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**'It's about making
better decisions'**

Rick Blasgen, CEO, CSCMP

*The Indian dredging industry
is estimated to be ₹600
crore and expected to grow
two to three times in five
years. What the country lacks
is a proper dredging policy*

WHAT AILS INDIA'S DREDGING?

SpotLight inside
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OPENING REMARKS

Time demands a rational voyage



Extraordinary times call for extraordinary measures. This seems to be the guiding philosophy of A.P. Moller-Maersk, the world's largest container shipping company in terms of revenue.

Globally, container shipping industry is sailing through choppy waters. For the last couple of years, the industry has been facing unprecedented challenges. Falling freight rates, declining trade volumes and over capacity amidst global economic recession have dragged many shipping companies into red, even forcing some of them to file for bankruptcy.

It is in against this backdrop that Maersk took innovative yet rational steps to cut down losses and retain profitability. Maersk relied on fuel efficiency and capacity rationalisation to improve profitability. It is interesting to note that the company's CO₂ performance is starting to become a real competitive parameter.

These efforts paid off and Maersk returned its shipping line to profitability in 2012. Now the company expects to improve its prospectus again in 2013. With about 17 per cent market share, Maersk may not be able to control the container shipping industry. But the optimistic signals from the company indicate that 'acting rationally' will help the industry tide over the crisis.

This month, Maersk has also stated that it would stop using the Panama Canal to transport goods from Asia to the US East Coast as bigger ships help the company move them profitably through Suez Canal.

Lines need to keep their discipline in terms of capacity management this year.

While aping the market leaders does not always ensure success in this case, other shipping companies can look at taking a leaf or two from Maersk's book.

Maersk estimates that the nominal capacity of the container shipping fleet will grow 11 per cent, while headhaul demand will grow at just 3 per cent. This leaves a yawning gap

of 8 per cent that can be disastrous in container shipping.

Lines need to keep their discipline in terms of capacity management this year. With a forecast of scrapping 2 per cent of the fleet this year, a 1 per cent increase of the idle fleet to roughly 6 per cent mainly as lines return chartered ships to tonnage providers, and additional slow steaming to soak a further 2 per cent of capacity, this would bring down the gap in demand and supply to around just 2 per cent rather than 8 per cent.

It is not Maersk alone, which is predicting a good future for container shipping industry. A new report from Nomura – Trends in Transport – says liner efforts to reduce supply and return to profitability from the second quarter of last year boded well for 2013. It says, container shipping profits will improve this year and could make a major jump in 2014 and 2015 if lines do not start placing major orders for new vessels.

So, just one more year. After which, the lines will be able to reap the benefits, provided they retain their 'rational behavior.'

Ramprasad

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Corrigendum

In 'Contents' page of Maritime Gateway (issue dated March 2013), we inadvertently carried the name of **Sandeep Chandra**, Member, National Shipping Board, as Sandeep Mehta. The error is regretted.

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SPOTLIGHT
Innovation in Focus

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2 serviced | 1 domestic
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capacity



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transportation:
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4,300-berth **MSC Preziosa** on first voyage

Europe's largest cruise ship, the *MSC Preziosa* - a behemoth longer than the Eiffel Tower - has cast off on its first voyage. The ship is 333 metres long, can carry 4,300 passengers and 1,400 crew and has four swimming pools measures among the 10 largest ships in the world.

ICTSI net income grows 10 per cent to \$143.2 million

International Container Terminal Services, Inc (ICTSI) has reported consolidated audited financial results for the year ended December 31, 2012, posting revenue from port operations of \$729.3 million, 10 per cent higher than the \$664.8 million reported last year.

ICTSI handled consolidated volume of 5,628,021 twenty-foot equivalent units (teu) for the year ended December 31, 2012, 8 per cent more than the 5,233,795 teu handled in 2011.

SAIL to double US net coal imports to 4 mil mt/year

India's largest steel producer SAIL is planning to double its imports of US metallurgical coal from the current 2 million mt/year within months as part of plans to diversify its sources of supply, a company official said. "We have used US coking coal fairly successfully and with no adverse effect on coke batteries," Anutosh Maitra, managing director of the company's Bokaro steel plant, said.

New Mangalore Port traffic handling up 13%

The New Mangalore Port Trust crossed the total traffic handling of 2011-12 in the first 11 months of 2012-13. The port handled 33.61 million tonnes of cargo during April-February of 2012-13 as against 29.76 mt in the corresponding period of the previous fiscal, recording a growth of 12.93 per cent.

The handling of cargoes such as coal, iron ore fines, crude oil and petroleum products have seen a growth during the first 11 months of 2012-13. The coal cargo handling has seen a jump of 85.88 per cent. The port handled a total of 6.32 mt (3.40 mt) of coal during the period. This included 2.24 mt (1.27 mt) handled by Udupi Power Corporation Ltd (UPCL), and 4.07 mt (2.13 mt) handled by other users in hinterland areas. Based in Udupi district, UPCL operates a 1,200 MW thermal power plant.

Govt to set up two new ports in WB, AP

In a bid to increase port capacity in the country, the government has announced to set up two new ports in the states of West Bengal and Andhra Pradesh. "Two new major ports will be established in Sagar, West Bengal and in Andhra Pradesh to add 100 million tonnes of capacity," P Chidambaram, Union Finance Minister said while presenting the Union Budget 2013-14. The budget proposal for developing deep sea port at Sagar Island may prove to be a shot in the arm to West Bengal. The ₹8,000-crore project, to be developed through the PPP route, may add 60 million tonnes cargo handling capacity to the Kolkata Port Trust (KoPT)

The government is yet to identify the location of the port in Andhra Pradesh.

In addition, the FM also said that the government is planning to develop an outer harbour at the VO Chidambaranar Port in Tuticorin at an estimated cost of ₹7,500 crore.

Ports lobby conspiring against Vizhinjam project

Former Ports Minister M Vijayakumar has accused the state government of being party to a conspiracy by an international ports lobby and the Planning Commission against the Vizhinjam international deepwater multipurpose seaport project. Addressing a press conference recently he said the previous Left Democratic Front government had decided that the Vizhinjam project, after the proposed public-private partnership (PPP) model had failed three times, would be developed as a 'landlord port,' wherein the state would remain the owner and the private sector would come in only for the operations part. However, the Planning Commission recently suggested a PPP model and its infrastructure adviser, Gajendra Haldre, during his recent visit had conveyed the same to the state government.

South American grains drive Panamax Shipping to seven-month high

Rates to hire Panamax ships, the largest to transit the Panama Canal, climbed to the highest in more than seven months amid increasing South American grain cargoes.

The global fleet of 2,320 Panamaxes carried more than 40 per cent of grains shipped by sea in 2012, according to figures from Clarkson Plc and ICAP Shipping International Ltd., two London-based shipbrokers. Panamax rates rose in March in four of the past five years, exchange data show. Panamax capacity expanded by 13 per cent in 2012, the second-fastest rate of expansion since 1982, Clarkson figures show.

Jindal Steel settles for 49% stake in Odisha's Gopalpur Port

Jindal Steel and Power Ltd (JSPL) had to rework its plan to acquire a majority 60 per cent stake in Gopalpur Ports Ltd and instead settle for 49 per cent after the Odisha government rejected its proposal because the sale did not comply with terms of the contract. Gopalpur Ports, the entity that is building a new port in Ganjam district, is an equal joint venture between Sara International Ltd and Orissa Stevedores Ltd. The firm was awarded the port project by the Odisha government in September 2006 for development and operations for an initial period of 30 years, extendable by another 20.

Dhamra Port handles 10 mn tonnes of cargo in FY 2012-13

The Dhamra Port in Odisha said it has reached a milestone handling 10 million tonnes of dry bulk cargo in the 2012-13 fiscal against over 5 million tonnes handled during the previous year. There has been over 60 per cent increase in total imports of coal and limestone and projected total handling of the port for the current fiscal was 11.2 million tonnes.

CKYH to reshuffle Asia-north Europe and Asia-Mediterranean trades

Container shipping lines that make up the CKYH "Green Alliance," namely Cosco, "K" Line, Yang Ming and Hanjin Shipping, are reorganising their service network on Asia-North Europe and Asia-Mediterranean trade lanes. The Green Alliance will be providing four loops (NE2, NE3, NE6 and NE7) for the Asia-North Europe route and three loops (MD1, MD2 and MD3) to serve the Asia-Mediterranean trades from early April.

India to line up OPEC alternatives to Iranian supply

OPEC's biggest oil producers are in talks to supply extra crude to India as the nation prepares to halt purchases from Iran because of global sanctions, four people with knowledge of the matter said.

Indian refiners, who are waiting for an order from the oil ministry on whether to stop buying Iranian cargoes, are discussing annual term contracts with Saudi Arabia, Iraq and Kuwait for the year starting April 1. While the volume hasn't been set, the Indian companies have been told there is enough supply to cover the loss of Iranian crude, the people said.

ICRA: Cargo traffic a concern at major Indian ports

Concerns over cargo volumes being handled at major ports intensified, as volumes dropped 2 per cent to 135 million tonnes from October 2011 to December 2012 compared with the year-ago period, according to rating company Icria Ltd. Volume, however, rose by 2 per cent in the December quarter from the preceding three months as Indian ports witnessed high cargo volumes during the fiscal third quarter, Icria said in a report. For the nine months ended December 31, cargo handled by major ports fell 3 per cent to 405 million tonnes from a year earlier.

NIIT implements Cargo Ground Handling System

NIIT Technologies announced the successful implementation of WOS (Warehouse Operating System), an integrated cargo management solution, to manage cargo handling operations of Cathay Pacific Services Limited (CPSL), a wholly owned subsidiary of Cathay Pacific Airways, at their brand new Cathay Pacific Cargo Terminal in Hong Kong SAR.

Exports rise 4.2 per cent in Feb; imports up 2.6 per cent

Exports rose 4.2 per cent to \$26.25 billion in February, compared with \$25.2 billion in February 2012. This is a consecutive month's rise in exports, according to data released by the Ministry of Commerce and Industry. This financial year, only three months recorded a rise in exports – April 2012 (3.23 per cent), January (0.82 per cent) and February (4.23 per cent).

STEVEN SPIELBERG TO TRAVEL THE WORLD ON YACHT

Legendary Hollywood director Steven Spielberg is looking to take some time off at some of his most famous film locations. The trip will take Steven Spielberg on around the world in his \$200-million yacht in an epic voyage that will see him returning to locales that served as the place for his most classic cinematic pieces. Beginning in North Africa and Sri Lanka, where he filmed his *Indiana Jones* movies, Spielberg will then disembark at Shanghai where he made *Empire of the Sun*, and Hawaii where *Jurassic Park* filmed on Kauai.

The 282-ft. vessel, comes with a private owner's deck fitted with a commodious master stateroom, study and private Jacuzzi. The yacht can sleep 12 guests, with a staff of 26. *The Seven Seas* has an insane infinity pool with a 15-foot dual-purpose glass screen that will allow loungers and swimmers to watch films by the poolside.



VOICES



We have received and approved 63 proposals for FDI in single brand retail so far. ”

- Anand Sharma
Union Commerce Minister

“We would like to cover India first and for this we will add a few more ports. Globally, we are exploring options for acquiring greenfield or brownfield port projects.”

-Karan Adani
Executive director, Adani Ports

“Warehousing, transshipment terminals, inter-modal interface and last mile transportation from rail head have to be integrated for achieving optimum results.”

- Pavan Kumar Bansal
Union Minister for Railways



Container ship capacity to grow 11 per cent this year, outpacing demand. The industry is likely to scrap more vessels, sail them at even slower speeds and idle more ships in order to balance supply with growth.

- Soren Skou
CEO, Maersk Line

NUMBERS

\$120

million per year –
Net profits of Somali Pirates



Piracy cost to the
Shipping industry

\$3.3

billion
per year.

₹7,00,000 crore

worth of Infrastructure projects stuck in red tape in India.
This is equivalent to half the government spending in the current financial year.

9.69

lakh tonnes of
vegetable oils –
India imported in
February 2013.



China's ports grew between **3%** to **10%** while
European ports' growth was less than **3%** in 2012.

Cranes at DP World's London Gateway port are **138** metres and each weigh **2000** tonnes. They will operate on a new quay wall **2.7** km in length with foundations that go 16 storeys deep

World's Container Ports With Most Potential



Rank	Port	Country	Rank	Port	Country
1	Dalian	China	6	Long Beach	America
2	Yingkou	China	7	Santos	Brazil
3	Qingdao	China	8	Lirquen	Chile
4	Tianjin	China	9	Balboa	Panama
5	Durban	South Africa	10	Quanzhou	China

India initiates move for direct sea, air link with Latin America

The Ministry of External Affairs has initiated a move to establish a direct sea and air link between India and the Latin American region, as Indian corporates line up significant investments in the oil, mining, IT and pharmaceutical sectors there.

The Ministry has taken up with the Ministries of shipping and civil aviation

for establishment of these links. Absence of a direct sea link is also a bottleneck in the growth of trade between the two regions, as it currently takes about 45 days for a ship from India to reach that part of the world. "Ships currently go through different transshipment ports in Europe to reach that region. If there is a direct sea lane, the time could be reduced to 30 days. We are also talking with different shipping companies to explore the possibility of a direct link," Dammu Ravi, Joint Secretary (Latin America and Caribbean), Ministry of External Affairs, said.

India is targeting to double the trade between India and the 33 countries in the Latin American region from the current level of \$30 billion in the next five years. The 33 countries in this region recently came together to form a single trade entity, looking for increased bilateral trade and technological cooperation with India.

Land acquisition begins for Ashuganj container port



The Bangladesh government has started the process of acquisition of 18 acres of land for construction of an inland container river port at Ashuganj under an Indian Line of Credit (LoC), officials said. The Bangladesh Inland Water Transport Authority (BIWTA) recently asked the deputy commissioner of Brahmanbaria to start acquiring privately-owned land so that the project can be implemented in time. About 30 acres of land will be needed to construct the container port which will mainly facilitate handling of Indian containers at Ashuganj on their way to the state of Tripura in India.

India is eager for quick construction of the container port that will facilitate transportation of goods to Agartala, the capital of the Indian state of Tripura, which is only 50 km off Ashuganj. India wants to get transit and transshipment facilities in Bangladesh, mainly for carrying cargoes to its 'seven sister states' of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura.

Drewry: Carrier alliances to grow after GA, NWA merge loops

Drewry Supply Chain advisors say more container shipping alliances can be expected indicated by the planned merger of the Grand Alliance's and New World Alliance's schedules between Asia and the east coast of North America. But Drewry also warned that the consequences include less shipper choice and potential anti-trust infringements.

The London shipping consultants described the planned move by Grand Alliance carriers Hapag-Lloyd, NYK and OOCL and New World Alliance ocean liners APL, MOL and HMM as "probably the tip of the iceberg", adding that "much more is likely from other alliances/consortia over the next 12 months", according to its research.

"This is because there are still another 47 vessels over 10,000 teu due to be delivered in 2013, most of which will be deployed in the Asia/Northern Europe trade lane, as the Asia to Mediterranean trade lane is already hopelessly over-tonnaged," a statement said.

Shippers are facing uncertainties prompted by the sudden, high number of container service sailing cancellations, which rose to 150 on the transpacific and Asia-Europe trades between October and February, according to Drewry Maritime Research.

It says the sailing cancellations have had demonstrable effects on freight rates and regularity of service provided to shippers.

Bangladesh to have Ship Recycling Law by June

Bangladesh is all set to introduce the Ship Breaking and Recycling Law by June, to create a safe environment for the sector, Dilip Barua, Bangladesh Minister of Industries, said recently. The IMO and the Norwegian Agency for Development Cooperation (NORAD) will work together to create a platform for an environment-friendly industry, he stressed after meeting with officials from the Oslo-based agency.

GVK sells 51% stake in Hancock's rail, ports

Infrastructure major GVK sold majority stake of 51 per cent interest in its Australian mine, Hancock's rail and port infrastructure, to Aurizon. Australian rail freight company Aurizon would invest in Hancock Coal Infrastructure Pty through upfront consideration at completion of the transaction and deferred consideration at financial close of each phase of the projects. The amount of investment was not revealed.

Hancock Coal Infrastructure is looking to develop a potential 60 million tonnes per annum port and a rail project, that would export coal from the Galilee basin, where Hancock is located. "Collectively, the proposed development of rail and port infrastructure could represent an investment for Queensland in the order of \$6 billion (₹32,640 crore).

DNV KEMA's new Multiphase Flow Lab



Energy consulting and testing & certification company DNV KEMA has opened new Multiphase Flow Laboratory (MPFL) in Groningen, the Netherlands. The facility will allow equipment manufactures and oil & gas companies to test, validate and calibrate multiphase technologies – e.g. separators and flow meters – for the production of oil and gas, and the measurement and trading of gas. As the MPFL is operating in a unique true-to-life environment, the facility will help increasing the accuracy of future multiphase flow meters, as well as the efficiency of future multiphase separators. As a result, it is expected that the economical and operational risks of oil and gas fields can be better managed. With the MPFL, DNV KEMA

responds to the increasing global demand for and supply of gas. One of the continuous challenges of the upstream market is to reduce costs in order to optimise the production of gas and oil fields. Technology development is one of the key drivers in optimising and enabling growth of the upstream markets.

DNV KEMA has invested in the upgrade of the existing “wet gas” closed loop facility to a full Multiphase flow test lab. It will be capable of recreating the kind of conditions equipment would face in the field. This includes a full range of multiphase fluid compositions at realistic temperatures, pressures and flow rates. It will also accelerate industry efforts to develop standards for equipment and testing protocols.

Coal handling issues at port trip TN private power firms

Private power producers in Tamil Nadu are worried as lack of coal handling capacity at Ennore Port is likely to hamper their production plans in a couple of years. The situation could also affect the state's efforts to attract new private power producers to set up units in North Chennai. As such the state is facing severe power shortage.

Till two years ago, private power producers were happy as the facility at Chennai Port fully served their purpose. However, in October 2011, the Madras High Court ordered shifting of dirty cargoes of coal and iron ore from Chennai Port to Ennore, following complaints about pollution.

This shifting has affected many industries, including private power producers, who are dependent on private coal. Things are likely to become worse in two years, unless an additional berth is provided at Ennore to handle non-Tamil Nadu Electricity Board coal, officials of private power companies said.

Government to set up panel to frame incentives for coastal shipping

A panel will be set up to draw up incentives for greater movement of cargo through coastal shipping and inland waterways than road or rail, Union Shipping Minister G K Vasan said.

Speaking to reporters after participating in the 121st meeting of National Shipping Board (NSB), Vasan said: “A high power committee will be set up to formulate an incentive scheme to encourage movement of cargo by coastal shipping or inland waterways.” He said another committee will be set to review the oil spill at the ports. In order to recover ships that get grounded or to prevent them going adrift, Vasan said one emergency towing vessel (ETV) each will be stationed at Mumbai and Chennai Ports before the monsoon season.

DTDC launches e-retail logistics firm

DTDC Courier & Cargo launched its specialised logistics company, DotZot, which it claims will be the first pan-India delivery network across 2,300 cities focusing exclusively on the e-commerce space. Addressing a press conference, Abhishek Chakraborty, Executive Director, DTDC Courier & Cargo, said the strategic ambition of DotZot was to be a complete order fulfilment partner for e-retailers.

