include slot charter, there seems to be no reason why the same interpretation should not be extended to similar slot charters done by FSC.

In the next article, we will delve upon the taxability of inland haulage charges and other incidental income of foreign shipping companies, in the backdrop of certain recent developments. **MG**



Girish Mistry
Executive Director

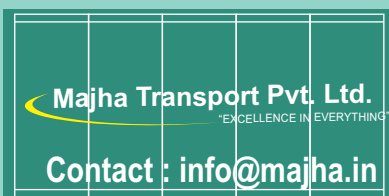


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Refrigerated Cargoes

Packaging, stacking and operation of refrigeration machinery play a key role in retaining the quality of various types of refrigerated cargoes. The article talks of precautions to be taken to prevent the damage and deterioration of refrigerated cargo.

by **C Maheshwar**

It is often perceived that a container is a magic box which can be loaded and forgotten and to be opened ashore by the consignee. In reality, it is not so simple, especially for reefer

containers. It is important to be aware of the various types and characteristics of the reefer cargoes and correct ways of loading and stowing cargo inside a container, and the precautions to be taken during loading.

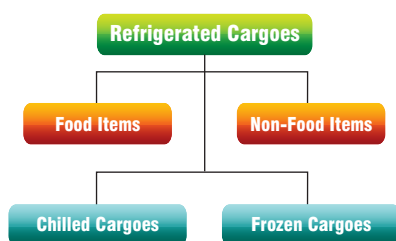
Classification of reefer cargoes

Refrigerated cargo carried in reefer containers can be classified as food items and non-food items. Examples of food items are: Fruits, vegetables, meat, fish, beverages, dairy products,

ice cream, etc. Examples of non-food items are: chemicals, explosives, leather, photo films, medicines, vaccines etc.

More importantly, refrigerated cargoes can be classified as chilled cargoes and frozen cargoes.

Chilled cargoes are those cargoes which are stored above -10°C . They are live cargoes with chemical reactions and processes going on within the product due to respiration, with continuous generation of gases and heat.



Chilled cargoes are also known as perishable cargoes in refrigeration parlance. They are temperature-sensitive. The heat generated by the chemical reactions has to be led outside the cargo space faster than it is liberated to prevent any accumulation of heat and rise of temperature. Similarly, gases which are liberated as products of the chemical reactions have also to be drawn out of the cargo space if found unsuitable. Otherwise the cargo might deteriorate and get damaged. Chilled cargoes are generally, fruits and vegetables, dairy products, chilled meat and beverages.

Frozen cargoes are those cargoes which are stored below -10°C . They are dead cargo, with no chemical processes or reactions taking place within the product and no liberation of gases or heat.

The temperature of chilled cargo needs to be maintained within a very narrow band of $+0.5^{\circ}\text{C}$ around the set point. Variation of temperature beyond this may increase the chance of cargo deterioration.

Myth and reality about reefer cargo temperatures

Myth: For all refrigerated cargoes, the lower the temperature, the better it is for the preservation of cargo.

Reality: For chilled cargoes, temperature must be maintained very close to the set point. If temperature is allowed to fall lower than the set point, cargo damage may occur because of overcooling of cargo. Frozen cargoes do not get damaged even if temperature goes below the set point for prolonged periods of time. Therefore, if we maintain the temperature of Ice Cream at -25°C , instead at -20°C , it does not cause any damage or deterioration to the cargo. For frozen cargo, it is much easier to maintain the temperature as heat is not generated from the cargo.

Clustering of containers with chilled and frozen cargoes

Whenever there is a power breakdown or a planned and purposeful shutdown of the ship's power generation machinery, it must be remembered that chilled cargoes are more vulnerable to damage and deterioration due to heat generation and accumulation inside the container resulting in temperature rise. Damage to frozen cargoes is slower because the temperature rise is very slow and heat is not generated from the cargo. So, whenever possible, all chilled cargo reefer containers should be clustered together and connected to one power source or circuit breaker. Power should be restored as soon as possible for chilled cargo containers. Power to the frozen cargo containers can be restored only after all the chilled cargo containers are activated.

Frozen cargoes stored between -5°C and -10°C

There may be such cargoes which may be stored at more than -10°C , but are treated as frozen cargoes. The distinction point of -10°C is set as default by most of the

manufacturers of reefer container machinery to control the operating logic of the various components. However, there is an option provided to change this setting from -10°C to 5°C . That means certain cargoes which are stored above -10°C , but below -5°C , can be treated as frozen cargoes and the machinery will apply the logic of frozen cargoes.