“From warehousing to pick & pack, ship & deliver,” he said, adding, “in three years time, we are expecting revenues of ₹100 crore from DotZot”.

Idle boxships up to 5.3 pc of global fleet above 500 teu

The number of idle containerships worldwide with capacity greater than 500 teu has risen to 296 units for an aggregate 862,000 teu or 5.3 per cent of total operating capacity, reports *Alphaliner*. The bad news is that even with 753,000 teu out of the picture, record newbuilding deliveries combined with weak global trading conditions are likely to eclipse gains made through lay-ups and scrapping, which means capacity will outstrip demand and put pressure on freight rates.

Major ports: 82 projects taken up for capacity modernisation

The government said only 82 of the 276 projects for increasing capacity and modernisation of 12 major ports have been completed so far under the National Maritime Development Programme.

A large number of the total projects have been delayed, while some have been dropped. Besides, scores of them are still at the planning stage. "Out of these 276 projects, 82 projects were completed as on December 31, 2012 and 98 projects are under progress on that date," Shipping Minister G K Vasan said in a written reply to the Lok Sabha. He said while 66 of the remaining projects were at planning stage, 30 were dropped.

The NMDP, conceived in 2005-06, aimed at augmenting the capacity of 12 major ports, involving 276 projects, at a cost of ₹55,000 crore by March 2012, among other things. Maritime Agenda 2020 has now replaced the NMDP.

Vasan attributed the delays to factors such as non-finalisation of model



documents for request for qualification (RFQ), request for financial proposal (RFP) and modern concession agreement (MCA), adding that poor response from bidders and delays in necessary clearances led to non-completion of schemes.

He said the government has initiated a number of steps including

standardisation of RFQ, RFP and MCA documents and enhanced delegation of financial powers to Shipping Ministry to accord investment approvals for PPP (public-private-partnership) projects.

Also, apart from close monitoring, the Ministry is streamlining the security clearance procedures, Vasan added.

SCI to cut spending next year

With the shipping sector reeling under the global slowdown, the Shipping Corporation of India (SCI) will be spending around 22 per cent less money in 2013-14 compared to the current year. The Union Budget estimates that the government-controlled company will total internal and extra budgetary resources at ₹1,939 crore for the coming financial year compared to ₹2,497 crore spent in 2012-13.

SCI will be using the money to pay for purchase of vessels during the coming year. Around 17 ships are still to be delivered to SCI, of which delivery of at least four to five are expected in 2013-14. "We want to consolidate our cash. We have enough deliveries in the pipeline. We are not thinking about placing any new order this year," said Sunil Thapar, director-bulk and tanker division, SCI.

Government partially deregulates port tariffs

For port projects that are awarded next fiscal, project developers may be able to fix market-linked tariffs. The tariffs can be higher than the recommended charges by the ports tariff regulator Tariff Authority of Major Ports (TAMP). This is a step towards partial deregulation of tariff setting of major ports, or ports that are under the aegis of Central Government.

Present norms define the tariff ceiling for port developers, which means they can charge lower tariffs but not higher tariffs than what TAMP has recommended. The move is expected to be good for companies looking to develop and operate Indian ports.

This is according to the Shipping Ministry's new draft guidelines for tariff setting for major ports, and will be applicable to projects whose financial bids are invited next fiscal.

ClassNK approves revolutionary Minimal Ballast Water VLCC Design

Leading classification society ClassNK announced that it has granted AIP (Approval in Principle) to the MIBS (Minimal Ballast Water Ship) VLCC design developed by Namura Shipbuilding Co., Ltd. in cooperation with the Shipbuilding Research Centre of Japan.

Although the IMO's Ballast Water Management Convention has yet to enter into force, installation of ballast water treatment systems are already presenting owners with both financial and technical challenges. Namura's new MIBS VLCC design addresses the challenges via the use of a revolutionary new hull form, which greatly reduces the amount of ballast water necessary for safe operations. The MIBS design reduces the weight of ballast water required in normal ballast conditions by around 65 per cent, paving the way for the use of smaller ballast water treatment systems and reducing fuel consumption.

Agility launches temperature-controlled pharma warehouse at Nhava Sheva

In response to demand from pharmaceutical customers for a comprehensive range of advanced logistics services, Agility Logistics opened a new 300-square metre temperature-controlled warehouse at Nhava Sheva, near Mumbai. The facility was inaugurated by Chris Price, Agility CEO-Asia Pacific, and Abhay Singh, Manager-CWC Logistics Park.

Located in the Hind Terminals container freight station (CFS), this showcase logistics centre will provide customers in western India and northern India with

optimal storage and handling facilities for pharma products, including dust-free temperature-controlled areas for these sensitive items. Some of the centre's unique features include storage in a temperature-controlled facility (18°C), end-to-end temperature tracking backed with data logger reports, thus ensuring integrity of temperature check sheets, consolidation under supervision of B Pharm graduates, thereby ensuring due compliance while stuffing containers, and last mile deliveries at destination in thermal/temperature-controlled vehicles.

Shree Shubham to expand warehousing capacity

Leading agri-logistics player Shree Shubham Logistics is adding 4 lakh tonnes of warehousing capacity by September 2013, as domestic demand for warehousing for agri commodities balloon. The company, which has an inventory of 2 lakh tonnes, is spending ₹270 crore on the new warehouses coming up across 16 locations spread over Madhya Pradesh, Maharashtra and Rajasthan. A subsidiary of the Kalpataru Power Transmission Ltd, Shubham Logistics provides the entire range of warehousing services, including transportation, grading, sorting, testing, storage and financing of a bevy of agricultural commodities. "These warehouses, to be completed by 2014, will be located in new states such as Andhra Pradesh, Karnataka, Uttar Pradesh and Bihar.

Edible oil import growth slows as stock on ports touches record high level

Edible oil imports for the month of February this year have risen 10.55 per cent to touch 9.68 lakh tonnes compared to February 2012, which is slowest growth in the last three months. In January, imports went up by 75 per cent to touch a record high in last two decades since India started importing edible oil.

The fall in import growth was attributed to very high stock pile up on ports. As on March 1 this year, the total stock on all ports was 9.30 lakh tonnes with about 1.03 million tonnes stock more in pipeline due to excessive import in the last 3 months.

Barge link proposed between Chennai and Ennore ports



A 'marine highway' to ferry containers by barges between Chennai and Ennore ports has been mooted. The Shipping Ministry is also very keen on this project, which will decongest the road highway. Containers coming to Chennai's two private container terminals can be taken by barges to Ennore via the sea. From Ennore, the containers can be taken to an off-dock container freight station for customers to take delivery of the cargo, said CII's pre-feasibility report 'Logistics Collaboration between Ennore and Chennai ports.' The report was released by Shipping Minister G K Vasan.

Due to congestion delays container terminals at Chennai are currently handling 1,200 trucks every day against the road handling capacity of 1,700 trucks. The remaining 500 trucks are parked on city roads. At least 2,000 container trucks wait for a minimum of 24 hours on a daily basis on Chennai Port access roads from S.N. Chetty Street up to Central Warehousing Corporation, Madhavaram, the report says.

SCR Vijayawada division feels let down

The South Central Railway, Vijayawada Railway Division, has made notable progress in freight loading operations. In spite of it, no allocation has been made to develop new lines in the Railway Budget. The division loaded 2.486 Million Tonnes (MT) by operating 1,346 wagons per day during February 2012-13, as against the target of 1,273 wagons. The division recorded 15 per cent growth in freight loading this year.

Plan to station emergency towing vessels for West, East coast

Emergency towing vessels, which are used for rescuing grounded vessels and ships, would be stationed at Mumbai to cater to the western coast and Chennai for the eastern coast, Shipping Minister G K Vasan said. He said such vessels were found very handy during rescue efforts of vessels in distress, especially during the monsoon season and when cyclones usually strike.

Sri Lanka takes next step to open strategic China-built port



Sri Lanka will start storing bunker fuel at the \$1.5-billion Hambantota Port in June, a senior official said, after years of delays to the Chinese-built installation that sits on strategic shipping lanes, and a key step to making it commercially viable. The \$130-million storage project contains eight tanks of bunker oil for ships and six tanks of aviation fuel and LPG.

The port is envisioned as a refuelling and service point for cargo ships which pass a few kilometres away off the southern tip of the Indian Ocean island nation, on one of the world's busiest East-West shipping lanes.

Auto freight train operators want to widen commodity basket



Companies that want to be automobile freight train operators (AFTO) would like the Indian Railways to expand the cargo basket to permit spare parts in the list of goods that can be moved through automobile wagons. In the new auto freight train operator policy to be finalised soon, Railway already proposes to expand the cargo basket for AFTO.



"We propose to allow knock down units of automobile and car shells for transportation through specially-designed wagons," said Suhas Kumar, Advisor (Freight Marketing). This is over and above the original list of finished vehicles including tractors, two-, three- and four-wheelers.

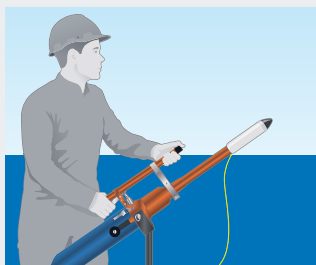
Larger the permitted cargo basket of automobile-related products, more will be the business opportunity for AFTOs to tap into. Typically, it allows private players to move in where the Railways is unable to capture large market due to various reasons.

Safety at sea:

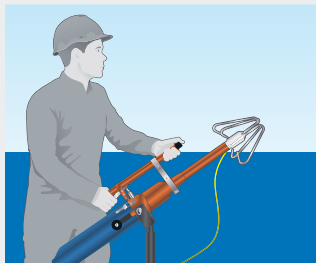
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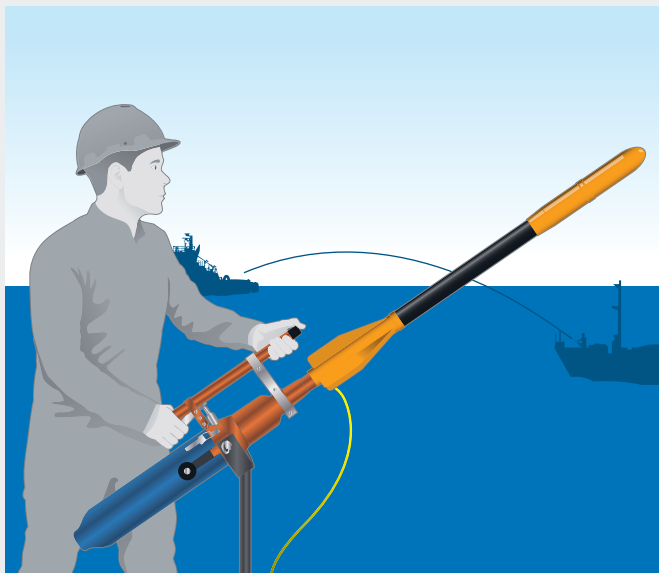
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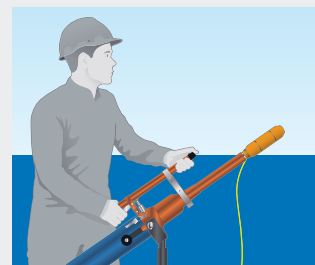
Vessel to vessel



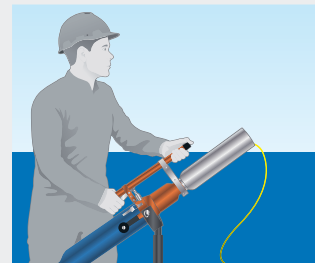
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Oil-tanker charter rates hit new high



Charter rates for the largest oil tankers on the industry's busiest trade route from Saudi Arabia-to-Japan reached a two-month high in March as demand for the vessels strengthened. According to the Baltic Exchange data, hire costs for very large crude carriers on the benchmark Saudi Arabia-to-Japan voyage rose 2.4 per cent to 37.15 industry-standard World scale points, resulting in the 10th straight increase and lifted rates to the highest

level since January 21. With the supply of supertankers available in the Persian Gulf until April 10 declining by five, the potential for higher rates is there in future. The number of tankers booked to load this month rose to 115, compared with 102 in February. According to shipbroking agencies, this trend is continuing for early April, which will be a nice boost for the market and there is increased demand from March 20 onward.

Shell launches first 100 per cent LNG powered tank barge

Global energy company, Shell, has launched the first 100 per cent LNG powered tank barge, 'Greenstream'. This is the first time the marine industry is witnessing such a barge from an energy company. The LNG barge, which is part of a new European LNG marine fuel industry, was designed and built by the Netherlands' Peters Shipyards and will be managed by fellow Dutch company, Interstream Barging (ISB). Greenstream will begin operating in the Netherlands, Belgium, Germany and Switzerland in the next few weeks. Shell also plans to develop two LNG corridors over the next few years, primarily for the maritime industry in the Gulf Coast and Great Lakes areas of North America.

Damco records significant growth

Damco, one of the world's leading freight forwarding and logistics service providers, reported a 19 per cent increase in net revenue compared to 2011. Net revenue in 2012 increased to \$3,272 million, from \$2,752 million in 2011. Gross profit saw a rise of 7 per cent to \$807 million in 2012.

Airfreight tonnage almost doubled, recording a growth over last year of 91%. The rapid growth in airfreight was partly due to the full year effect of the acquisition of NTS (a China-based freight forwarder) in August 2011, but also excluding that effect Damco's growth in Airfreight was well into double-digit percentages.

Licences of 9 ships of Pratibha Shipping company cancelled

The Director General of Shipping has cancelled the licenses of nine ships belonging to Mumbai-based Pratibha Shipping Company for lack of a seaworthy certificate, according to a top official. "We have cancelled the licences of nine ships of Pratibha Shipping, six of which are in Indian waters... two are in the Eastern coast, two are off Chennai coast, one in Visakhapatnam and one in Goa. All the six vessels have been told to pay the wages to sailors," Director General of Shipping Gautam Chatterjee said.

Cargill orders new ships as costs reach 20-year low

Cargill Inc., the agricultural trader that accounts for 2 per cent of world freight, is ordering new ships in a reversal of a policy against owning commodity vessels after prices reached a 20-year low. The company's ocean-transportation division was 2012's third-largest hirer of vessels that carry minerals and grains. The price of a new Capesize reached \$46 million this month, the lowest since October 2003, according to Clarkson, the biggest shipbroker.

Essar plans port for its African steel plant

The Essar group is planning to expand its presence in the African continent by setting up a 10-million tonne (mt) port in Mozambique, at a cost of \$275 million (₹1,496 crore). This port will facilitate exports from Zimbabwe Iron and Steel Company (ZISCO), a Zimbabwe-based company it acquired in 2010. Essar spent \$750 million for a 56 per cent stake in the company. The group had plans to bring back iron ore from the Zimbabwe company to India.

Contract for Vizag fertiliser terminal may be awarded shortly

ABG-LDA-run Vizag Agriport Pvt Ltd expects Visakhapatnam Port to award the contract for mechanisation of fertiliser terminal. The terminal should be commissioned in 24 months from the date of awarding the contract.

Vizag Agriport, a 74:26 joint venture between ABG-LDA Bulk Handling Pvt Ltd and IL&FS Maritime, signed a 30-year concession agreement with the Visakhapatnam Port Trust (VPT) in May last year for mechanisation of East Quay 7 on design, build, finance, operate and transfer basis.

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Korean shipbuilders fall behind Chinese rivals

Korean shipbuilders were outperformed by their Chinese competitors in exports last year, 11 years after Korea in turn overtook Japan in 2001. The Korean Chamber of Commerce and Industry said analysis of data from the Korea International Trade Association puts exports by Korean shipbuilders at \$37.8 billion in 2012,

compared to China's \$39.2 billion.

The change is due to the fact that Korea was more affected by the global downturn than China. Korean shipbuilders saw exports decrease around 30 per cent on-year in 2012 while their Chinese and Japanese rivals posted drops of only 10.3 per cent and 14.6 per cent.

Tamil Nadu scraps approval for Goodearth's shipyard

Tamil Nadu has scrapped an approval granted to Chennai-based Goodearth Shipbuilding Pvt. Ltd to build a shipyard and captive port at Silambimangalam in Cuddalore district by investing ₹2,000 crore. The approval granted to Goodearth Shipbuilding, a wholly-owned unit of Goodearth Maritime Ltd, a part of the Archean Group, in July 2007 was cancelled recently.



Major railway lines to be commissioned by 2017

India hopes to commission three major railway lines in 2017 to move coal from existing and planned mines of Coal India Limited, the minister of state for coal said, which the state-run miner considers crucial in helping it meet production targets. Coal India has set aside a total ₹70.45 billion for the three lines – the Tori-Shivpur line in Jharkhand, the Bhupdeopur-

Korichappar-Korba line in Chhattisgarh and Gopalpur-Manoharpur in Odisha, PrakashBapu Patil told lawmakers.

"The commissioning of these rail projects would facilitate coal evacuation (transportation) from ongoing and future projects and thus help in increasing the production and supply of coal from these coalfields," Patil said in a written reply to the lower house of Parliament.



DNV and Antwerp team up on bunkering

The Antwerp Port Authority has teamed up with ship classification society, Det Norske Veritas (DNV), to develop procedures for safe and efficient LNG bunkering operations. The procedures will be used as part of the Belgian port's plans to facilitate and encourage the use of LNG as a shipping fuel. The port authority hopes to offer LNG to ships in the port by 2015, when the more stringent IMO sulphur emission regulations come into force.



Tax-free bonds issued by ports get poor response

Plans to sell tax-free bonds by three state-owned port entities – Jawaharlal Nehru Port Trust, Ennore Port Ltd and Dredging Corp. of India Ltd – ended with the firms raising only a combined ₹200 crore against an issue size of ₹3,500 crore when the issue closed. The issue size of JN Port was ₹2,000 crore, of Ennore Port ₹1,000 crore and of Dredging Corp. ₹500 crore.

The fund mop-up through the bond issues would have been worse if the shipping ministry, which controls these entities, had not stepped in to direct five state-owned ports located at Kandla, Vizag, Paradip, New Mangalore and Mumbai to subscribe to the bonds.

Indian LNG bunkering pilot program planned

Kerala could get a pilot liquefied natural gas (LNG) bunkering project as part of an expansion of marine transport services along the coast. The project would piggy-back on an LNG import project at Puthuvype, a growing industrial area in the Kerala city of Kochi. Kochi could become a hub for the sale of LNG to ships traveling along India's west coast, particularly because ship operators in the area are having trouble sourcing diesel.

ONGC signs MoU for Mangalore LNG terminal

State-owned Oil & Natural Gas Corp (ONGC) and its partners Mitsui of Japan and BPCL have signed an agreement to conduct feasibility of setting up \$500-750 million liquid gas (LNG) import terminal at Mangalore. The terminal will have an initial capacity of 2-3 million tonnes, which can be expanded to 5 million tonnes later.

Iraq's oil plan to benefit tanker owners

Iraq's ambitions plan to ramp up its oil production is likely to bring in more business for tanker owners. According to a report from London-based shipbroker Gibson, the Iraqi Oil Ministry has announced that a Canadian consultant had been awarded a contract to carry out front-end engine ring designs for an \$18-billion pipeline connecting Basra to the Jordanian port of Aqaba on the Red Sea. The pipeline, just over 1,000 miles long will be built in five years. Initial estimates place the capacity at 1 million b/d, with some export barrels going to Jordan for domestic use. The second phase is for a 1.26 million b/d pipeline to the Syrian port of Banias. If these two projects go ahead, they will diversify Middle East loadings and could benefit tanker owners further down the line.

Indonesia coal exports up 6.5%

Indonesia's coal exports are expected to rise to 330 million tonnes in 2013, up 6.5 per cent from a year ago, the chairman of the Indonesia Coal Mining Association said. Indonesia's mineral sector including coal is worth \$93 billion and contributes 12 per cent to the country's gross domestic product.



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Location - Haldia (West Bengal)

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- Located on NH-41 with 140m frontage
- Total area - 90 acres

Location - Kalinganagar, Jaipur (odisha)

- 520 km from Vizag Port
- 390 km from Haldia Port
- 129 km from Paradeep Port
- 120 km from Dhamra Port
- Total area - 30 acres

For further details please contact:

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Haldia, (W.B.) : e-mail: cfsheadailplhaldia@apeejaygroup.com,
Tel: 03224-284 389,

Kalinganagar Jaipur (Odisha) : e-mail: icdalplkalinganagar@apeejaygroup.com,
Tel: 092381 00332

JNPT to spend ₹1k cr on road, rail infrastructure

Jawaharlal Nehru Port Trust has decided to invest close to 1,000 crore for setting up rail and road infrastructure at the port to make its long pending container terminal project more lucrative to the private sector.

The port will set up approach roads and rail connectivity and will also reclaim land from the sea after private operators raised concerns that the cost of the project was high. The move by the port is likely to bring a fresh lease of life to the country's port sector which has been struggling to attract investments from the private sector.

Jebel Ali port to have 19 mn teu capacity by end 2014



The opening of terminal 3 at Jebel Ali sea port towards the end of 2014 would enable the port handle 10 ultra large container carriers (ULCCs) simultaneously and take its overall capacity to 19 million TEUs a year from 14 million at present. Jamal Majid Bin Thaniah, Vice Chairman, DP World told that the opening of terminal 3 at Jebel Ali would give the port 4 million TEUs of additional handling capacity while the ongoing expansion of terminal 2, which would get completed by the end of the first half of 2013 would add 1 million teu annual capacity.

Govt makes ₹1,500 cr from ship-building every year

Notwithstanding environmental and human rights issues, the ship-breaking industry is thriving in the country with the government allowing at least 450-500 ships to come to India for dismantling every year.

This has also turned out to be profitable for the government which has been making more than ₹1,500 crore a year from customs duty on allowing import of such outdated ships. In fact, some coastal states such as Gujarat have urged the Centre to bring down the customs duty so that more ships can be imported for dismantling.

Portugal for outsourcing shipbuilding to Goa

Portuguese investors have shown interest in outsourcing shipbuilding to Goa, owing to cheaper costs. The Portuguese Ambassador to India Jorge Roza de Oliveira paid a visit to the state leading a business delegation to Goa in place of Portuguese Foreign Minister Paulo Portas. Representatives of 35 Portuguese companies from various sectors were also travelling with the minister. Oliveira pitched for ties in tourism as well as in the agro foods sector especially cold meats, wines and other processed foods and also collaboration in tourism.

"K" Line orders five 14,000-teu containerships

Kawasaki Kisen Kaisha Ltd, more commonly known as "K" Line, has placed an order for five eco-friendly Ultra Large Container Vessels to replace some of its existing fleet. The new generation 14,000-teu ULCVs are to be built at Imabari Shipbuilding Co., Ltd. and are expected to be delivered starting in Spring 2015.

IWAI chairman releases electronic navigation charts, software

Dr Vishwapati Trivedi, Chairman of Inland Waterways Authority of India (IWAI) released the Electronic Navigation Charts (ENCs) in IHO, S-57 format and a real time navigation software – 'Inland Waterways Navigation (IWN) Software' – for Sagar- Farakka stretch (560 km) of National Waterway- 1 (the Ganga-Bhagirathi- Hooghly River system), in Noida in March.

These products have been developed as per International Standards by consultant IIC Technologies in Hyderabad. While releasing the products Dr Trivedi said, "Real time navigation technique would surely enhance the safety, security and productivity of inland vessel operations in the Hooghly- Bhagirathi- Farakka feeder canal sector of NW- 1, in particular for the 3 MTPA of imported coal transportation project between Sandhead (Bay of Bengal) and Farakka NTPC Power Plant by M/s JINDAL ITF Ltd."

According to him, any vessel fitted with a computer/ laptop, digital echo sounder and a GPS/ DGPS receiver along with the preloaded ENCs and the IWN Software will facilitate real time navigation. He further stated that time has come that IWAI should take the lead in harmonisation of inland waterways in the country and to extend technology expertise to state governments. Keeping view of the motto 'no compromise on safety of IWT vessels,' IWAI will produce ENCs for other stretches of National Waterways in a phased manner and also implement the ambitious project of River Information Services (RIS) system for the above sector.

Government scraps proposal to develop port at Barunei

The Odisha State Government has scrapped the proposal to develop a port at Barunei in the Baleswar coast on environment grounds.

Minister for Commerce and Transport Subrat Tarai told the Assembly on Friday that Barunei had been short-listed for development of a port. Since the location has been a place for laying of eggs by Olive Ridley turtles and the Forest and Environment Department opposed the proposal, the Government decided to scrap the project.

Gateway SpotLight, a special feature by *Maritime Gateway*, showcases the unique initiatives of business groups across maritime sectors in their products, services and processes that helps them achieve and sustain better productivity, efficiency, environment conservation and above all judicious business practices. **Gateway SpotLight** provides an opportunity for businesses to bring to light their best practices at work and thereby such a **FOCUS**.

Presenting  **DP WORLD** under this feature.

During the past few years, DP World has been actively engaged in various social responsibility initiatives to give back to the society. One such initiative is the commissioning of four paintings by disabled artists, who paint with brushes held in their mouth or feet. This initiative is part of DP World's commitment to environmental conservation and social responsibility. The paintings depict various maritime scenes, including ships, ports, and coastal landscapes. The artists used their unique skills to create these beautiful works of art, which are now displayed in various locations. This initiative not only supports disabled artists but also promotes environmental awareness and social responsibility.

As part of its corporate responsibility initiative to give back to the society, DP World joins hands with MFPA to commission four paintings from disabled artists, who paint with brushes held in their mouth or feet.

DP World: Painting for a cause



Jesfer Pulikkathody's Kochi Sunset.



MV Ravindran's
"The Indian Fisherman's
Wharf"



Rangoli Sahyadri by Manoj Bhingare



Dandiya Raas by Manjibhai
Lavjibhai Ramani.

the artist's work is a blend of traditional and modern art. The painting is a vibrant scene of a sunset over a body of water, with a bridge in the background. The artist's use of color is masterful, capturing the warm tones of the sunset and the cool tones of the water and sky. The composition is balanced, with the bridge and the water creating a sense of depth and perspective. The overall effect is a beautiful and evocative work of art.

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TAMP IS DEAD, LONG LIVE THE TAMP!

The Shipping Ministry's draft norms on deregulation of tariffs at major ports, do not offer any holistic solutions. Instead of market-linked tariffs, these norms will end up reinforcing the role of TAMP and the ministry in tariff-setting.

The Shipping Ministry is planning for a partial deregulation of tariffs at major ports in India. The proposed policy is likely to allow developers of port projects that are awarded next fiscal, to fix market-linked tariffs.

While the government has agreed to partially deregulate port tariffs, the new guideline is not in line with the shipping ministry's earlier stand – to strip the powers of the Tariff Authority for Major Ports (TAMP), which regulates tariffs at major ports, to boost private investment in the port sector and to make it attractive for private terminal operators to get return on their investment. On the contrary, TAMP and the shipping ministry will continue to wield powers over tariff setting at major ports.

Besides, the norms do not offer any relief to the existing 16 private terminals. They will be governed by the 2005 guidelines as the ministry has cleared a further extension of these norms till June.

According to the draft norms, TAMP will fix the reference tariff for each port and for different commodities, the major port trusts can set their own tariff, which can be higher or lower than the reference tariff. The major ports will be allowed to revise their actual tariff once in a year.

If the actual tariff proposed to be levied is higher than the reference tariff, a proposal for notification of the tariff shall be forwarded to TAMP at least 90 days before the beginning of the financial year.

The proposed tariff, along with the proposed upgraded efficiency standards, shall be published by TAMP within two working days of its receipt on its website, inviting comments from various stakeholders for consideration by the authority, which can modify the proposal. TAMP will notify the tariff and specify efficiency standards within eight weeks of receiving the proposal.



However, major ports will have a window to challenge the TAMP decision by approaching the Shipping Ministry. The ministry will issue the final order, which will be binding on all parties.

The Ministry has also proposed that in case the port operator garners higher revenues by charging higher than stipulated tariffs, the developer will have to share a part of the incremental revenue with the port trust.

But in case of lower tariff, the developer would not be allowed to pay a lower revenue share compared to what was proposed in the bid. This is again a contentious clause and is unlikely to find any favour with private investors.

Tariff setting by TAMP and the issues involved became a sticky issue between government and port operators in recent times especially at a time when the government is looking at attracting private investment to the tune of ₹2,87,000 crore to increase ports capacity.

The private terminal operators at the major ports are currently at the mercy of TAMP which, they allege, follows rigid norms in approving their tariff proposals. At the same time, their counterparts at the state-controlled ports currently have the freedom to fix their own tariffs.

At times like these when capacity seems to outstrip demand and the shipping ministry is targeting a total cargo traffic of about 2,500 MT (including both major and non-major ports) by 2020, the new guideline may not help major ports to get attract private investment.

While the new guidelines are indeed progressive considering that the shipping ministry is unable to dismantle TAMP without Parliament's sanction to amend the Major Port Trusts Act, 1963, it needs to be tweaked in further to accommodate the concerns of the existing operators. **mg**

WHAT DO YOU THINK?

Does this deregulation help major ports to get private investments?
ramprasad@gatewaymedia.in

Budget brings cheer

This year's Budget proposal to exempt ships and other vessels from excise duty and announcement of two new ports and setting up of outer harbour in Tuticorin brought from cheer to the shipping industry.

The Union Budget 2013-14 has brought some cheer for the Indian shipping and port sector. The budget indicates that the government had finally decided to dole out some sops to the shipping industry, which has been reeling under pressure for over three years due to global economic slowdown and declining freight volumes and rates.

While presenting the Budget, Union Finance Minister P Chidambaram has proposed fully exempting ships and other vessels from excise duty. "Consequently, there will be no CVD (Countervailing Duty) on imported ships and vessels," he said.

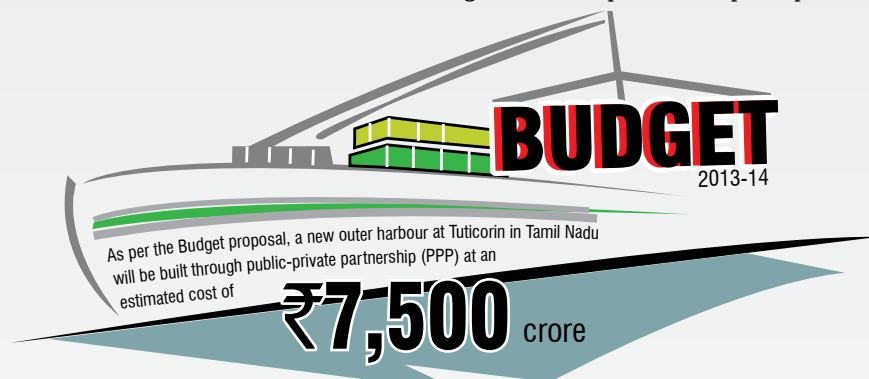
Though the exemption from paying excise duty of around 5 per cent is nothing compared to the 30 per cent subsidy the industry has been pressing for to attain a level-playing field with their foreign counterparts in China and Korea, these concessions are indeed positive news for the Indian ship builders.

"The Budget announcement on shipbuilding being exempted from excise duty, with resultant removal of CVD on import of ships, is a positive for the Indian shipping industry," says A R Ramakrishnan, MD, Essar Shipping Limited.

According to him, the proposed support for various infrastructure industries such as power will be a positive for the shipping industry, given the growing need for import of coal. "General investment improvement in infrastructure and other industries,

has been done specifically to spur infrastructure spending. The mentioned schemes of take out financing and credit enhancement through IIFCL etc have already been in place," says Rajiv Agarwal, Managing Director, Essar Ports Limited.

But he also mentions the government's plan to set up two ports



including ports, could lend support to shipping freights," he said.

Currently, the shipbuilding industry falls under the ambit of customs duty at 10 per cent plus additional duty, countervailing duty (CVD) and cess totaling 26.85 per cent for capital items imported for shipbuilding works. But this has adversely affected the industry at a time when India's capacity of ships is inadequate compared to the volume of cargo traded. This is expected to change with the new Budget proposal.

Another announcement likely to give a boost to the infrastructure segment is the plan to set up two new ports – in Sagar in West Bengal and Remyapatanam in Andhra Pradesh. Though it will take another five to 10 years for the ports to become operational, this is a right direction in enhancing the capacity of Indian ports. These ports will add 100 million tonnes to the country's overall major port capacity.

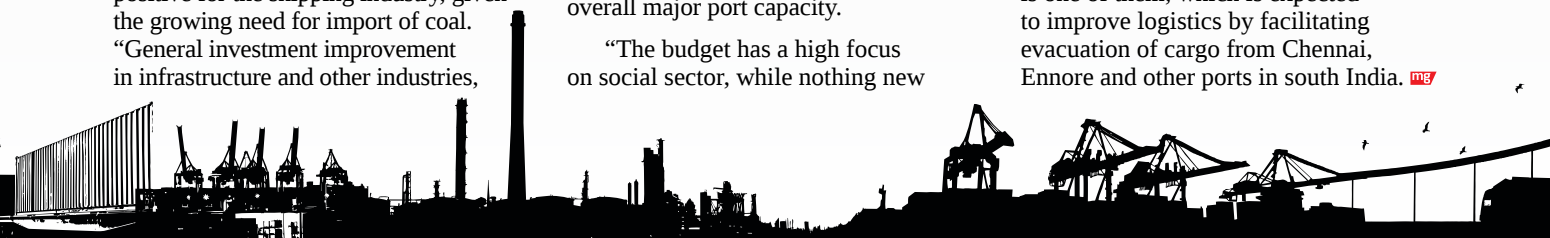
"The budget has a high focus on social sector, while nothing new

and for developing outer harbour at Tuticorin Port, which would enhance capacity by around 40 million tonnes as positive for the industry.

As per the Budget proposal, a new outer harbour at Tuticorin in Tamil Nadu will be built through public-private partnership (PPP) at an estimated cost of ₹7,500 crore.

"The outer harbour would feature nine berths with a draft of 14 metres and the capacity addition on implementation of the project would be 42 million tonnes. Due to the increase in draft, the port will be in a position to handle bigger ships," said a release from VO Chidambaranar Port Trust.

Besides, there are other proposals in the Budget for general investment improvement in infrastructure. The development of Chennai-Bengaluru/Bengaluru-Mumbai freight corridor is one of them, which is expected to improve logistics by facilitating evacuation of cargo from Chennai, Ennore and other ports in south India. 





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The Indian dredging industry is estimated to be ₹600 crore and expected to grow two to three times in five years. What the country lacks is a proper dredging policy.

Sreekala G

As fiscal year comes to a close, dredging seems to be the new buzzword in Indian market. Three public sector companies in port segment – Jawaharlal Nehru Port Trust, Ennore Port and Dredging Corporation of India – have entered the market to raise low-cost funds through tax-free bonds to conduct dredging related activities. Meanwhile, the Shipping Ministry has come out with a proposal to offer 50 per cent grant to ports for capital dredging expenditure.

WHAT AILS INDIA'S DREDGING?



“Shipping Ministry’s latest proposal does not offer any kind of support to maintenance dredging. Also, at present, there are no standard norms for budgetary support for dredging to ports.”

If these indications are anything to go by, dredging industry in India is set to witness good times ahead.

Dredging is capital intensive and ports require deeper draft to attract larger vessels. With vessel sizes getting bigger worldwide and 12,000-16,000 teu ships becoming common due to scale economics, most ports especially major ports under the central government will need to invest in deep-draft dredging.

Another area of dredging that offers huge potential is maintenance dredging to maintain certain levels of depth. Again, many ports like Kolkata and Cochin need to spend huge amounts annually for desilting and maintaining certain draft level.

Unfortunately, Indian ports are not yet ready to accommodate large vessels. Even the International Container Transshipment Terminal at Vallarpadam in Cochin port – for which the government has relaxed cabotage norms in an effort to make it a transshipment hub – expects to handle vessels of 6,000-8,000 teu.

“ICTT is designed for a draft of 14.5 metres for handling container ships of 8000+ teu capacities,” says an official of Cochin Port.

Central government has given a grant of ₹297.42 crore and loan assistance of ₹83.83 crore for the ICTT project to increase the draft of ICTT basin and the channels leading to the basin. Cochin Port has so far incurred an expenditure of ₹294.1 crore for increasing the draft. Besides, the port will have to incur an amount of about ₹100 crore annually to desilt the channel to maintain the draft.

Considering these factors, the Cochin Port official feels that central subsidy will be more beneficial to facilitate dredging. According to him, continuous silting can be addressed by streamlining the channel flow and going in for advanced methods for de-siltation after proper research studies.

However, the Shipping Ministry’s latest proposal does not offer any kind of support to maintenance dredging. In fact, at present, there are no standard norms for budgetary support for dredging to ports. As a result, some ports get budgetary support, while some fund dredging from their internal resources.

Market potential

The Indian dredging industry is estimated to be ₹600 crore and expected to grow two to three times in five years. According to reports, the total dredging requirement in India between FY11 and FY15, including minor ports, is estimated to be 996 million cubic metre (cum). Of this, maintenance dredging alone is expected to account for 414 million cum. Ports under the Central Government spent ₹733 crore on dredging in 2011-12.

Dredging industry in India has been gaining momentum since 2008 with the implementation of the National Maritime Development Program and emergence of new private ports. The Maritime Agenda 2010-20 envisages increasing the draft in all major ports to a minimum of 14 metres and in some ports to 17 metres. Dredging projects worth over ₹200 billion have been planned between now and the year 2020.

While the potential is there, what the country lacks is a proper dredging policy. Shipping Minister G K Vasan



ICTT IS DESIGNED FOR A DRAFT OF 14.5 METRES FOR HANDLING CONTAINER SHIPS OF 8000+ TEU CAPACITIES



PRIVATE PORT OPERATORS ARE DEPENDENT ON THEIR OWN EQUIPMENTS FOR DREDGING

“Most Indian companies are not geared to offer the entire range of dredging services. With a mere two or three dredgers, they are left to depend more on chartering for meeting any exigencies, which is not a reliable solution.”

had earlier pointed out the need for introducing a dredging policy to address the concerns of this segment. He had also suggested public private partnership models to reduce the cost of dredging.

The minister had admitted that one of the hindrances for increasing the navigability of Indian channels is the lack of sufficient dredging capacity in India. This is mainly due to dearth funds with ports as dredging, both capital and maintenance, is highly capital intensive.