Air circulation inside the container

The circulation of the cold air from the Evaporator Coil is through the bottom of the container. The hot air from the cargo being lighter tends to rise to the top of the container. The suction to the Evaporator Fans is from the top. The Evaporator Fans force the air downwards through the Evaporator Coil, cooling the air, and this cold air passes through the T-bars at the bottom of the container and reaches the rear end of the container. To facilitate the passage of cold air across the entire length of 20 ft or 40 ft of the container, the evaporator fans are designed to provide sufficient air throw.

T- Bars

T- Bars in the floor of the container provide passage for cold air, which passes through the spaces between the T- Bars and travels right till the end of the container. Cargo is placed on top of the T- Bar floor, the even spacing of the cargo allows cold air to pass through the cargo and cool the cargo. It is important to keep the spaces between the T- Bars clear. Dunnage, paper, plastic and other packing material may block the passage between the T Bars.

Packages for chilled and frozen cargoes

For chilled cargoes, each piece of the cargo (fruit or vegetable) has to be cooled by exposing it to the cooled air. Each piece of the cargo should be wrapped in material which can allow cold air to pass through. Generally, each piece of cargo is carried in plastic net or thin porous paper. Chilled cargo pieces should not be

wrapped in completely enclosed plastic wrapper as plastic is an insulator. A totally sealed plastic wrapper does not allow the cargo piece to breathe. After a little passage of time, there will be a deficiency of oxygen, an excess of carbon dioxide and accumulation of heat resulting in the generation of gases like ethylene from the cargo because of ripening. Plastic when used as a wrapping material must have sufficient holes to allow the cold air to touch the cargo piece, and to allow breathing of each individual piece of cargo.

The cardboard or wooden boxes in which each individual pieces of chilled cargo should not be air-tight or fully sealed. They should have sufficient air holes all around the sides to allow cold air to pass through and cool each individual piece of cargo.

The same logic holds good for frozen cargo. The cold air should be allowed to touch the individual pieces of cargo. However, as frozen cargo does

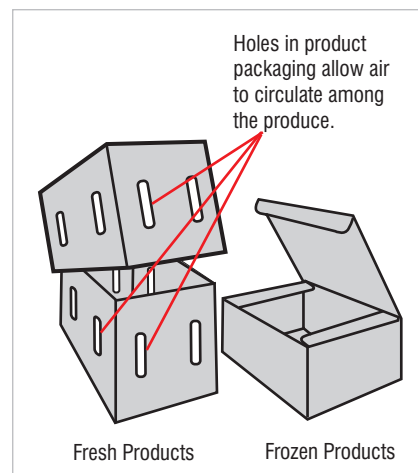
not generate heat or gases and is not a live cargo, the individual pieces of cargo may be packed in fully-sealed air tight wooden or cardboard boxes.

Chilled Cargoes: Cold air should pass through the cargo

Frozen cargoes: Cold air should flow around the cargo.

Loading of cargo inside the container

Proper lashing of stacked cargo should be done. Suitable separating dunnage should be used to obviate any possibility of shifting of cargo during transportation and causing formation of hot pockets. Packing material should have sufficient stacking strength to withstand the weight of the upper tiers of cargo. This is particularly important if the cargo is to be transported across oceans in a refrigerated container, where it is subjected to severe weather conditions and mechanical movement due to rolling, pitching, pounding, panting, yawing and heaving.



Value of reefer cargo

Generally, the value of cargo carried in a 40-foot reefer container is in the following range:

- Fruits, vegetables and plants: less than US\$ 60,000
- Frozen fish, frozen meat, cut flowers: \$ 60,000 to 120,000
- Chilled meat, frozen shell fish, flower bulbs: \$ 120,000 to 300,000
- Temperature-sensitive cargoes – electronic equipment, photographic film, computer chips, printer cartridges, medical supplies: more than \$ 300,000

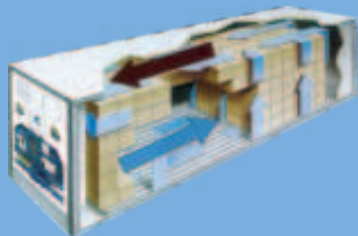
It is important that the shipboard and shore operating personnel are made aware of the value of the reefer cargo they are handling. It is to be noted that if the product is of inferior quality at the time of harvesting, not packed in the right manner, not stowed in the right manner inside the refrigerated container or if the temperature is not maintained accurately within a narrow range, even the best of refrigeration machinery with add-ons like Controlled Atmosphere Systems or Humidification System cannot prevent the cargo from deterioration or damage. Garbage in – Garbage out! **MG**

Maheshwar is a practising marine engineer, working as manager (Training) at Fleet Management Limited, a Hong Kong based ship management company in Mumbai.



Loading of cargo inside the container

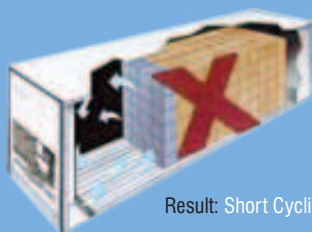
Proper Cargo Loading & Airflow



Load placed in the front of the container



Load placed in the rear of the container



Excessive space between the load



Tracking Efficiency

Telematics-driven cargo transportation promises profits for logistics companies by avoiding cost, labour and fuel-consuming practices.

Maritime Gateway

explores the benefits of Ashok Leyland's ALERT service.



The telematics industry is gradually picking up pace in India as the benefits of integrated use of telecommunications and informatics are manifold. Since 2003, the Indian vehicle tracking segment has witnessed an increase in demand for its units, with the main impetus coming from logistics companies and urban road transport corporations. Telematics is perceived as a low-value product in India and so the real big challenge for telematics players is to create better awareness among the end users regarding the benefits and greater returns.

ALERT is the state-of-the-art GPS-based telematics service for the transportation industry launched by Ashok Leyland. Specially designed with tie-ups with leading international technology partners over the last few years, it aims to reduce the rigours of Indian

transportation fleets, says Jayaram Krishnan, President - Telematics Business Unit of Ashok Leyland.

The service improves efficiencies, reduces costs, improves visibility and enhances ROI for fleet owners, transporters, corporates, logistics solution providers and public transportation service providers across India, Krishnan informs.

Advantages

- It minimises unauthorised use of assets by controlling all unauthorised trips or diversions or stoppages of vehicles
- Longer vehicle life as incidents and accidents due to negligence and overspeeding can be avoided
- Lower maintenance cost and more fuel efficiency due to constant monitoring and better control
- Fewer vehicles to do equal or

more work by diverting other vehicles in case of change in plans and emergencies

- Accurately predict arrival times to help book return loads in advance through better planning and scheduling
- Improved customer confidence for un-interrupted tracking of the consignment and transparency of operations by seamlessly sharing the information with all eco-system members
- Enhanced safety and security of vehicle and consignments
- Low manpower cost for managing administrative controls.

Fleet management

Elaborating on the return of investment (ROI) for logistics companies using telematics, Krishnan says deploying fleet management

services immensely increase the productivity of fleet operations. "In the case of ALERT, it has been witnessed that the transporter can substantially improve ROI, while opening avenues for increased revenue." Some of the typical findings on productivity improvements are:

Increased fuel efficiency: Better monitoring and controlling on driver driving habits like over-speeding, harsh braking, over-stoppages adhering to best routes certainly increase the fuel-efficiency. Over 3 per cent improvement in fuel-efficiency through these measures.

Optimised vehicle utilisation: ALERT enhances planning and scheduling capabilities by allowing fleets to accurately predict arrival times, hence allowing for return-load bookings in advance. This increases the vehicle utilisation efficiencies by over 7 per cent.

Increased customer satisfaction: ALERT enables the fleet operator's customers to track their valuable consignments uninterruptedly, hence bringing transparency into transport operations. This ultimately enables the fleet owners to retain and grow their customer base.

Reduced incidents and accidents: With the help of online driver

“Since nearly 89 per cent of transport operators own at least one vehicle, taking fleet management services to the mass market may take some time and requires relentless efforts from all the fleet management players in the country.”

monitoring and controlling, fleet operators can keep constant vigil on the driver driving habits. This ultimately reduces the number of incidents and accidents.

Since nearly 89 per cent of transport operators own at least one vehicle, taking fleet management services to the mass market may take some time and requires relentless efforts from all the fleet management players in the country.

However, the positive signs for fleet tracking and management services are:

- Automotive, petrochemical and oil & gas companies are increasingly mandating the installation of the fleet tracking & management devices in vehicles servicing their business
- Effective participation of OEMs in Fleet Tracking & Management Service domain
- Entrance of more and more players into the domain
- State road transportation units going for passenger information systems and fleet management systems

Restrictions levied on the availability of map data as well as digital maps are a cause of concern to solution providers. The Government of India announced the new map policy and its recommendations, if accepted by the Ministry of Defence, can relax restrictions on the availability of map

data and facilitate digital map creation across all cities.