The International Association of Dredging Companies says, from the total dredging market worldwide, 43 per cent is not open for international tenders. China and the US, the top two dredging markets valued at about €4 billion, are not open to international tenders.

In India, dredging capacity provided by Indian firms is less than the demand. So, firms undertaking dredging require a security clearance.

Players and competition

Till a decade ago, Visakhapatnam-based Mini Ratna-category I public sector enterprise – Dredging Corporation of India (DCI) – enjoyed a monopoly in the dredging segment. With more and more private players entering the segment, DCI faces stiff competition although 60 percent of the country’s dredging works are undertaken by the company.

“Most private port operators are dependent on their own equipments or hiring international firms for dredging. In fact, firms such as Adani Ports and SEZ have invested significantly in dredging equipment to maintain the channel depth. However, services from foreign players come at very high costs. As a result, major ports in India still prefer to give dredging contracts to DCI to avoid future disputes,” says a shipping industry expert.

According to him, India needs to be equipped with technical know-how for capital and maintenance dredging. “Most Indian companies are not geared to offer the entire range of dredging services. With a mere two or three dredgers, they are left to depend more on chartering for meeting any exigencies, which is not a reliable solution. Again it is not easy for them to acquire dredgers as banks do not offer loans easily unless these companies secure a proper dredging contract from clients ensuring future revenues,” he says.

Lack of equipments and the cash constraint to acquire them seem to be a major issue considering that DCI had to come out with a tax-free bond to raise ₹500 crore funds to acquire one dredger. It is one of the three dredgers being purchased by the company to replace the existing ones. It took almost 10 years for DCI to add three new dredgers.

The company has already achieved financial closure for two other dredgers and one of them has even been installed. The second will be acquired in June this year while the third one is expected in January 2014. Each dredger costs ₹550 crore,” D K Mohanty, chairman and managing director, DCI had said. After these three dredgers, the company plans to buy another two dredgers for ₹1,200 crore.

Latest media reports suggest that Kandla and Paradip ports are in talks with Shipping Corporation of India (SCI) and Dredging Corporation of India (DCI) – to form joint ventures and operate in the dredging space.

Paradip Port’s dredging requirement for instance, is set to double next year. The port had a ₹333 crore surplus during 2011-12 and spent ₹30 crore on dredging. Last fiscal, Kandla port, which had a surplus of ₹229 crore, spent ₹139 crore on dredging According to a group

“Private ports are able to acquire dredgers and ensure efficiency, major ports are unable to find funds or are groping in darkness due to cumbersome tender procedures.”

forum – ‘dredging in India’ – on a social networking site, on fierce competition has led to another problem. With so much supply, the dredger rates have been significantly reduced. The dredging companies have been quoting extremely low even much less than the estimated cost in order to win a project and somehow keep the dredger employed.

While the time charter rate including fuel of \$50,000/ day for a 5,000 cubic metre hopper capacity TSHD in 2008-10 dropped to \$37,000 in 2010-11 which further dropped to around \$30,000 in late 2011 and 2012, the operational expenses increased in due time due to increase in wages for crew, increase in spares and material cost, and also due to increase in the fuel cost.

The decline in the value of the Indian Rupee has led to retrospective increase in the price of the fuel which is major operational expense. These factors have double folded impact on the bottom line of the dredging companies.

What compounds the problem is the lack of support infrastructure in terms of drydock and support facilities and availability of spares and shortage of experienced and trained manpower. These factors reduce the efficiency of the dredgers drastically by reducing the output and increasing the breakdown and repair time.

Ports in the country are trying to take advantage of the situation. As a result, though the risk factors have gone up for the contractor it does not get reflected in quotes for tenders. Besides DCI, Companies in the dredging sector include Van Oord, Mercator Lines, Jan De Nul, Royal Boskalis, and Jaisu Shipping.

Story of ports

That seems to be just one part of the story as ports are also not having an easy time. Private ports are able to acquire dredgers and ensure efficiency, major ports are unable to find funds or are groping in darkness due to cumbersome tender procedures.

The country’s largest container port Jawaharlal Nehru Port Trust (JNPT) started work on the first phase of a dredging project last year. The port, which handled more than 55 per cent of the country’s containerised cargo last year, has taken up dredging to increase the channel depth to 14 metres from 11 metres so that vessels of 6,000 teu will be able to call on the port.

The dredging of the Mumbai harbour channel has been a long pending project as the current depth does not allow large container vessels to enter the port. With JNPT steadily losing cargo to private ports on the west coast, including Mundra Port and Gujarat Pipavav Port, the port needs to fasten the dredging project to increase the depth to 14 m.

However, the port’s earlier request to raise funds through bond was rejected by the finance ministry last year, asking the port to fund the project through its internal accruals.

Finally, it got approval from the Centre this year to launch tax-free bonds in the nature of secured redeemable non-convertible debentures to raise ₹500 crore with an option to retain oversubscription up to ₹1,500 crore.

“The Net Issue Proceeds will be primarily utilised towards dredging works for deepening and widening of the Mumbai harbour channel and JN Port’s navigational channel. Any delay in timely completion of the dredging work or substantial escalation in cost or sub-optimum utilisation of the dredged channel may adversely impact the business and financial position of JNPT,” the port said in its draft proposal.





“In line with the plan to set up a deep-draft port at Sagar Island, the Finance Ministry has decided to phase out dredging subsidy to Kolkata Port. This will impact the efficiency of the Haldia Dock Complex (HDC) under the Kolkata Port Trust (KoPT).”

The capital dredging work has been awarded to Boskalis International BV. The total estimated cost of the dredging project is ₹1,571.6 crore and the estimated period for completion of this project is 25 months.

According to L Radhakrishnan, chairman, JNPT, the port is currently undertaking feasibility studies for deepening of navigation channel further, for accommodating 17 metres draught vessels, using tidal window.

Besides JNPT, Ennore Port, the only entity with a corporate form of management and the ‘mini ratna’ status, has also approached the public market to raise ₹1,000 crore through a tax-free bond issue.

M A Bhaskarachar, chairman cum managing director, Ennore Port, said that the proceeds would go for the ongoing dredging expansion plans of the port. He said, “The port is currently spending ₹170 crore for the ongoing dredging work and will use the funds raised through this bond issue to continue the next phases of the expansion.”

The current capacity of the port is 30 million tonne and the company is adding another 36 million tonne capacity over the next 2-3 years taking its total capacity to 66 million tonne. Ennore is primarily a coal-handling port but is now diversifying into other commodities, including an LNG terminal and a container terminal.

Experts point out that most ports in India are way behind international ports in terms of accommodating large vessels. Considering that it is directly linked to dredging, they believe it is time for the country to have a proper dredging policy

in place. In the absence of which ports like Kolkata will tend to suffer.

“Current average draft at Kolkata Dock System and Haldia Dock Complex are 7.2 m and 7.4 m. respectively and it may be possible to increase the draft through extensive dredging supported by River Regulatory Measures and more headwater discharge from feeder canal at Farakka,” said A K Mukhopadhyay, secretary, KoPT.

However, in line with the plan to set up a deep-draft port at Sagar Island, the Finance Ministry has decided to phase out dredging subsidy to Kolkata Port. This will impact the efficiency of the Haldia Dock Complex (HDC) under the Kolkata Port Trust (KoPT).

HDC was offered a dredging subsidy worth approximately ₹500 crore in this fiscal – up by 25 per cent compared to 2011-12 – to mitigate heavy siltation in the Hooghly river. Many fear lack of dredging may soon turn HDC into a barge-port as it may not be easy for KoPT to continue funding the dredging activity without any Centre support.

Federal support

While the Centre may not be able to offer blind monetary support to all ports, discretionary spending is needed to ensure healthy growth of India’s port sector. The country can take a leaf out of the book of other nations.

In recognition of the economic logic of cost sharing, countries like the US, Canada and Japan offer federal subsidy to providing facilities of a ‘public goods’ character, namely the maritime access channels, maintenance and operation including navigational aids and communication facilities.

A study for the US Army Corps of Engineers on the economic benefits in terms of total industrial production from channel dredging and land fill development in the ports of Los Angeles and Long Beach supports this argument. The study showed that while the direct benefits were concentrated in the immediate area of the port, the indirect revenues are distributed across the country.

So it would be logical for India to share the costs of maintenance dredging of the approach channels of major ports due to spill-over effects to the domestic economy. [UNB](#)

‘It’s about making better decisions’



Presently, he is on President Obama’s team, advising American industry on supply chain management and how the US could continue being a leading global player. CEO of CSCMP, **Rick Blasgen** feels that supply chains today face a lot of challenges due to their global footprint. He says that India can learn a lot from the knowledge base from other countries. The role of CSCMP, Blasgen says, will be to continue evolving and providing knowledge for future supply chain management, in an interview with **Ramprasad**, Maritime Gateway.

Q What according to you will be the global trends in supply chain management?

A Due to globalisation, lot of supply chain companies are taking their footprint around the world and sourcing from all around the world. This comes with lot of opportunities as well as challenges. Risk management is a big thing as modern supply chains have to source out from faraway places – so they have energy costs, man-made and non-manmade events that occur and disrupt supply chains. There is advent of big data. So the issue, how does one scale the data and use it to make better decisions. Talent is another area. There is a great need for supply chain



Rick Blasgen

professionals, but at the same time there is a need to explain what modern supply chain is all about. Many companies have not gotten there yet.

Q India is slowly waking up to the potential of supply chain management and the role of SC managers. What would your suggestions to Indian companies be?

A CSCMP is trying to get the best of knowledge from around the world to places like India. And also take the best knowledge from India to other places in the world. What we do is connect all the supply chain professionals through the web of family members called CSCMP. There are applicable best practices in logistics and supply chains that can be

applied in India. There are certainly some infrastructure issues which we are all aware of. Things we can do to accelerate the growth of supply chain efficiencies by taking what's going on elsewhere and employing them here if it makes a sense to do so.

Q CSCMP has completed 50 years this year during which time it has provided education, research and mentoring to its members across the globe. How do you see your role and the agenda of CSCMP evolving to meet future changes in the field of logistics and SC?

A We will continue to provide unbiased research and disseminate best of the

knowledge from greatest visionaries and luminaries within the supply chain.

We will continue to educate both online and face-to-face. We will come up with tailored programmes for companies. We just launched our global certification which really focuses on end-to-end supply chain – not only the functions within it, but also how they relate to one another. Today's modern supply chains need to relate the company's business and mission to the customer. We are testing that and allowing lot of teaching tools to help the supply chain professionals become certified under our SC-pro umbrella which is really relevant to modern day certification. We will continue to evolve and lead

in knowledge and also challenge our supply chain professionals about on some of the things that future might bring in five years down the road.

Q Is cost cutting the principal objective of a SC manager. What other objectives define their roles?

A We need to think about how today's supply chain managers generate revenue.

We know we can control costs. We have been doing it for many decades now. We are good at that. For example, if I increase my on-shelf availability, I am going to sell more and reduce my out-of stocks. Pharmaceutical and health care companies are getting much more focused on modern day inventory management tools which will show the inventory of high priced items. That's going to generate revenue for them. So if one can do better than his/her competitor, it would increase market share and allow them to sell more products. Customer base will grow, revenues will grow. Supply chain managers need to think about this.

Q In one of your interviews, you had mentioned innovations by SC managers. Can you elaborate on the type of innovations that are happening and that could be possible in the context of countries such as India?

A Today we can move information between Mumbai and Chicago quickly. If we move information which is actionable, how do we improve the velocity of our inventory in the supply chain? So, keep inventory moving. The knowledge associated with the inventory with the manufacturer and retailer. Use the functionality of the tools to accelerate the movement of the inventory. Today we have lot of companies testing same day delivery. In the long run, do we need that kind of service? May or may be not. If it is available and somebody is going to increase his market share, that's going to happen.

Q How do you perceive the role of technology and how it is increasingly used as an aid by logistics and SC heads to ensure the smooth functioning of their operations?

A I do not believe that we should create more functionality, because today



there is a lot of functionality available in supply chains. We need people who are able to react faster and take better decisions based on the technology. We can link GPS systems and there a lot of pilots going with item level RFID – so we are able to generate a lot amount of data and visibility to the inventory. But how do we keep the physical infrastructure capabilities to the level of technological infrastructure allows us to do.

Q How are the collaborations in supply chain going to work?

A There are lot of examples where manufacturers and retailers share information. They ensure inventory availability and reduce lack of efficiency in premium transportation. Collaboration has been there for a long time. There is trust factor involved. I need to get information from my downstream partner to put the manufacturing and inventory in better way. So, collaboration is alive and well. But it is difficult work. We have tools to do it. What we need is common goals and objectives with our supply chain partners with a wish to generate volovity of inventory.

Q How can Indian supply chain professionals and students benefit out of CSCMP?

A There is a lot of information available on our website – case studies, teaching tools, connections with our career centres, salaries and positions that are available from companies that are looking to hire people. We have a sister site, Careers in supply chains, which provides information that today's students can

use and increase their ability to obtain a job in India and around the world. So we have a lot of education tools which are relevant and can keep you abreast with the speed. When we are designing these educational tools, we are doing that based on what we hear from the companies on what they need and what they are employing in our supply chains today.

Q How are sustainability and green supply chains being increasingly being adopted by companies?

A We have been focused on the words sustainability and green supply chains before the words became common. Now when we build supply chains, we are building them with a thought to minimise the carbon footprint and utilising the equipment to a better degree, sharing space in a distribution centre or on a truck and create packaging that minimises the impact of waste. That is alive and well in today's supply chain thinkers.

Q You are on the President Obama's team of supply chain competitiveness. What is its role?

A The team is under the department of commerce in Washington D.C. We created five committees to look at data, infrastructure, performance measurement, trade & regulation. How does the United States continue to evolve around the world as a global player under the supply chain umbrella? How do we move inventory in and out of our shores in a better degree? How do we export-import more efficiently? How do we participate in global trade in much better degree? It is a way for the country. 



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Though India has experienced a fast-paced growth over the last decade, the Indian logistics sector in many ways still lags behind the global standards of performance. This is evident from the fact that it ranks as low as 46th among 155 countries in the World Bank International Logistics Performance Index. Given this, there is a substantial need to invest and improve efficiencies, especially in the intermodal and multimodal logistics sector so that the friction costs do not impede the desired shifts. This is even more imperative considering the fact that despite having more than 300 multimodal transport operators (MTO), the concept is still in a primitive stage in India. Less than one-third of the Indian companies across most industries are currently using multimodal transportation. Engineering goods industry had highest share of users at 64 per cent.

The growth of multimodal logistics is crucial, as it is designed to cut transit times, decongest congested modes and reduce logistics cost. The International Multimodal Transport Association defines multimodal transport as “the chain that interconnects different links or modes of transport – air, sea, and land – into one complete process that ensures an efficient and cost-effective door-to-door movement of goods under the responsibility of a single transport operator, known as a MTO, on one transport document”. Estimates indicate that multimodal logistics can potentially reduce transit times by 40-50 per cent. For example, from Salem (in Tamil Nadu) to Sydney (in Australia), the freight cost through an MTO is around \$700, compared to \$800 from port to port. Transport cost from Salem to Chennai through a MTO is around \$80, as against around \$200 from port to port. Considering such benefits, the government and the private sector have already initiated some measures to spur the growth of this sector. The Multimodal Transport Act, 1993 is specifically aimed at increasing exports from India. Indian Railways has invited private sector participation in building freight terminals, wagons and operating container trains with the objective of improving rail infrastructure and augmenting capacity. It is also investing heavily in the Dedicated Freight Corridor project. FDI in multi-brand retail is also expected to bring around

radical changes in back-end logistics infrastructure.

But these measures are not enough to spur the growth of the sector, aver industry experts. If the sector has to grow quickly, all stakeholders need to invest time and effort in its development. “For developing an efficient intermodal/multimodal transport system, the need of the hour is to look into the three principal issues – infrastructure development, regulatory/policy reforms and investment in technology,” says Adarsh Hegde of Allcargo Logistics Limited. According to other industry players, the first major lacuna is the multimodal transport act itself as it excludes the air transport;

so the trade is restricted to sending containers only through rail, road and sea. “Furthermore, the DGS, the nodal agency for registering the multimodal transport operators, lacks the teeth to enforce the law,” says an official from the Mumbai-based Association of Multimodal Transporters of India (AMTOI). “The act is considered a liability by the industry, as it favours shippers over multimodal transporters,” lament some stakeholders.

Apart from the loopholes in the act, there is also lack of infrastructure which has curbed the growth of the sector. Without adequate infrastructure, the incremental benefits of intermodal transport are negligible. Necessary

MULTIPLE PROBLEMS

The government needs to do a lot for the multimodal transport to become successful in India.

Ritu Gupta



infrastructure development to provide for compatibility between modes, less friction costs, low dwell times, less pilferage and increase in containerisation is basic to growth of multimodal transport. Multimodal transport operations also need to be appropriately regulated with an objective of controlled development of the sector, driving growth while mitigating possible risks. Controls may be placed on licensing, pricing, contracting and service standards, but for the growth of multimodal transport, it is necessary to introduce changes in the customs procedures and export-import procedures. Ironically, the government has been ignoring this fact for a long time. Furthermore, at least four Union ministries oversee and regulate the transport (multimodal) sector and their individual powers overlap quite often leaving the multimodal transporters in confusion. For instance, an exporter is required to submit at least 15 different documents (related to various ministries) in order to export his goods. A similar number of documents are required for importing anything into the country. These cumbersome regulations only add to the already high costs and delays.

Another important reason for the poor response to multimodal transport system is lack of awareness within the trade about the concept, says

P Upendran of Sanco Trans Limited, an MTO. He avers that shippers (exporters) prefer sending cargo through the conventional ocean/liner bill of lading (B/L), rather than an MTD (multimodal transport document). There is also an apprehension among consignees abroad that most of the Indian MTOs are 'bogus' and hence it would be safe to bring cargo through the ocean/liner B/L, and not through MTOs. This needs to be corrected by the government and the MTOs, feels Upendran. In India also shippers still feel insecure and risk sending cargo through MTOs as many of them are small players.

The way out

Industry players feel it is time the government, the Reserve Bank of India and the MTOs create awareness about the multimodal transport system. The RBI should also issue a specific notification informing the domestic banks that MTD should be treated on a par with a liner/ocean B/L. There also needs to be a strong focus on containerisation for both domestic and EXIM cargo. The Dedicated Freight Corridor project needs to be completed without delays. There also needs to be a push to develop Inland Waterways and Coastal Shipping. This initially needs to come from the government by way of policy reforms and subsidies or other financial incentives.

The government should also take measures to tip the economies of scale in favour of multimodal transporters. "This is not the case now. For example, inspection of all the goods at the ports by the Customs should be done away with. This will check pilferage, reduce procedural hassles and speed up the movement of goods. Instead of examination of goods by the Customs, the government should have better intelligence to track the culprits," says Sashi Kiran Shetty, managing director of Allcargo Movers (I), Pvt Limited.