Future development

Telematics services offer great scope to strengthen engagement levels with customers. Through this initiative, fleet operators' economics can be improved, both by increasing revenue opportunities and reducing cost. "This initiative will aid our efforts to reposition our flagship Hinduja Group as a technology-savvy and customer-centric company," says Krishnan.

"We are aiming at grabbing a 30 per cent market share of the telematics market. This translates to about 500,000 vehicles over the next three years."

With technical knowhow in place, the telematics business unit of the country's major truck manufacturer is all set to channel its relevant technologies like GPS and RFID for varied applications like vehicle tracking, tolling, traffic management, vehicle prognostics & diagnostics, fuel efficiency management and pilferage control. 

Contact Details

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The Complete Man



Education

- BSc Chemistry, Kolkata University (1970)
- PG Diploma in Management, Indian Institute of Management, Kolkata (1971-73)
- PG Diploma in International Maritime Law & Marine Insurance, Norwegian Shipping Academy

Employment

Chairman & Managing Director, SCI (since February 1, 2001)
Joined SCI in 1973

Honorary positions

President, Indian National Shipping Association
Chairman, CII National Committee on Shipping & Maritime
Past: Vice-president & Director, International Shipping Federation

Hobbies

Playing golf, singing, acting. Earlier, played tennis, cricket, table tennis.

Family

Wife Pranita, chairperson of Prerana, SCI officers' wives association

Daughter Deba Priya, technical writer in Washington

Son Deba Pritam, MBA scholar, Xavier Institute of Management, Bhubaneswar

Shipping Corporation of India CMD, **Sabyasachi Hajara** loves to sing, act and play golf. After steering SCI to great heights in the last 36 years, "work is what I enjoy the most," he tells **Ramprasad** of Maritime Gateway.

You talk about the industry with a lot of passion, knowledge and commitment. How did you get into shipping?

A: I think it came quite natural. I have spent 36 years in shipping. I was the first management graduate to join Shipping Corporation of India. During 1973, when I passed out of Indian Institute of Management, Kolkata, I was campus-recruited by the legendary personality Sir Dr C P Srivastav who was recently awarded Padmabhushan. I was fortunate to be picked up by a person who has been awarded the highest civilian award in about 70 countries. Since then I served only for the SCI. This organisation has been good to me all these years and exposed me to various facets of shipping. In those days I handled the conventional break-bulk shipping. In 1975, I handled right from the start of container shipping, then dry-bulk, tankers and chartering. I was the first one in India to get involved with LNG transportation. Till date, SCI is the only Indian company who is the owner and the operator of LNG shipping. I was the director, personnel for four years during which I was chosen to represent not only Indian National Shipowners' Association (INSA) but also the International Shipping Federation. I also chaired many committees in ILO which gave me exposure to the world shipping community.

I suppose all this exposure gave me the knowledge that you are talking of.

In these three decades can you remember the most cherished moments?

A: There were several milestones which were achieved during my tenure, though not necessarily me at the helm of affairs. Every stage of progression from 1 million tonnes to 6 million tonnes was memorable. Then, achieving 'MiniRatna' status. Fortunately on

August 1, 2008 we became Navaratna which is a coveted milestone for SCI. It gives us total autonomy in terms of investment. Today, we are a totally board-driven company in the sense that the board can take any decision irrespective of the amount as far as investment is concerned. SCI got involved in different aspects of shipping, LPG in the 90s, then LNG in the later part of the 90s. I did my major in marketing and operations in IIM. I was never a HR man. But being in HR, I get to know various leaders of fora on the fleet personnel side as well as shore personnel side. I came in close contact with them.

I had a tremendous advantage. I never did engineering. I did my chemistry in graduation from Kolkata University and joined IIM. I joined SCI as a 20 year-old. So I had the age advantage.

Why did you choose MBA after studying chemistry?

A: Management was just coming up. To be honest, I always wanted to be a doctor as I feel there is no other profession as noble as medical profession. Actually, I passed out of higher secondary school at the age of 14. I was prevented from joining medical college because of the low-age factor. I would have been allowed the next year in case I chose to join. In that phase of life it was difficult to accept the fact that I would become junior to my friends by a year. So I did not join the medical profession. After BSc, there were two options before me – either doing MTech in petrochemicals or joining IIM. I joined IIM. Shipping was not something I intentionally chose. One of our professors used to tell us that higher education in India is highly subsidised. It is not only your parents but the society and the entire nation is contributing to your studies and upbringing. So you should give back to the nation. According to him, the best way to give it back is to work for the government or the public sector. Though in the private sector, you will still be creating national wealth, you are

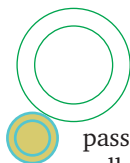
In the private sector, all the shipping companies are promoter-driven and family-owned. In such companies you never reach the top. Whereas in public sector, you can aspire and reach the top if you have the requisite qualifications and willingness to work hard.



predominantly working for a handful of shareholders. At our age, this message appealed to us and a few of us decided to join the public sector. And it so happened that among the public sector, SCI was the best paymaster. After joining SCI, I realised shipping is very interesting and dynamic industry. During my tenure, innumerable offers came from the private sector offering 3-5 times the salary I draw. But I always felt that while working for SCI I draw more satisfaction than money. In the private sector, all the shipping companies are promoter-driven and family-owned. In such companies you never reach the top. Whereas in public sector, you can aspire and reach the top if you have the requisite qualifications and willingness to work hard.

I believe you have great interest in performing arts.

A: We are from Bengal. I am not trying to be parochial. Somehow I feel in terms of culture my state is the most enriched state in the whole country. So singing, music, theatre, drama are almost inborn in most of the cultured Bengali families. I have also participated in singing. I've performed solo in the largest auditorium in



Kolkata. Among friends and social evenings I do sing now. My wife is a regular actress in an amateur drama group. Whatever money they raise through these plays, they donate to charities involved with cancer patients. I have even acted in quite a few dramas. I am associated with the Durga Puja Association in Mumbai. They have a drama every year in which I play a small role. Obviously, I cannot spend much time in rehearsals. Recently, I played the character of great poet Michael Madhusudan Dutta.

Apart from theatre, any other hobbies?

A: Yes. I have always been a sports person. I represented my class in cricket, football and basketball. I represented South Club in tennis. I represented SCI in cricket and table tennis. Today I have become an avid fan of golf. It de-stresses me.

How do you balance life and work?

A: I play golf between 6 and 8 which will not interfere with my work. Till 4-5 years ago, in the evenings, I used to sing quite regularly at home. Given a chance I still like to attend music programmes. That way, Mumbai is endowed with so many maestros. I am invited to so many official functions, apart from the social functions because of the large friends circle; I try to attend almost each and everything. Many a time I land up at two or three functions in the evening. As people invite me as the chairman of SCI, I feel attending the functions is duty to my chair. Business is more or less standardised in matters of price. One thing that is not standardised is relationship. So building the image of organisation through networking is very important.

You started your career as a management graduate and led SCI to great heights. What is your advice to young managers?

A: I will say only one thing. In our generation we found different kind of loyalty to the organisation. And also we had different kind of pride in our profession. Today, these aspects seem to be lacking. I am absolutely

passionate about SCI. I strongly feel and tell every colleague of mine that this organisation belongs to 1.1 billion citizens of this country. Hence, working for SCI is working for the nation. We are a unique company. The kind of ties that we have within the organisation is like family. I tell my colleagues when they leave the organisation, whether on superannuation or for better prospects, that they do something good for SCI and never jeopardise its interests – because SCI has groomed them.

How do you define yourself as an individual?

A: My wife says, after I retire, I should be remembered by the organisation and its people not because of my position but because of my behaviour. The CEO position gives you an advantage of doing good to the organisation and people. I want to use this God-given opportunity to do something good for both the people and the organisation. I consider myself very sincere and passionate. I try not to lose temper in times of adversity.

I like devotion and sincerity. I always say competence is made up of knowledge, experience and attitude. In my opinion, attitude is the most important thing.

Tell us something about your family?