Other industry players feel that GST should also be introduced. The sooner it is passed, the better it will be especially for the logistics sector. Private investment in development of railways must also be encouraged. Policies for PFTs, wagon development and moving container traffic by rail have already been passed, but they have done little to spur investments. Necessary lacunae in those policies need

to be looked into and plugged at the earliest. Most importantly, amendments to the Multimodal Transport Act and Customs Act should be made, as it will aid in inducing cross-border intermodal/multimodal logistics. Some amendments proposed by AMTOI aim at ensuring that all multimodal transporters are registered with the DGS; and there should be no allocation of space, either at the container freight station or at the port, to MOTs not registered with the DGS. AMTOI also feels that compulsory mention of the registration number on the face of the Bill of Lading should also be introduced and changes should be made in the Customs Act to facilitate hassle-free transaction and movement of goods. "We are hopeful that the amendments to the act will give more teeth to the Directorate General of Shipping," says Shetty.

Apart from the amendments to the act, changes should also be introduced on the technology. GPS and RFID may be deployed by transporters to track their vehicles and shipments. Intermodal/multimodal logistics has tremendous potential to increase supply chain efficiencies. According to the industry players, the right policy incentives from the government and interests from the private sector should together go a long way to spur growth in this sector. In India there is immense growth for this sector, as most manufacturing industries such as automotive, cement, minerals, oil and gas, pharma, food processing, and Fast Moving Consumer Goods (FMCG) need multimodal transportation services as they have a widespread consumer base but limited production bases. Industries such as FMCG, pharma, and food processing apart from the agricultural sector also have considerable requirements for integrated logistics parks owing to their higher need for warehousing activity. Indeed, the growth of multimodal transport would be a win-win situation for everyone including multimodal transporters and shippers. The future for this sector is bright provided the government does away with procedural hassles, eliminates multiple agencies, introduces single-door policy for exporters and streamlines operations under the DGS. All these measures will bring down the transaction costs considerably, which will ultimately benefit the shipper. 



Sreekala G

More than the culpability of unscrupulous shippers and consignees, it was lack of knowledge and discipline among the industry players handling the cargo that led to many of the avoidable tragedies.

SAFETY AND SECURITY AT PORTS DEADLY MISTAKES?

In July 2010, chlorine leak was reported from a gas cylinder referred as turner, weighing about 650 kg, corroding with time at the Haji Bunder hazardous cargo warehouse in Mumbai Port Trust, Sewri, affecting over 120 people in the neighborhood, including students, labourers, port workers and fire fighters, of whom 70 were reported critical.

Next month in the same year, JNPT, India's busiest container port, and Mumbai Port remained closed for a few days after a collision between two cargo vessels on the approach to the harbour. Hundreds of containers from one of the stricken ships have spilled into the sea, with diesel oil and fuel spreading toward the shore. The port began operations after the clean-up operation in the shipping lane was completed.

When the Mumbai channel was closed because of an accident, shipping lines had to divert their vessels to alternate ports in India, resulting in a huge pile-up of cargo at all the major inland points which took months to clear. Time-sensitive shipments had to be airlifted to avoid cancellation of orders.

These two incidents are just indicators of the kind of challenges, ports face. However, when it comes to the case of Indian scenario, matters are a bit complicated. The gas leak at Mumbai Port for instance, observed to be a blatant case of ignorance and negligence as well as contraventions to the safety and environmental safeguard requirements under existing statutes as well as non-maintenance of fail safe conditions at the site requisite for chlorine storage.

An analysis by a member of the National Disaster Management Authority of India, revealed significant gaps in the availability of neutralisation mechanism and the chlorine stored in open increased the possibility of formation of ingress mixture due to bursting of chlorine filled tankers.

Following the gas leak, the Shipping Ministry sprung into action and set up a committee in September comprising joint secretary of ministry of shipping Rakesh

There are often pressures to load or unload ship's cargo to catch a tide or to free up wharf leading to potential risks.

Srivastava, joint secretary-administration of the National Disaster Management Authority Sujata Saunik and deputy director of the ministry of environment and forest Sundar Ramanathan. The panel was given one month to fix responsibility for the incident and figure out ways for dealing with hazardous waste lying at various ports across India.

In its report, the committee said that all hazardous cargo should be handled during daylight hours only. Direct delivery of dangerous/hazardous cargo is to be resorted to, rather than stored within port premises. All import cargo should be taken from the ship's hook under Custom escort directly to the importer's bonded warehouse. In case of export cargo, all Custom formalities need to be carried out by the exporter while such hazardous cargo may be transported when the ship is at the berth and loaded directly on to the vessel just prior to sailing.

In case the hazardous cargo is not cleared due to any circumstances and it lies in the port for seven days from landing, it will be the responsibility of the ship agent to re-ship the cargo back to the country of export/origin within the next seven days. In case the export cargo is brought into port for shipment and is not shipped within two days, it will be the responsibility of the clearing agent to take the cargo back within the next two days. The panel said that the Customs Act-1962 and Major Port Trust Act-1963 would need to be amendment accordingly.

“Port security in fact has taken up a whole new dimension. It now embraces terrorism, hijacking, smuggling, piracy, fraud, theft and accidents. The costs of maintaining a high level of security at the ports have risen exponentially.”

Similarly, subsequent to the vessel collision, the ministry asked all ports to draw up contingency plans to deal with future oil spills. The ministry also issued guidelines to major ports and state maritime boards to ensure safe and prompt handling of hazardous chemical good.

While these ad-hoc reactions definitely helped streamline the risk management and security solutions at ports, there are more measures need to be taken to avoid such situation

in future. And, these issues are not something specific to India alone.

According to the UK government, ports are often challenging places to work. “You may be dealing with a whole range of cargoes and working alongside a wide variety of people. Work at ports takes place throughout the day and night and in all types of weather. There are often pressures to load or unload a ship's cargo quickly to catch a tide or to free up a wharf. Visiting drivers want to pick up or drop off their cargo as quickly as possible and get back on the road. These factors make it an exciting but also a potentially high-risk industry to work in. Ever-changing circumstances lead to ever-changing risks. Companies must put appropriate health and safety measures in place to manage these risks properly,” it says.

Port security in fact has taken up a whole new dimension. It now embraces terrorism, hijacking, smuggling, piracy, fraud, theft and accidents. The costs of maintaining a high level of security at the ports have risen exponentially in tune with technological advances to cope with the sophisticated methods used by terrorists, pilferers, etc. Any fissures in the security cordon or accidents at port can have a major crippling impact on trade and commerce with a huge impact on costs.

“In order to implement technological solutions to manage these risks, port operators need to spend a lot of money. This in turn has added up our operational cost,” says a port official.

With 14 major ports and 200 minor ports, India offers a huge market for leading security solution providers. Last year, US-based Unisys Corporation held talks with the Shipping Ministry to provide hi-tech security solutions to domestic ports to avoid traffic congestion, piracy threats and other mid-sea crisis. The company's Director of Cargo and Port Security Practice Nishant Pillai had said, it had drawn a port-security road map for threats and requirement in India and that the focus would be on Vessel Traffic Management System (VTMS), besides providing other solutions.

Implementing security is a management as well as a technical problem. Technology is necessary but not sufficient. Effective security costs money. Again, security is essentially a



2010 Chlorine leak in Mumbai Port

global activity: many supply chains by their very nature are international. What is important is to observe and enforce simple rules of the game for basic security awareness and compliance. It is also of paramount importance is to scrupulously comply with the discipline and regulations and forsake sloppiness or short cuts. The government, ports, owners and the ships should act in tandem and be prepared to prevent breaches of security and safety.

“Increased security has to be in tandem with the smooth operational flow of the port. It should not be a disruption, but complementary to the process; not an obstruction but a facilitator,” says a port official.

The International Maritime Organisation (IMO) has come out with the International Maritime Dangerous Goods (IMDG) Code as a uniform international code for the transport of dangerous goods by sea covering such matters as packing, container traffic and stowage, with particular reference to the segregation of incompatible substances. There are about 6,000-7,000 hazardous products according to the IMDG code. It is intended to protect crew and to prevent marine pollution in the safe transportation of hazardous materials by vessel. It is recommended to the Government for adoption or for use as the basis for national regulations.

Dangerous goods make carriage complicated even when correctly documented. But, if they are misdeclared, or worse still, undeclared, it can lead to a disaster and endanger not only the vessel or CFS/ICD and its personnel but also lives and the environment.

Legislation has placed various responsibilities related to shore side activities for compliance needed for safe transportation of dangerous goods on the shipper and packer and various other parties. Yet, a large number of shippers, packers and other shore establishments have not accepted the burden of competency of the people involved in controlling the carriage aspect.

With 50 per cent of dry bulkers moving hazardous cargo and an increasing number of tankers with dangerous / explosive material calling at the country's ports, its ever more riskier in India's ports. Liquid cargo comprising crude and POL form the major chunk of India's port



traffic. This cargo is mainly handled by Kandla, Visakhapatnam, Mumbai, Cochin and New Mangalore ports.

Mitigating the risks associated with hazardous materials may require the application of safety precautions during their transport, use, storage and disposal. Studies suggest that more than the culpability of unscrupulous shippers and consignees, it was lack of knowledge and discipline among the industry players handling the cargo that led to many of the avoidable tragedies.

To strengthen the safety mechanism, IMPO has made amendments to IMDG. The IMDG Code Amendment 36-12 is mandatory from January 2014, while it is voluntary from January this year. The amendment comprises new UN Numbers up to 3,506 and some new packing instructions, as well as many detailed changes to the chapters and the Dangerous Goods List entries.

While India is yet to ratify this amendment, authorities here have also done their bit to improve the situation. In a long winding exercise, the Mumbai Customs cleared hazardous and unclaimed goods, some older than a decade, from its warehouses in the city this year. Separately, the Mumbai Port Trust (MbPt), too, cleared 70.184 tonnes of unclaimed hazardous goods from its port premises. The two agencies were pulled up after a chlorine leak in 2010 pointed to gross negligence and non-maintenance of safe environs for hazardous cargo.

In 2010, Mumbai Port and Jawaharlal Nehru Port Trust (JNPT) were the ports with largest amount of hazardous goods lying around in the country. According to data released by the Union ministry of shipping, more than 203 metric tonnes (MT) of various kinds of hazardous substances are scattered around Mumbai Port while JNPT had about 206 MT such material.

At a cost of ₹15,000 to the government, 62,995 unclaimed cartridges were removed to safety from the customs warehouses. Meanwhile, Mumbai Port Trust cleared 77 lots of unclaimed hazardous goods, including various chemicals, wood coating material etc weighing 70.184 tonnes, at Taloja by spending ₹22,45,888.

Indeed small cost for big safety. **mg**

PROSPECTS REMAIN STRONG

Asia Pacific still a hotspot but faces challenges.

"I believe we can subscribe to good prospects for the offshore markets, backed by a high oil price and continuous 7-9 per cent annual E&P capex spending by the international oil majors. A larger market dominated by nationals also tends to decrease implicit volatility in spending patterns."



Geir Sjurseth, Managing Director & Global Head, Offshore Support Group, and General Manager, DVB Group Merchant Bank (Asia) Ltd, who will sit on a specialist offshore marine forum at next

month's SEA ASIA conference and exhibition in Singapore, has given this bullish outlook on the sector for 2013 and beyond.

However, Sjurseth said that while the offshore markets were much less impacted by the financial crisis and subsequent downturn in 2009/10, it is legitimate to ask whether they can stay completely disconnected from lasting crises in sovereign debt, banking and shipping.

"Oil has never been in so much abundance while new finds, in shallow and deep water, look good for future exploration and oil production. Simultaneously, large amounts of shale gas and oil are rapidly influencing onshore versus offshore oil exploration needs," he said.

Pointing out that most OSV markets and sub-segments are moving slowly towards a very fine market equilibrium which has seen utilisation rates and charter levels rise, Sjurseth identified that possible exemption is the market for larger PSVs which are currently overbought.



"Another real threat to a sustainable and healthy market going forward is the massive yard capacity now focusing on building various offshore equipment and vessels – at slightly falling and very competitive prices," he added.

The Asia-Pacific region in particular saw "reasonable" utilisation in 2012 but rates did not increase much, he said. "Some tenders are out for mid-2013 already. This suggests an improving market. While oil majors prefer sophisticated tonnage, national oil companies still regularly employ vessels from local owners with smaller and older fleets."

He noted Malaysian shipyards were gaining ground in the construction of offshore vessels but considered that "local and state-owned shipyards in Indonesia have yet to be accepted in the international market."

Sjurseth said that prospects are good overall for the offshore industry in the Asia region. "Still, a cautious approach to newbuild contracting, focus on longterm employment, and a prudent financial asset liability management have never been more important!"

Sjurseth's comments were echoed by **Tor Svensen**, President – Oil & Gas,

DNV, who will chair the panel. "Technology developments are opening new frontiers and we see that this trend will continue but with a backdrop of increased focus on safety and

protection of the environment. A gas revolution is taking place on the back of shale gas developments and development of large offshore gas fields," said Svensen. "Overall, this means that the offshore sector presents a very positive outlook compared with the current situation in many other parts of shipping.

Geir Sviggum, Managing Partner, Wikborg Rein, will also be a panellist at the session. "Increasingly, the global shipping industry recognises the central importance of the Asian economies for building its sustainable longterm future," said Chris Hayman, Chairman of Seatrade.

SEA ASIA is open for three days, 9-11 April 2013, at Marina Bay Sands in Singapore. 





India's food processing sector is all set to grow at a phenomenal rate.

Ritu Gupta

THE SHINING STAR

The US agribusiness giant Cargill has recently decided to invest in India's burgeoning processed food sector with a \$73 million corn milling unit. Cargill's decision did not surprise the industry players as India's 1.2 billion population is eating increasing amounts of packaged and processed foods, and foodchains like McDonald's and Knorr are becoming common household names. "We aim to start a corn milling unit with a daily 800 to 1,000 tonnes processing capacity by 2014," said Siraj Chaudhry, chairperson of Cargill India. The company is acquiring land in Karnataka, the top corn-producing state in India. Demand for modified starch – produced from corn – as a sweetener and thickener for the food and drinks industry is growing at 10-15 per cent in India.

Indeed, the Indian food processing industry is widely recognised as a

"sunrise industry" having huge potential for uplifting the agricultural economy, and generating employment and export earnings. Due to India's diverse agro-climatic conditions, it has a wide-ranging and large raw material base suitable for food processing industries, but presently a very small percentage of these are processed into value-added products.

The market size for the industry is estimated to be worth around \$67 billion, and it employs about 13 million people directly and about 35 million people indirectly. The sector is one of the largest in India in terms of production, growth, consumption, and export. India's food processing sector covers fruit and vegetables, spices, meat and poultry, milk and milk products, alcoholic beverages, fisheries, plantation, grain processing and other consumer product groups like confectionery, chocolates and

cocoa products, soya-based products, mineral water, high protein foods etc. The government has accorded it a high priority, with a number of fiscal reliefs and incentives, to encourage commercialisation and value addition to agricultural produce, for minimising pre/post harvest wastage, generating employment and export growth (see box: Initiatives given by the government to promote the sector). Two nodal agencies – Agricultural & Processed Food Products Export Development Authority (APEDA) and Marine Products Export Development Authority (MPEDA) – were formed for promoting exports from India. MPEDA is responsible for overseeing all fish and fishery product exports; APEDA, on the other hand, holds responsibility for the exports of other processed food products.

The Indian food processing industry is primarily export orient. India's



India's advantages in the processed food sector

- India is one of the largest food producers in the world
- India has diverse agro-climatic conditions and has a large and diverse raw material base suitable for food processing companies
- India has huge scientific and research talent pool
- A largely untapped domestic market of 1,000 million consumers
- 300 million upper- and middle-class consume processed food
- 200 million more consumers expected to shift to processed food by 2010
- Well developed infrastructure and distribution network
- Rapid urbanisation, increased literacy, changing lifestyle, increased number of women in workforce, rising per capita income - leading to rapid growth and new opportunities in food and beverages sector
- Strategic geographic location (proximity of India to markets in Europe and the Far East, South East and West Asia)

Major challenges faced by industry

- Consumer education that processed foods can be more nutritious
- Low price-elasticity for processed food products
- Need for distribution network and cold chain
- Backward-forward integration from farm to consumers
- Development of marketing channels
- Development of linkages between industry, government and institutions
- Taxation in line with other nations
- Streamlining of food laws

Key segments of the Indian food processing industry

Fruits & vegetable processing:

This is one of the most important and fast growing sub-sectors of the food processing sector. Over the last few years, there has been a positive consumption growth in ready-to-serve beverages, fruit juices and pulps, dehydrated and frozen fruits and vegetable products, tomato products, pickles, convenience veg spice pastes, and processed mushrooms. Curried vegetables seasonings are being increasingly consumed nuclear families, working women, students and single employees staying alone.

Meat processing: In meat and meat processing sector, poultry meat is the fastest growing animal protein in India. India exports more than 500,000 million tonnes of meat, of which major share is buffalo meat. Indian buffalo meat is witnessing strong demand in international markets due to its lean character and it's near organic nature.

Dairy processing: India is number one milk producing country in the world with an estimated production of 105 million tonnes in comparison to world milk production of 693 million tonnes during 2007-08. Buffalo milk is estimated to account for 57 per cent of the total milk production in India.

Fisheries Sector: The export of marine products has steadily grown over the years from a mere \$0.84 million in 1961-62 to \$1,849.08 million in 2008-09. Marine products account for approximately 1.1 per cent of the total exports from India. Frozen shrimp is said to be the single largest item of export in terms of value accounting for about 45 per cent in the total export earnings. European Union (EU) is the largest market, followed by China, Japan, the US, South East Asia, and Middle East.

Grain processing sector: This includes oilseed production, oil meal production. India is both an exporter and importer of oilseed extracts.

Consumer food industries: Consumer food industry includes pasta, breads, cakes, pastries, rusks, buns, rolls, noodles, corn flakes, rice flakes, ready-to-eat and ready-to-cook products, biscuits etc. Bread and biscuits constitute the largest segment

exports of processed food were valued at ₹34,864.36 crores in 2011-12. India's geographical situation gives it the unique advantage of connectivity to Europe, the Middle East, Japan, Singapore, Thailand, Malaysia and Korea. Products that have growing demand in the export market are pickles, chutneys, fruit pulp, canned fruits and vegetables, concentrated pulps and juices, dehydrated vegetables and frozen fruits and vegetables along with processed animal-based products.

As far as the imports are concerned, India gets sugars and sugar confectionery in small quantities, with the major supplying countries being Brazil, Thailand, Guatemala and Spain. India also imports over \$800 million worth of dried vegetables and almost \$700 million worth of fruits, especially nuts, apples and dates from the US, Ivory Coast, Benin and Afghanistan. Coffee, tea and spices are also imported

from neighbouring Asian countries like Sri Lanka, Indonesia, Nepal and China. Other processed foods that have been imported over the past few years include Italian pasta. Imports of pasta are increasing at a rate of 30 per cent and have crossed \$13 million in 2010 in terms of import value. The imports of beverages and spirits are also rising. Despite the ample availability of raw material, imports of some processed foods are rising because the sector is non-competitive, and the main reason behind this is the cost and quality of marketing channels, with the organised retail sector in India still being in the nascent stage. Globally more than 72 per cent of food sales occur through super stores. Industry experts aver that the situation in India would also soon change, with the policy of FDI in retail being introduced. According to them, India presents a huge opportunity, as the market is least saturated.

of consumer foods. India's biscuits industry is the largest among all the food industries and has a turnover of around \$ 0.64 billion. India is known to be the second largest manufacturer of biscuits, the first being USA.

Frozen foods: Products which come under the frozen food industry are fruits, vegetables, fisheries, milk products, meat, poultry and other packaged and convenience foods. Although it is a huge producer of food products, India still has immense untapped potential in the frozen food export industry. The demand for Indian recipes from the Indian diaspora settled across the globe has served as an impetus to development of the frozen food industry in recent years. Vegetables like drumsticks and okra and prepared food like chapattis and parathas are nowadays available in frozen form in neat packets all over the world. The Indian frozen food market generated total revenues of \$325.9 million in 2010, representing a compound annual growth rate (CAGR) of 16.6 per cent for the period spanning 2006-2010.

Future prospects

The Indian food market is set to more than double by 2025. The market size for the food consumption category in India is expected to grow from \$155

Government's incentives to promote the sector

- Most of the processed food items have been exempted from the purview of licensing under the Industries (Development & Regulation) Act, 1951, except items reserved for small-scale sector and alcoholic beverages.
- Food processing industries are included in the list of priority sector for bank lending in order to ensure easy availability of credit to them.
- Excise duty on ready-to-eat packaged foods, instant food mixes like dosa and idli mixes, aerated drinks, as well as on fruits and vegetables processing units, have been reduced.
- Excise duty on processed meat, fish and poultry products reduced from 8 per cent to nil.
- Excise Duty on dairy machinery has been fully waived off
- Excise duty reduction from 16 per cent to 8 per cent on a few more items including water purification devices, veneers and flush doors, sterile dressing pads, specified packaging material and breakfast cereals.
- Excise duty exemption on refrigeration equipment will enhance investments in the cold chain sector and help food and beverage sector.
- Customs duty on food processing machinery and their parts have been reduced to 5 per cent
- A large number of foreign collaborations have been approved
- Up to a maximum of 24 per cent foreign equity is allowed in SSI sector
- Use of foreign brand names is now freely permitted
- Most of the items can be freely imported and exported except for items in the negative lists for imports & exports. Capital goods are also freely importable
- All profits from export sales are completely free from corporate taxes

billion in 2005 to \$344 billion in 2025 at a compound annual growth rate of 4.1 per cent. The processed foods sector will grow from ₹4,600 billion to ₹13,500 billion by 2014-15, and the share of the value-added products in processed foods would grow from ₹2,800 billion to ₹5,700 billion. The segments with the largest growth potential for processing are dairy, fruits and vegetables, wine, confectionary, poultry, convenience food and drinks and milk products. Products that have growing demand in the export market are pickles, chutneys, fruit pulp, canned fruits and vegetables, concentrated pulps and juices, dehydrated vegetables and frozen fruits and vegetables along with processed animal-based products.

The government has set an investment target of ₹1,00,000 crore for the food processing sector by 2015. This is expected to almost double the country's presence in the global food trade to 3 per cent. The investments will undoubtedly catapult the growth of this sector, and put it at the higher growth trajectory, and also make it an attractive segment for the MNCs. Already 100 per cent FDI is allowed under automatic route in food processing industry and food infrastructure including food parks, distillation & brewing of alcohol, cold storage chain and warehousing.

In order to increase the level of processing and to promote the sector, a Vision 2015 document has also been prepared by the Union Ministry of Food Processing Industries (MFPI), which envisages tripling the size of the processed food sector by increasing the level of processing of perishables from 6 per cent to 20 per cent and value addition from 20 per cent to 35 per cent. The sector recently also got a big impetus when President Pranab Mukherjee said that it was time for Public-Private Partnership (PPP) in the food processing industry as investors were coming forward and state governments should explore the opportunity. Despite being the second largest producer (after China) of fruits and vegetables in the world, India lags behind in food processing as post-harvesting operations are not up to the mark, the President observed. Hopefully, the president's intervention may give the industry the much needed boost and we may soon see the sector reaching its stipulated goals. 





Draws up expansion plans

Sreekala G

Dighi port has lined up major plans for expansion. Its strategic location coupled with vast hinterland access, should offer an alternative to JNPT and Mumbai ports.

Dighi Port, the first Greenfield port of Maharashtra, has commissioned two multi-purpose berths last year, with a single quay length of 650 metres. The port has handled 2 million tonnes of cargo so far. It is now planning to develop three more berths under phase 1 expansion, which will be commissioned in over 12-14 months.

“The port has been handling regular shipments of steel, coil and bauxite. At present, the port has an installed capacity of 12 MTs and once the five berths become operational, the capacity will reach 30 MTs,” says Vijay Kalantri, Chairman & Managing Director, Dighi Port Ltd.

According to him, capacity augmentation has been planned in a phased manner. The port is likely to have an installed capacity of 90 MTs by 2020.

Dighi Port is capable of handling bulk and break bulk cargo, container and Liquefied Natural Gas (LNG) and other allied cargo. It is expected to address the gaps left by Mumbai Port and JNPT in terms of cargo handling. Located in the Raigad district of Maharashtra, south of Mumbai, Dighi Port is at a distance of 200 km from Mumbai Port and about 100 km from JNPT.

The port will help retain cargo within Maharashtra that is currently being diverted to ports in Gujarat. The two major ports under the Centre – JNPT and Mumbai – do not offer much facility for handling cargo such as coal, fertilizer and food grains. With Maharashtra requiring over 12 MT coal every year to fuel its power plants, Dighi Port can offer major help by offering direct berthing facility.

The port has an ample land bank of about 1,500 acres.

The expansion project includes the operation of two/three jetties and setting up of a port based SEZ. It will also contribute towards township development in the region and setting up of a Free Trade Warehousing Zone (FTWZ) which

will lead to the development of the international trading and trans-shipment hub. “Most of the approvals required for the port based SEZ and FTZ are in place. Land acquisition is in progress and the SEZ and FTWZ is likely to be ready and operational by 2014,” says Kalantri.

In the radius of 100 km from the port, some well-known names in the steel industry – Vikram Ispat, Ispat Nigam, Maharashtra Stainless Steel, Bosan Steel and Uttam Steel – have set up plants. Industrial belts including Kolhapur, Pune and Taloja are also close to the port.

“Dighi Port has been identified as one of the Mega National Investment Manufacturing Zones under Government of India’s new Manufacturing Policy and is also the final node of the prestigious Delhi-Mumbai Industrial Corridor (DMIC) and is being developed as a multi-modal logistic hub,” says Kalantri. Being part of the DMIC and DFC will ensure constant flow of cargo to the port. Dighi Port is being developed by Balaji Infra Projects Ltd (BIPL) under a 50 year ‘build, own, operate, share, transfer (BOOST)’ concession agreement signed with the Maharashtra Maritime Board.

Dighi’s strategic location enables it to reach the vast hinterland of Maharashtra that is richly occupied by industrial belts. Both banks of the port are connected to the National Highway 17 (Mumbai-Goa Highway) via four state highways. Dighi Port has signed a Memorandum of Understanding (MOU) with Konkan Railway Corporation Ltd. (KRCL) for development, operation and maintenance of port railway line connecting it to the main line at Mangaon. The dedicated rail connectivity is likely to be operational by 2015.

To take advantage of this bustling hinterland activity, Dighi Port has partnered with the Container Corporation of India (CONCOR) for logistics and container rail support services. [img](#)

“Classification procedures have changed safety culture”

Q What in your opinion is the contribution of classification societies? Has the safety culture and environment conscious attitude changed in maritime transport due to classification procedures?

A Classification societies make significant contribution to maritime safety by ensuring compliance with classification rules and regulations as well as statutory rules on behalf of flag states. They also provide technical support to the Shipowners and contribute to maritime industry by continuous research and development. Classification society ensures that vessels hull and machinery is maintained in good condition.

The safety culture and environment conscious attitude has certainly changed in maritime transport due to classification procedures. Classification societies have developed some voluntary notations which can be applied during ships design and construction to make the vessel much safer and environment friendly. Shipowners are also voluntarily adopting such notations even though it makes the vessel construction more expensive. This is happening mainly due to classification societies interacting more vigorously with the shipowners to make them realize the importance of voluntary compliance with safety and environment friendly features to be incorporated at design and construction state itself.

Q Do you think classification societies are helpful in supporting alternate fuels such as LNG? If yes, how?

A LNG as a fuel is being considered by some shipyards as well as shipowners so as to reduce emission of harmful gases to the environment. But the expansion of LNG as a fuel throws up technological and regulatory challenges. Classification societies are playing a major role in addressing these challenges.

LNG as a fuel has been used traditionally on gas carriers and some small passenger ferries in past. However, the application of LNG as a fuel on other vessels such as tankers, bulk carriers and container ships is still in design and development stage.



Arun Kumar Gupta
Shipping Corporation of India's Technical
& Offshore Services Director

Classification societies play a major role in ensuring maritime safety and providing technical support to shipowners. In an interview with **Bhagyashri Kamat**, Shipping Corporation of India's Technical & Offshore Services Director **Arun Kumar Gupta** talks about the innovations influencing ship design and the challenges faced by Indian flag vessels.

The safety standards on LNG powered ships are being developed by International Maritime Organisation (IMO). IMO has developed Interim Guidelines on Safety for Natural Gas-Fuelled Engine Installations in Ships which was adopted on June 1, 2009 and the IMO International Code of Safety for Ships Using Gases or Other Low Flashpoint Fuels (IGF Code) is currently under development. In the meantime some classification societies such as ABS have developed guide to propulsion and auxiliary systems on LNG powered ships which is in line with IGF code. DNV class has rules for LNG fuelled engine installations since 2001.

However, still the question that remains is the LNG bunker supply and infrastructure development required at ports or at sea to supply LNG as bunker. Classification societies are continuously fine tuning the current ship designs using LNG powered engines by carrying out safety assessment and risk analysis. Recently, DNV and BV approved design of LNG

powered large container ships. Next few years are going to see a lot of development on LNG fuelled ship design with the keen interest shown by classification societies.

Q Mandatory measures to reduce emissions of GHGs have come into force from January 2013. What are the challenges in implementing EEDI (Energy Efficiency Design Index) and SEMP (Ship Energy Efficiency Management Plan) and how are they being met?

A The EEDI is a complex mathematical formula that provides a specific energy efficiency figure for an individual ship design, expressed in grams of carbon dioxide emission per transport work, i.e. tonne mile. A smaller EEDI is a useful regulatory provision to incentivise shipowners to not only reduce greenhouse gas emissions but also to save in operating costs.

The EEDI has been currently developed for the larger and most energy-intensive segments of maritime transportation fleet such as oil and gas tankers, bulk carriers, general cargo ships and container ships. For ship types not covered by the current formula, suitable formulae will be developed in due course.

Another technical measure to achieve energy efficiency is the Ship Energy Efficiency Management Plan, known as SEEMP, which enables the shipowner to improve continuously the energy efficiency during vessel operations. SEEMP is meant to apply to existing vessels also.

To meet EEDI challenge, reputed shipyards have started developing green ship designs, incorporating combination of features such as optimum hull shape, light hull weight structure, use of energy saving and emission reduction equipment, low emission hybrid engines, designs with reduced ballast water, ways to reuse waste heat energy, using unconventional energy such as wind and solar for partial load requirement and so on.

Shipowners are facing challenge in meeting SEEMP requirements on the existing vessels. Shipowners are encouraged to upgrade the existing engines or propellers so as to increase operational efficiency. One of the ways to reduce greenhouse gases is to reduce operating speed. On existing vessels owners have to really find new ways by means of technological development so as to reduce the greenhouse gas emissions.

Q Apart from being energy efficient, what is the innovation that is influencing the ship design?

A Other than green ship designs, the other innovation which is influencing ship design is pertaining to structural safety. There has been continuous research and development by the shipyards and classification societies in developing the ship designs which are not only safer and stronger but also lighter in weight. A lot of active research involves use of aluminum, composite materials etc. in shipbuilding.

Q Ship sizes are growing exponentially across every class over recent years. How safer the operation of such vessels can get when it comes to managing risks like grounding, spillage or collision?

A There have been continuous technological developments in ship design and equipment which ensure that vessel safety is not compromised by making the ship size larger.

Large ships are difficult to maneuver but at the same time they are much safer and more stable. There are some specific class notations which ensure that design of the wheel house is done ergonomically and crew can operate the bridge equipment with much more ease and comfort. There has been increased automation as well as incorporation of bridge watch and alarm monitoring system, Electronic Charts Display and Information System, Automatic Identification System, Satellite Communication systems etc., which facilitate smooth operation of large vessels.

Q Though growing, ships under Indian flag are not substantial in comparison with other flags. Will cargo support scheme for Indian Shipping if implemented encourage more vessels to fly under Indian flag?

A Indian ships carry less than 9 per cent of the country's cargo. There are just about 1,100 ships which carry Indian flag. Most of the ships are small in size. Indian flag ships have just 3.4 per cent share of containerised cargo. For oil and petroleum products share of Indian ships is just 15 per cent. Hence, cargo support scheme which will ensure that Indian shippers have to carry certain amount of cargo compulsorily in Indian flag vessels in present market conditions is expected to boost not just the cargo share of national carriers, but also help expand Indian tonnage.

Q Instances of Indian ships detained on the international waters for poor adherence to safety and environmental standards have doubled in 2011 compared to previous year. What could be the main reasons for not adhering to the safety standards?

A The main reason for not adhering to the safety standards is that many of the Indian Flag vessels are quite old. Most of the detentions are of vessels more than 10-15 years old. Indian shipowners have to be more responsible towards proper maintenance of the vessel hull, machinery and equipment. The ship staff has to be more responsible. Work culture onboard ship has to improve. ISM guidelines are to be adhered to strictly. Shipowners have to continuously carry out self-assessment or internal audit of their ships so that most of the problems can be rectified well in time.

Q How effectively the Flag State Inspection (FSI) and Port State Control Inspections are done in India? What are the challenges?

A The fundamental aim of Flag State inspection and Port State Control is to eliminate substandard ships in order to ensure safer ships and cleaner oceans. However, there are challenges. In 2011, 267 Indian flag ships were inspected under Flag State Implementation (FSI) regime and 42 ships were detained. However, the main challenge is that Flag state or port state control should have adequate qualified inspectors who can undertake such inspections.

They have to inspect not only Indian flag vessels but also international vessels. Hence, manpower requirement is huge. Hence, Indian flag has encouraged self-assessment done by ship managers themselves or general inspections carried out by recognized organisations so as to eliminate the defects on regular basis and shipowners are encouraged to have well-maintained, safer ships and cleaner oceans. 

Capt Dinesh Gautama

Ships are the precious assets that are the lifeline of international trade. Keeping them moving at all times is essential to the trade, the owners and the general public at large. Any attempts to detain or arrest ships only brings an obstacle to trade besides adding to general overall costs to all.

DETENTION OF SHIPS



During the seventies and eighties very few ships were detained in India – as it was considered a matter of serious consequential nature. A ship was looked upon as an entity that facilitated the host country's needs and survival. It had a participative function and thus deserved recognition and respect. With the passage of time, all has changed.

Today, a ship faces all forms of restrictions and any infraction results in it being detained. And in India, the detentions are not for small periods. They extend to months and even years thereby preventing the owners from offering their ships for operating in India.

Why are ships detained in India? There are many reasons for which can be detained at an Indian port. For a government authority like the Customs Department, Immigration authorities, Port Health Department, Mercantile Marine Department etc it is an easy matter. Three of the most common reasons for detaining a ship are – outstanding dues (like port dues, light dues, duties, taxes etc), investigations (usually arising out of a casualty), and lien (a liability arising out of some payment due to a party). Detention by a government authorities is easily done by ensuring that no port clearance is granted and thus the ship remains at anchor or moored to a berth awaiting clearance. This happens most of the time and especially in the case of unpaid light dues – where the authorizing party is the Director General of Lighthouses and Lightships and collecting party is the Customs Department.

The periods of maximum detention occur is when an investigation is required by a government authority. This spreads over weeks (as it happened in the case of motor vessel *Amsterdam Bridge*, Dynamic Striker) or months (eg *Nordlake*) or even years (*Khalijia III*).

Arrests of ships by a third party for non-payment of dues is also a very common feature. The ship has been detained in the port of Kolkata since December on a court order. *The X-Press Nilgiri* was arrested in Mumbai in September 2000 for non-payment of agency dues.

Investigations at Indian ports take a long time. This period needs to be reduced. Moreover, due to the poor infrastructure and complicated bureaucratic procedures, the investigation period gets extended to weeks and months. The investigation of *Amsterdam Bridge* should have finished within a few days but it took over a month. In the case of *Nordlake* the ship remained detained in Mumbai Port for over six months. There are some ships languishing in Indian ports for years awaiting completion of investigation. By the time the investigation is complete, they are saddled with a port bill for lakhs and sometimes crores thus forcing an owner to abandon the ship itself – thus helping nobody.

If detaining a ship is required, it is also quintessential to complete the investigations in a time-bound manner for releasing the ship. It is only this that can make India a maritime-friendly nation with its huge coastline. 



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The exim trade imbalance has not only dented the economy, but it is also derailing the container movement in India.

Due to the trade imbalance, many container train operators are carrying cargo to the hinterland but they don't have enough export cargo while returning to the ports. Due to this, more and more container rakes are returning empty, thereby increasing the operational costs of the operators.

"With the imbalance in trade, empty running is bound to increase further," P AlliRani, executive director (finance), Container Corporation of India (Concor), was quoted as saying by the media. Sankalp Shukla, managing director, B2B Inlogistics, also conceded that the empty rakes repositioning is adversely impacting his company's operations. Indeed, the haulage cost for running an empty rake in the most active Mumbai-Delhi sector is about 15-20 per cent of the total cost. According to the industry players, empty running has a severe impact on the net operating margins on a per-train per-month basis.

"Every per cent of empty running has an equal and negative impact on the margins," avers Shukla. Smaller

NO MORE EMPTY

Companies like Concor are coming up with innovative methods to overcome the losses caused by the running of empty rakes.

Ritu Gupta



companies are hit more by this phenomenon than giants like Concor, which has more than 250 trains running and has about 58 terminals. "Unlike the smaller players, we can optimise deployment of rakes by getting flexibility to operate trains based on the availability of cargo," says AlliRani. Concor has also increased terminal usage charges at few of its terminals to pass on a percentage cost of the empties to its customers.

Another way to combat the situation is by switching over to domestic cargo, rather than exclusively focussing on exim trade. Both Concor and private companies like Gateway Rail have been switching between exim and domestic cargo to reduce the losses of empties. "Combining the volumes at our three terminals, we can mix cargo," says Sachin Bhanushali, president of Gateway Rail Freight Limited. Concor too has started using the shipping lines' containers for transporting cargo of the domestic customers to combat the problem of empties.

Concor nudged the shipping lines with its offer to reposition the empty boxes in ports at a lower cost. For instance, if a shipping line wanted a bulk of containers

moved to Western ports on a particular date, then Concor offered that it would move the containers to the port at some discounted freight charge for the shipping line, but, the discount was in lieu of the shipping line allowing Concor to drop the boxes at the port after some days.

According to Concor, giving a discount to the shipping lines is worth the effort, as running empties means a bigger dent on its profits. If it is running empties on a certain route and it uses this for domestic traffic, then its net profit ratio fares better in most cases. Due to this, Concor has strategized to pick domestic traffic, even if it means taking some route deviation. According to Concor officials, the domestic cargo includes goods which were moving by road.