A: My wife, Pranita, for a long time remained a housewife. She used to teach in Kolkata. She has a tremendous ability to get along. She leads 'Prerana', the SCI officers' wives association, as the chairperson. This organisation takes care of the corporate social responsibility and through fundraising every year, conducts several charity programmes. She is also a good pianist. My daughter Deba Priya is a technical writer; got married the year before last and is now in Washington. She is also a pianist, singer and a good linguist. My son Deba Pratim is doing his MBA in Xavier Institute of Management, Bhubaneswar. He has been selected by SBI Caps in campus recruitment and will be coming to Mumbai to live with us after a long time. He also sings well and plays violin. **MG**



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National Maritime Day

Youth asked to join merchant navy

The 46th National Maritime Day celebrations were organised in Chennai on April 5 by the National Maritime Day Celebrations Committee. Speakers taking part in the event called upon youth, especially from the fishing community, to join merchant navy in view of the worldwide demand for 87,000 navy officers in the coming four years. Earlier, Chennai Port Trust chairman K Suresh took a guard of honour.

Principal officer in the Mercantile Marine Department, Purnendu Misra said youth should be encouraged to take up maritime profession by giving them more scholarships. Pro vice-chancellor of the School of Maritime Studies, Vels University, Capt K Vivekanand was also present.

Commemorating the day in another function, Andrew T Simkin, US consul-general said pirates who have been hijacking ships in the African region should be prosecuted as criminals to make the maintenance of law and order more effective. Ennore Port chairam S Velumani was present at the event.



Chennai Port Trust Chairman K Suresh (centre) and members of the National Maritime Day Celebrations Committee at the commemoration of the special day.

Sailing Camp

Learning to sail

The Tamil Nadu Sailing Association has conducted a week-long sailing camp in Chennai inner harbor for newcomers to the sport. Enthusiastic boys and girls from the age of 7 and above took theory and practical lessons from experienced sailors, as part of the camp. Meanwhile, the Navy, Coast Guard and the Chennai Port Trust, in coordination with TNSA, flagged off a sailing expedition to Rameswaram. Eight Army sailors and two from TNSA set sail in two ocean-going Maxi 77 yachts. Lt Gen Gautam Dutt flagged off the expedition, that will touch Alamburai Kottai, Pondicherry, Thirumullaivasal, Nagapattinam, Kodiakarai, Thondi and Mandapam and return via the same route covering a distance of 1200 km. A team cycling expedition to Rameswaram was also flagged off on the occasion.



Trainees at the sailing camp (top) and the two Maxi 77 yacht set sail on an expedition to Rameswaram.

APRIL 2009

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



27-29

The 3rd ShippingTech 2009

At Pudong Intercontinental Hotel Shanghai

The annual conference for worldwide shipping industry will focus on energy shipping, shipping efficiency, safety, environment and shipbuilding innovation. It is likely to attract more than 35 distinguished speakers and 200 attendees.

www.lobaleaders.com/en/2009/ship2009/index.asp



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



JUNE 2009

25-28

FFFAI 19th Biennial Convention

At Park Hyatt, Goa

The convention of the Federation of Freight Forwarders' Associations in India will discuss 'Logistics Integration in Emergent India' and 'Reshaping for the next upswing'. Nearly 500 delegates from India and abroad are expected to attend. For information, contact: fffaiv@vsnl.com or call 022-6710 7495 / 7496.

www.ffaai.org



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.

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.transportevents.com

APR 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



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

MAY 6-7

ShipTek Expo 2009
Singapore Expo, Singapore

The two-day international conference comprises of the 3rd International Maritime Video & Excellence Awards & the launch of Marine Biz TV in Southeast Asia.

www.shiptek2009.com

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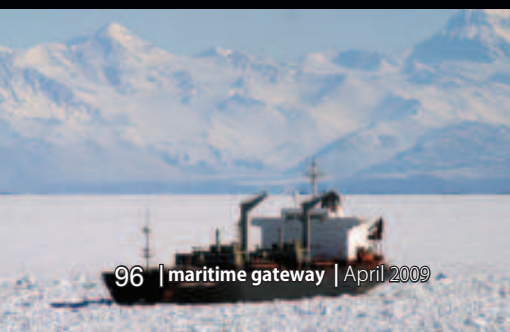
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No Icebreaker!



Remember *The Titanic* and its accidental brush with an iceberg that sent the mighty luxury liner down to the seabed. Well, we assume that vessels break the ice forcing it aside. But no, ships ride up and over the ice in front of them and their weight eventually breaks the ice. As more and more ships, including supply ships, tankers, container ships and even warships touch the polar regions these days, they are made of steel and specially strengthened to sustain icebergs on their way. Though not ice-breakers, they are 'ice-strengthened' vessels having rounded keels as against the normal protrusions, designed to be stable and roll heavily even on a solid sea. They can cope with continuous one-year-old ice about 50-100cm thick. So, no titanic strokes anymore. **ME**





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