"They get a rate advantage vis-à-vis road. Plus, they get an advantage of volumes moving together. In road transportation, they were unable to move all the volumes together and faced uncertainty on account of daily varying of truck rates. There are customers, for whom we have done mass evacuation and have also managed the deliveries at the other end. We relieve them when we pick cargo from their warehouse. We take their cargo to Concor's other terminal on the route, hold the cargo in our terminal at the other end, for 10-15 days and deliver as per their schedule. We have tied up with road transporters for last mile delivery. This has helped us combat the problem of empties till a large extent," said the official.

Indeed, the trains of Concor are running fuller now. "With this strategy, we were able to increase our domestic throughput. The expenses remained same and earnings went up," says Anil Gupta, managing director of Concor.

The classic case of Northeast

Using domestic cargo is not the only strategy that has been used by Concor. Its work in the Northeast region has made it a pioneer in this context. When it had started operations in the region to handle containers for domestic movement, there too it had encountered the problem of empty repositioning in a big way.

There was a mismatch between the supply of and demand for containers, with the supply far exceeding the demand. There was hardly any demand for boxes to move goods, as most were being transported mainly by trucks and

lorries. The absence of cargo prevented Concor from accepting piecemeal cargo that is, one or two or even five containers. Concor generally insists on a full rake, which is a minimum of 60 boxes. The mismatch affected the freight market. As in the case of road freight, Concor's freight charges were higher on the Chennai-Kolkata or Delhi-Kolkata routes than those on the Kolkata-Chennai or Kolkata-Delhi routes.

The problem could have been resolved, as the goods of the region were amenable to containerisation. For example, the major commodity moved out was jute, which could be sent by railway containers. But that did not happen because of several factors, such as the lack of awareness among traders on the benefits of containerised movement; moreover, there was severe undercutting of rates and excessive overloading of vehicles in the unorganised road transport sector.

To rectify the problem, Concor came up with several marketing strategies. It launched Contrack, a scheduled container freight train launched between Kolkata and Chennai, and Kolkata and Delhi. Thereafter, large volumes of jute goods started being moved by railway containers to the western and southern regions where sugar mills needed them for packaging. In addition, cast iron goods were also transported in Concor's containers from the East to other regions. The commissioning of Haldia Petrochemicals and the Mitsubishi PTA plant also helped. Hindustan Lever Limited's chemicals plant at Haldia also started using the Contrack service for movement of its materials to the southern region.

Today Concor is the undisputed leader in cargo transportation from the Eastern region. Its strong positioning in handling the region's domestic cargo is now largely based on its ability to offer customised transport solutions to the trade. It is banking on this service model for consolidation and expansion of its business. Industry experts aver that Concor's repositioning of empty rakes in the Eastern region is a role model for others in the industry. In the face of adversity, Concor has become more 'dynamic' and has entered into value added businesses. This may not be able to resolve the problem of empties completely, but its marketing strategy is helping in minimising the losses to a great extent. 



IMPROVEMENT IN WAGON LOADING - IS IT SUSTAINABLE?

Improved rake loadings by Coal India seem to be a short term breather. But the company is likely to feel the heat in the wake of sudden increase in the demand for coal.

MG Bureau

Coal India Limited (CIL) faces major challenges in coal transport due to shortage of railway rakes. Though the public sector behemoth has experienced improvement in wagon loading and dispatches, the situation remains far from rosy.

Rail wagon from CIL went up by 29 million tonnes to 42 million tonnes in April 2012-December 2012 and dispatches from the railways improved by 11.5 per cent to 145 million tonnes as against 130 million tonnes during the same period in previous year.

According to top CIL officials, in the first two weeks of December last year, CIL's pithead stocks increased by 1.5 million tonnes to reach a whopping 43.5 million tonnes. Though the railways' dispatches during the first half of the fiscal were good, it is no longer the same now.

The average rake availability has been 176 per day, which, it is felt should be at least 200 per day. Though the railways concedes that rake availability has gone up with CIL, the PSU asserts that ground realities are quite different.

Speaking to *Maritime Gateway*, **Vinay Mittal**, Chairman Railway Board said, "rake availability from our end are being maintained at the 220 rakes per day with CIL." However, he said, there remained scope for further improvement in availability in line with improvement in loadings from CIL's end.

While scope for improvement in loadings remains at the terminals and





sidings, the major issue of demand supply mismatch is yet to be addressed. There is a mismatch in CIL's rake demand in the first and second half of every fiscal with demand dipping in the first six months and jumping in the second half.

The coal production and the dispatches suffer during the monsoon months. The mines get flooded and there are safety concerns. The rakes lie idle.

Short time comfort

Presently CIL experiences some relief as rake availability is at least 'comfortable' compared to the acute dearth it faced a couple of years ago when the economy was booming. With demand for export of iron ore dipping considerably, the rakes have been diverted for coal loading from the domestic sources of originating traffic.

Being relieved from iron ore traffic movement, the railways has been running empty rakes to gateway ports for imported coal traffic. However, with price volatility in imported coal, there has been reportedly some shortfall in coal loading at ports, thereby further relieving the rakes for domestic movement.

It is feared that the present 'comfortable' situation would return to the earlier period of uncertainty when revival of the economy begins, requiring higher placements of wagons. Shortage of requisite planning on the part of the railways to tackle the sudden emerging demand is likely to widen further with the demand- supply gap.

If indications are anything to go by, iron ore loading of South Eastern Railways' prime freight loading Chakradharpur division is expected to go up in 2013-14 catering to large-scale expansions of Steel Authority of India's Rourkela Steel plant, Tata Iron & Steel Company and Jindal Steel. The expansions of the primary and many secondary steel plants will be in stream during 2013.

Rake loading, according to South Eastern Railway (SER) officials, for the movement of iron ore is also expected to go up due to the increased demand from numerous sponge iron units that have sprung up on the hinterland of South Eastern Railway in recent past. SER has targeted freight loading of 87 million tonnes in 2013-14 up from 80 million tonnes in 2011-12. Despite slowdown in

demand of steel, SER has been loading an average of 50-55 rakes on a daily basis for iron ore.

According to the railways, 911.53 million tonnes of revenue earning freight traffic is expected in April 2012-February 2013, an increase of 35.93 million tonnes as against the freight traffic of 875.60 million tonnes it carried in the corresponding period last year.

However, in February 2013, the revenue earning freight traffic carried by Indian Railways was 83.6 million tonnes, registering a decrease of 3.4 million tonnes compared to the freight traffic of 83.76 million tonnes in the same period last year.

Long term plan

With demand fundamentals of the economy remaining firm in the long term, requirement of rakes will remain strong. Not to mention the colossal volumes of coal needed to fuel the expansions of power and steel sector. Taking into account the future demand for coal, the railways will require implementing long-term project plan to move the cargo on its already stretched network.

The railways has projected an incremental 1,047 million tonnes of originating freight traffic from 1,007 mt in 2011-12. Bulk of the incremental traffic will be from coal. This is despite the fact that there has not been marked improvement in acquisition of rakes in recent years.

However, the recent move by the Union Cabinet to clear two railway projects in Chhattisgarh between Bhupdeopur and Raigarh involving a 300-km eastern corridor and 122-km east west corridor between Pendra road and Korba is likely to offer some solution to these problems. a commendable initiative. The projects will boost production and transportation of coal in one of the country's key coal belts.

Production and movement of coal will also be better facilitated through early execution of Tori-Shibpur 93 km under East Central Railway and Vasundhara mines-Jharsuguda (55 km) corridor under South Eastern Railway. These three projects, each capable of handling 100 million tonnes annually, if implemented early, will not only benefit Coal India Limited, but also will boost the railways earning substantially to the tune of ₹9,000 to ₹10,000 crore annually. 

THE SCIENCE OF **WAREHOUSE DESIGN**

Adwait Dandekar

Modern warehouse design methodology is typically summarized as a 3 step process:

Concept Design

The size of the warehouse is determined. A material flow describing how goods are processed in and out of the warehouse is also defined.

Detailed Design

Detailed specifications for equipment and systems are typically determined here. Vendor RFPs are issued and equipment vendors are selected.

Implemen- tation

Equipment and systems are installed; personnel are trained in new procedures. Labour standards might also be developed.

No back-of-the-envelope calculations

Anyone who has visited one of the modern retail or automotive warehouses in India knows that the typical Indian "Godown" has evolved over the last few decades into a modern distribution centre with scores if not hundreds of people, computers, and material handling equipment working inside. But, few in India recognise that the process for designing these huge buildings and dictating what the hundreds of people who work within them, has also evolved greatly. The process of warehouse design has become something of a quantitative science unto itself. If you are going to minimise the capital investment and the ongoing operating costs of these buildings, you need to chuck your back-of-the-envelope calculations and rely on lots of data analysis and modern computers to figure out how big your warehouse should be and what should go on inside it.

Warehouse Design Process

A data driven process

This quantitative process rests heavily on the data it is fed. Garbage In leads to Garbage Out. You cannot begin discussing the modern design process without talking about the importance of purity and completeness of design data, especially in India.

A warehouse designer usually needs product, order, and inventory information to fashion a design. Usually, this data is in various states:

1. Unreliable current & future data
2. Reliable current but unreliable future data
3. Reliable current & future data

The third case is the most ideal and drastically reduces project time; however, on most Indian projects data tends to lean more towards the first two cases. In such instances, the company management and the

warehouse designer need to work closely with each other to develop valid assumptions for missing future data; together they must combine strategic forecasts for the business with information from past design projects (e.g. pareto curves for SKU sales) to manufacture the core information needed to propel the design forward.

How to store stuff in the warehouse?

Once good data is available, the process of developing a warehouse concept begins in earnest. The first question tackled by the designer is how the product should be stored in the facility. Today in most godowns, the product is stored on the floor, but in modern distribution centres the height of the building is leveraged because real estate is very expensive. Different types of equipment may be chosen. These are referred to as storage modes.

The nature of business along with the data determines the type and quantity of storage mode(s). For example, in a B2B business, where product is moved in cases or pallets, the most popular and rationale storage mode is either Pallet Rack or Decked Rack. In areas where real estate is really expensive, firms might use robotic technology such as an AS/RS to store product 90 feet in the air. Each project is a little different.

How do I move stuff within the warehouse?

Once the storage modes are chosen, the designer focuses on how product will be moved in and out of the warehouse. Usually this begins with a careful evaluation of how picking should take place because this process step usually consumes the majority of the site's labour and dictates how much of the rest of the warehouse needs to work.

In most godowns, a picker picks for one order at a time using not much more than his or her hands,

a paper pick list and maybe a cart. In the modern DC he may pick for hundreds of orders a time, use computers to confirm he is picking the right material and to get his picking instructions and ride a vehicle that lets him travel up or down as well as horizontally. Math and simulation is used to analyse past and future orders to determine the most optimal mix of systems, material handling equipment(MHE), layout and process needed to minimize labor and capital investment. Sixty per cent of the design will be spent on answering this question.

Once the picking concept is understood, the receiving, putaway, packing and shipping processes will be determined. A modern DC is like a pipe and cannot process merchandise in and out faster than its thinnest point will allow. The designer will then look at pinch points in the flow such as dock doors to make sure that the building has enough capacity in those areas to meet demand. Once he or she is satisfied that the design objectives can be met, the layout is finalised, and then labour requirements, equipment lists, and capital costs will be developed. The concept is then approved and detailed design and vendor selection can proceed.

How much could you save?

The above process takes a couple of months generally. The justification is easily seen in the labor and the capital saved, however. An Indian warehouse design that does not use the above process typically will have two to three times the amount of labour needed. The difference in capital costs between facilities designed with a scientific, unbiased eye towards MHE versus a biased one can add up to crores of rupees in big buildings. The time spent in working the numbers is more than worth it. 

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Elaine Low
Executive VP - Business Development,
Asia Pacific CEVA Logistics

Elaine Low, EVP for Business Development in Asia Pacific, is responsible for all aspects of sales operations and business development for CEVA in the region. Elaine joined CEVA in 2003 and has held various sales and management roles in the company. She is also a key sponsor for CEVA Women's Network in the region, driving female talent development and diversity inclusion programs.

Prior to joining CEVA, Elaine worked for Menlo Worldwide from 1998 in various roles including General Manager, Singapore and Area Sales Manager for South East Asia. Before Menlo, Elaine had been with Walt Disney and Mitsui OSK in Asia.

With 18 years of supply chain and logistics experience within Asia Pacific, Elaine has a solid track record in driving commercial strategies and managing complex contract operations, commercial relationships, change management initiatives across multiple dynamic Asian countries.

Elaine has a Degree in Business majoring in Accounting and is based in Singapore.

“INDIA IS A BOON TO THE 3PL MARKET”

CEVA Logistics is one of the world's leading providers of end-to-end design, implementation and operational capabilities in freight forwarding, contract logistics, transportation management and distribution management. The company employs more than 51,000 people and run a global network with facilities in more than 170 countries. In an interview to **Bhagyashri Kamat**, CEVA's executive vice president (business development), Asia Pacific, **Elaine Low**, discusses the opportunities offered by Indian market and CEVA's future plans to augment revenues worldwide.

Q Being a leading logistics company in the world, what are CEVA's specific plans for the Indian market?

A India is an important market for CEVA. We have shown a steady growth in business here, over the past three years. Our main business segments – freight management and contract logistics – have both shown impressive growth.

Currently CEVA has a network of 17 offices and an equal number of warehouses across India. These sites are strategically positioned to cater to our customer requirements. We are always looking to provide innovative value added solutions to our customers and invest significantly in that area. We already have direct LCL service connecting India to the US and Asia, and we are planning to add a few more. We have opened a 1.5 million sq ft multi-user facility in Bangalore, and have plans to open similar facilities in Mumbai, Chennai and Delhi within this year.

In addition, we are investing in the areas of talent recruitment, development

and training, systems and technology enhancements, innovation in solutions to support our customers' growth in this region.

Q How do you look at third-party logistics market in India? How big is the market and what is the growth expected?

A India is ranked in the top 20 list of the largest exporters and importers in the world and with a healthy economic growth rate. This country is a boon to the 3PL market. India has the world's who's who in automotive, consumer retail, healthcare and other major industries, who depend on the services of 3PLs to source, manufacture and distribute their products and raw materials.

There have been some positive improvements in the logistics infrastructure which has led 3PL providers to have better control and deliver better services. A recent study by RNCOS, a leading industry research and consultancy firm, shows that the market is expected to witness a CAGR



of around 22 per cent during 2012-2015. Significant growth in India's consumer industry alone has encouraged the 3PL sector, generating estimated revenue of \$69 million in 2010. The market is further anticipated to post a CAGR of around 36 per cent during 2012-2014, on the back of rising demand for warehousing and transportation in consumer industry.

Q What are the advantages and problems the company faces in India?

A The current Indian economy is consumption driven, with globalisation and entry of many more multinationals expected through foreign direct investment (FDI). Thus there is a vast scope for domestic logistics services. But the country needs an infrastructure to match this growth. Also, when compared to other countries in Asia, India's logistics costs are higher, tax structures are complex and there is still room for improvement in infrastructure.

Although there are significant steps taken by the government to develop the various freight networks, the growth is slow in coming.

However, CEVA is well-structured to capitalise on this high growth market. We have created a strong presence in the country by strategically positioning our service offerings, increasing synergies between our locations, and quickened the decision making process.

Q How big is CEVA's business in Asia Pacific and India and which is your fastest growing vertical in this market?

A Backed by a global network, CEVA has a strong and established market presence in Asia Pacific with local offices in 14 countries. We are integrated right down to country level, providing a single point of contact for our customers' supply chain needs, making us a unique and truly integrated company in the industry. Asia Pacific is an important region for CEVA (28 per cent of the company's total revenue in FY 2011). China is one of our strategic priorities globally, where we continue to strengthen our capabilities and footprint in the market, supporting Chinese customers who are expanding overseas and global customers who are increasing their presence in China.

India, together with other emerging markets in this region, presents good

growth opportunities as domestic markets expand and intra-Asia freight movement trend increases. Consumer and retail, automotive and industrial sectors are the fastest growing verticals for CEVA in India. We are investing in the areas of talent recruitment, development and training, systems and technology enhancements, innovation in solutions to support our customers' growth in this region.

Q CEVA reported almost 50 per cent drop in income in the third quarter (November 2012) with a pretax loss of €50 million. How do you plan to shore up the business and which are your focus areas?

A Together with the Third Quarter 2012 financial results announcement in November, we also indicated several actions we are undertaking as a company to reduce costs, improve our profitability whilst we continue to focus on our customers and be ready to respond to market demands and changes. This includes continuing to reap the benefits of Program UNO, a three-year initiative to standardise our Freight Management systems and processes across the globe, ensuring a high consistent standard of service for our customers. 



SCM BECOMES SERIOUS BUSINESS

Globalised operations and increasing competition has raised expectations from supply chain management. CSCMP India along with at Kearney took up a study involving senior professionals and the best practices of leading organisations across various verticals to help address the issues that industries face vis-a-vis supply chain management. The study points out the practices that can be adopted and key enablers to help practice them successfully.

Manjula Murari

Enhanced competition and continuously globalising value chains are leading to a substantial shift in expectations from the supply chain function. Connecting supply to demand at optimal costs and service levels is a hygiene factor today. CXOs are demanding competitive advantage from their supply chains. This growing expectation coupled with operational challenges in India, makes the role of an Indian supply chain professional extremely complex. However, there are emerging examples of organisations across industries

succeeding despite these constraints and creating competitive advantage through their supply chains.

So, based on their experience in helping organisations in India and detailed conversations with C-level executives and senior supply chain professionals, AT Kearney in its report based on a study it undertook along with the Council of Supply Chain Management Professionals (CSCMP), has identified seven supply chain practice themes that are providing competitive advantage to organisations across industries.

Increasing competition and maturing value chains are leading to a substantial shift in the expectations from supply chain function. Gone are the days when supply chain management meant managing logistics and warehousing. Even connecting supply to demand at optimal costs and service levels is becoming a priority factor as C-level executives increasingly demand that their supply chains provide a competitive advantage.

It is this shift in expectations coupled with the fact that the chain is as strong



as the weakest link that has necessitated the supply chain management (SCM) to focus on the entire value chain. Hence, the supply chain managers are now expected to deliver on a much wider set of metrics beyond the traditional cost and service level.

Responsiveness, speed to market or freshness, delivered quality and sustainability are fast becoming focus areas for Indian SCM. The ability of a supply chain to respond to a sudden demand increase or an unanticipated supply disruption provides organisations to capture new customers from competitors. For example, the speed with which one customer product company ramped up the production of hand sanitizer in response to flu outbreak in a certain region helped them to gain market share. While in the technology-led products, trumping the competition with better features and benefits can make a substantial difference to market share, freshness is key to consumer buying criteria for consumption products. Another factor that customers are increasingly particular about is the quality of the product reaching them, not simply it being delivered on time or in full. Last, but surely not the least, sustainability is a global focus area that is bound to become a key area in India as well.

In the light of the issues that Indian supply chains will need to address in the coming years, it is only pertinent that



one looks at the specific challenges that they face presently. Indian businesses now operate in a fast changing context. This translates into enhanced connectivity. Indian businesses are no longer insulated and more global today. They need to manage longer cross country supply chains and plan for risks from global events. For example, the floods in Thailand in 2011 had impacted the market share of an automobile manufacturer and this led to a 20 per cent decrease in sales for two months.

Indian consumers are now aware of their wants. With rising aspirations and increasing exposure, consumers are more demanding than ever. This means that the organizations need to meet these demands which translate to the need to manage a wider product portfolio while improving service level and delivered quality.

Rising input costs due to high inflation is another reality that they have to deal with. Crude oil price has increased by 15 per cent CAGR in the past five years. Manpower costs too have grown at 12 per cent CAGR in the past two years. These hikes coupled with value conscious Indian consumer are now forcing supply chains to focus, a bit reluctantly, on efficiency.

Another major challenge, albeit one that is a global reality is the increasing demand and supply volatility. Historically, forecasting commodity prices was easy. For instance, agricultural commodities used to depend mostly on acreage, weather and yield. However, in the past few years, several 'wild cards' such as increasing growth in emerging economies, geopolitical issues and speculators, have caused greater commodity volatility.

On the demand side, a combination of increasing competitive intensity and propensity of consumers to experiment with new products has amplified demand uncertainty and reduced product life cycles. To manage such volatility effectively, supply chains need to be more flexible.

Another issue that is hard to ignore is the diverse consumer base. A broad spectrum of consumers is driving growth in India – urban and rural, premium to bottom of the pyramid. Hence, to be a substantial player, Indian organisations need to cater to most of these segments with differing needs and varying ease of reach.

Implementation of forward looking regulatory changes has been slow in India. Supply chain functions have been eagerly awaiting the Goods and Services Tax (GST) rollout. In addition, complex procedures for capacity set up require planning in advance to meet growth needs. However, capacity much in advance results in low utilization and hence higher cost, requiring organizations to walk a fine line.

Then there are the ecosystem challenges such as bottlenecks in infrastructure, fragmented service providers and shortage of talent across levels. Though India ranks amongst the fastest growing economies, it ranks 95th on quality of roads and 82nd on

port infrastructure. Such bottlenecks necessitate a higher system inventory leading to adverse impact on speed to market/ freshness of products and supply chain cost.

Third-party logistics is an area of concern as the service providers are still few and far, accounting for only 9 per cent of business, compared to 80 per cent in Japan and 60 per cent in the US.

Despite the addition of 13 million people every year to the working age populations, organisations continue to face talent shortage across levels. Another reason being that, for too long, organisations have not focused on building supply chain managerial capability.

What are the leaders doing to create a competitive advantage?

While the job is quite demanding, given issues that are unique to an Indian setting, many organisations have managed to create successful supply chains that give them an edge over competition. The following are the seven themes that were identified from the best practices adopted by 30 C-level executives and senior supply chain practitioners in India.

1 Collaborate to virtually integrate the value chain

In an environment of intense

competition, better value chains succeed rather than organisations. Collaboration is a key lever that enhances value chain capability. Collaboration happens at three levels, viz. across functions, across the value chain and beyond the value chain. Supply chain functions in leading organisations participate right from the ‘go-concept’ stage of the new product development cycle to ensure faster time to market. It is ideal if the collaboration is led by the dominant player in the value chain, the structure should be a win-win partnership with shared goals and organisations should take a long-term view, with clear markers for success. For example, telecom service providers are sharing their tower infrastructure thereby reducing operating costs. Similarly, when a chemical company entered into long-term agreements with a few transport vendors by upgrading their truck infrastructure, it resulted in an enhanced safety and superior reliability of transportation.

2 Replace ‘one size fits all’ with a tailored approach

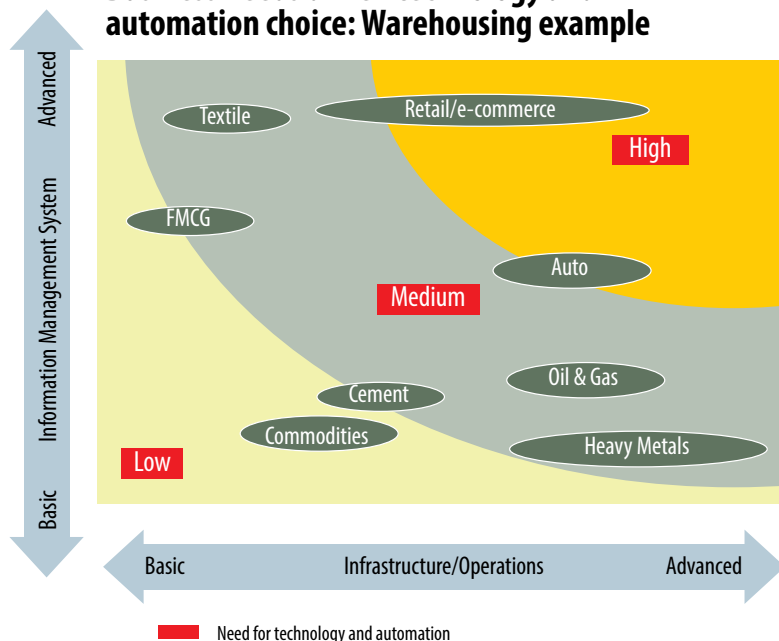
Organisations in India today have much greater diversity across product portfolio, geographic coverage, margin profile, channel coverage and so forth. Managing this diversity with a ‘one size fits all’ approach compromises segment specific needs. While it is not a new concept, leading organisations are today deploying a differentiated approach to manage distinct product-market segments. Organisations across a variety of industries are deploying tailored supply chains to manage challenges ranging from delivering higher service level at lower costs to managing complexity.

Tailoring can also be ‘virtual’, with differentiated inventory norms and product flow paths while sharing the same physical assets, such as factory, warehouse and so forth. Organisations that tailor supply chain successfully cluster segments to achieve adequate scale, articulate focus metrics for each segment and communicate to align all stakeholders.

3 Plan frequently and across multiple horizons

The increasing global integration of Indian supply chains requires understanding key global trends and their implications. Leaders address this by adopting more frequent and multi-horizon planning. Leading organisations in India are

Business needs driven technology and automation choice: Warehousing example



reviewing their demand and making adjustments to their upstream plans (production/ dispatch) on a weekly basis. This enables them to follow actual demand much closer thereby managing demand volatility better. Apart from weekly reviews, they also review their medium-term (once a month) and long-term (once in six months) capacity plans regularly.

Successfully implementing frequent multi-horizon planning requires single demand forecast for entire organisation. This leads to each function using a different number, which causes substantial planning issues. Leaders work with a single number that is aligned with all functions.

Leaders develop and use a total cost optimisation model that include all relevant costs – variable costs for short- to medium-term optimisation, fixed and variable cost for long-term planning.

Leading companies develop different scenarios of future and use a ‘what-if’ approach to assess potential impact on their supply chains. Scenario planning broadens an organisation’s field of vision and helps it capture risks, likely impact and develop plans for mitigation. This process involves the preparedness of supply chains in facing disruptions.

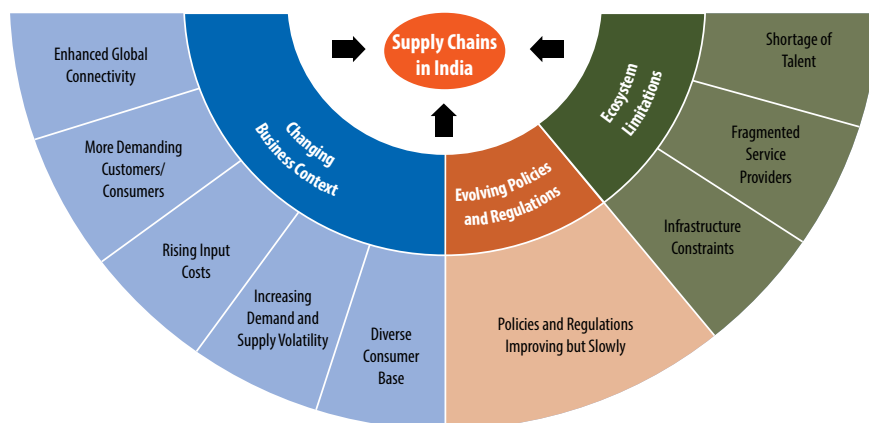
4 Implement pull across the value chain

Implementing pull replenishment across the value chain is one way to reduce costs and improve service levels. Leading organisations are now adopting pull across their value chain – from customers to vendors. Leaders identify the applicability of pull using demand variability and time window of demand. Centralising inventory and allocation using forecasts are techniques suitable for new products or products with very short time window. Successful implementation of pull requires a good information infrastructure, regular calibration of inventory norms and removal of artificial demand distortions.

5 Proactively manage complexity

Widening portfolio, shortening product life cycles and more demanding customers are increasing supply chain complexity. For example, every month about two new mobile handset models are rolled out in India. Similarly, the number of small passenger car offerings has increased from 9 in 2007 to about 30 in 2012.

Supply chains in India operate in a challenging environment



Leaders identify and manage complexity across the value chain – product portfolio, supply chain network, unique manufacturing processes, and vendor base. Enforcing one-in-one out for product variants, having pre-approved input specifications and adopting platform strategies are levers to manage portfolio complexity. Organizations are moving towards fewer and larger facilities to reduce network complexity. Implementation of GST will provide a further impetus to this. Organisations are beginning to use large integrated service providers instead of multiple small service providers thus reducing interface complexity. Leading organisations also consolidate their customer and vendor base, enabling them to deploy collaborative planning techniques with their value chain partners and in the process improving service levels and delivered costs.

Late customisation as a means to provide a variety of options without necessarily increasing the cost of managing variety is seeing increasing adoption.

Making complexity a criteria in new product development process, assessing the entire value chain for complexity and developing cost of complexity database are key enablers for effective complexity management.

6 Ensure business needs drive technology and automation choice

Increasing complexity across the value chain is making technology essential for information sharing, processing and analysis. While adoption level in Indian organisations is increasing across the board, leaders deploy technology and

automation thoughtfully and tailor it to their business needs. For example, leader assesses both variety and volume they need to handle to arrive at appropriate level of warehouse automation. While cement or commodities do not need warehouse management systems, e-commerce businesses require sophisticated warehouse management system. Similarly, a pharmaceutical finished goods warehouse would not require much material handling automation, while handling bulk commodities will require substantial material handling automation.

7 Re-configure supply chain organisation to have business management capability

The shift in supply chain expectations requires a fundamental re-think on the capabilities required by the supply chain organisation. Today’s organisations need to have a suite of business management skills beyond the core supply chain functional skills to be successful.

To achieve this, leaders are taking steps across all stages of talent management. Supply chain leaders invest in capacity ahead of time and actively participate in managing their talent. They anticipate the need for different skill-sets and focus on developing talent through cross functional exposure and customized training programmes. This builds the competence of supply chain professionals as well as elevates the overall organisation capability. 

Acknowledgement: The article is based on the joint study undertaken by the Council of Supply Chain Management Professionals (CSCMP), India and AT Kearney.

LEAN+GREEN= BIG BUCKS

A concept proved to be a sure hit over the decades by Japanese automotive manufacturer Toyota, lean and green logistics and supply chain management, is now an accepted norm for organisations across the world. Indian industries across verticals are steadily realising the need to go lean and green to reduce their carbon footprint and get maximum returns on investment.

Schnellecke-Jeena Logistics in Chennai, India got the contract from automobile manufacturer Hyundai to load complete vehicles into containers for overseas. The challenge was to optimise the loading in such a way that four i20s, five i10s and five Eons, Hyundai's latest model, would fit into a 40-foot overseas container. The Indian wing of Schnellecke developed a frame which lifts the vehicles, packed safely for shipping, in the container and then securely ties them down.

While Schnellecke does CBU container stuffing for Hyundai, it does CKD logistics for Mahindra in Zaheerabad, Andhra Pradesh along with Volkswagen in Pune. "For Schnellecke, a stringent lean management is an important part of logistics excellence, not only in our home market Europe, but also in our branches in emerging markets such as India, Russia or Mexico," says CEO of

Schnellecke headquartered in Germany, Nicolaüs Külps. The organisation is an international operating logistics service provider and supplier to the automobile industry. Schnellecke develops complete concepts that cover everything from transport and route planning, warehouse management, pre-assemblies and value-adding services, to the sequenced production of individual parts and modules and packaging suitable for the containers. They place special emphasis on transparency, quality awareness and controllability of these complex processes within the supply chain management.

"Our organisation managed to implement lean management in its branches including India due to which we are able to generate saving enhancing our competitiveness. Working with lean management is a management of resources. That means creating a lean solution, at the same time, realising sustainable green logistics," Külps adds.



Nicolaüs Külps
CEO,
Schnellecke Logistics,
Germany



Our organisation managed to implement lean management in its branches including India due to which we are able to generate saving enhancing our competitiveness. Working with lean management is a management of resources. That means creating a lean solution, at the same time, realising sustainable green logistics.



Incidentally, it is this cutting down of waste from its production line that enabled Japanese auto manufacturer Toyota to progress from being a small company to a major global corporation. Lean production was pioneered by Toyota after World War II and this has helped it remain a market leader for decades, ever since.

Lean logistics involves the principles that guide the act of cutting waste, which in turn reduces cost in supply chain models. The most vital element of lean logistics is the design of a manufacturing system that is simple. But the process does not end there. It is equally important to be aware that no system is perfect and that there is always scope for improvement. And again, this is where the application of lean management adds value through consistent improvement of systems.

The underlying principle of lean logistics is that the only element of value in a manufacturing system is in services or products that the end customer can purchase. Hence, unused or excess inventory, equipment and labour that are not optimally used are considered to be a waste. Hence, a lean business model is primarily designed to trim the waste.

It is a view that is corroborated by Hariram VR, who has based his research on improving supply chain performance through lean and green means by studying the Volvo Group in India and Sweden. "Indian companies should move towards lean implementation by gaining knowledge about lean and start by reducing the waste by using various tools in various parts of the supply chain. It is also pertinent to involve the suppliers to take part in the change management," he says.

While minimising waste is one aspect of lean management, using sustainable methods to reduce environmental impact are also gaining importance in Indian logistics and supply chain industries. Various MNCs such as DHL, Coca Cola, Volvo etc.

have already started adapting the success formulae of their parent companies to an Indian setting. "Sustainability has to be inducted into the vision of the modern organisation and needs total commitment right from the top management to the worker on the shop floor," says Vikas Anand, COO, DHL India. The involvement of shop floor workers is how Schnellecke-Jeena Logistics achieved optimisation in India says Nicolaus Kulps. "In India, we had a problem with underdeveloped infrastructure which the government is also aware of and is working to resolve. But the other big challenge is that of unskilled shop floor workers. So, Schnellecke-Jeena Logistics established their own training centre, just like we did in Mexico, to develop our employees. This results in a better understanding of our processes and the demands of our customers concerning quality, reliability and accuracy."

Speaking of his company's efforts, Anand says, "The global environment protection program GoGreen, run by DHL's parent company Deutsche Post DHL, is also implemented across our

MCS facilities. All our sites will use green technology like LED lighting and wind assisted ventilation in line with the company's commitment to improving the carbon efficiency of its own operations and those of its transportation subcontractors by 30 per cent by 2020, compared to the 2007 levels.

In the case of Volvo CE in Bangalore, many steps were taken towards achieving self-sustainability in water consumption by having an effluent treatment plant with rainwater harvesting structures along with a huge water tank with a capacity to hold 2 million litres of water. Also, objectives are fixed to reduce the energy consumption by 5 per cent and reduce the solid waste by 5 per cent for a year.

VE commercial Vehicles' green, fuel conservation training programme known as Eicher Fuel Efficiency Enhancement Training (EFEET) educates the learner on steps to conserve fuel and reduce atmospheric pollution. "A user on an average has been able to save around 15 per cent in fuel post the training programme. For a commercial vehicle, this works out to be ₹1,20,000 of

"Emissions through logistics should be mapped and proper transit mode should be chosen. Usage of recycled materials in the product and the packing material should be made mandatory."

savings per vehicle, per year. Around 10,000 drivers have been trained under this Programme during last four years," says Hariram.

This is not to say that Indian companies are yet to wake up to the importance of lean and green supply logistics and supply chain management. For example, Wipro software offering helps companies to recalculate their emissions after mergers of acquisitions and also compare emissions-reduction goals to actual performance. This "Carbon Management Solution" software helps to prepare reports for registries maintained by the US Environmental Protection Agency and to view performance "dashboards" of emissions across the enterprise.

According to Wipro, key steps should involve a comprehensive plan, strategy and assessment effort which should involve site and equipment analysis and creation of a "quick win" road map. A comprehensive plan should include a return-on-investment model, so that it gives an accurate idea of the value of savings. For a major Indian telecom provider, Wipro says it eventually saved the client ₹30 million, which is about \$6,20,000.

It is a perspective shared by the founder leaders at Godrej & Boyce. Their Larger Picture Perspective has ensured that the organisation looks at growth in totality and reviews how their activities impact the environment we live in and the communities they

support. Godrej Interio which is a part of the organisation is very clear about its agenda. They consciously practice pollution prevention systems; conserve key resources such as water, fuel, energy and raw materials such as wood derivatives, steel etc. by optimising their use; monitor and reduce the effect of fumes, dust and noise level in the ambient air; maximise recycling and reuse the waste and scrap generated; implement design for environment principles in designing of all new products; dispose off inevitable waste in an environment-friendly manner.

Their Green Cell, with the help of design, purchase, manufacturing, marketing and logistics teams, drives the developmental work for "green" products, processes and services at Godrej Interio. Once the initiative was implemented, despite the initial hiccups, it was seen that sales volume grew by 20 per cent and GI was able to meet energy and carbon reduction targets.

However, while major Indian organisations are now focusing on developing lean and green logistics and supply chains, there is a need for a more consistent effort on part of Indian industries across verticals to understand and adopt lean and green methods. Like the leading organisations, they need to look at the big savings that they would accrue in the long run and their contribution to the global environment at large.

"Organisations should get their ISO 14000 certification and also help their suppliers get it. Emissions through logistics should be mapped and proper transit mode should be chosen. Usage of recycled materials in the product and the packing material should be made mandatory. Having an effective reverse logistics system with minimal environmental impact is another positive step in the right direction," says Hariram.

What stands in between an efficient lean and green management is the need for a proper system of defined principles with proper training and handling procedures; proper infrastructure development with a foresight and proper planning with continuous review and improvement. Indian industries need to come up with their own production systems suited to their needs to attain maximum ROI. **mg**

Beijing uses electric vehicles in logistics

Beijing has become the first Chinese city to apply electric vehicles in the fields of logistics and distribution, according to a report from the Beijing Morning Post. Beijing has become the first Chinese city to apply electric vehicles in the fields of logistics and distribution.

70 electric vehicles have been put on the road for logistics purposes in Beijing, including agro-produce distribution and express deliveries, in a pilot project launched by the Beijing Municipal Commission of Commerce (BMCC) and Beijing Municipal Science & Technology Commission in late February of this year.

Serving in four fleets for four local logistics companies, the vehicles have specially built facilities for recharge. After being fully charged with 27 kilowatt hours of electricity in six hours, they can run up to 100 km, at a constant speed of 60 km per hour. The use of electric vehicles for delivery purposes will help promote the development of electric cars in the capital city, said Ran Jinsheng, vice director of the BMCC.



'Technology key to efficient supply chain management'

CSCMP conference focuses on Indian market opportunities and technology optimisation to ensure efficiency in supply chain management.

Logistics industry in India is evolving rapidly and it is the interplay of infrastructure, technology and new types of service providers that will define whether the industry is able to help its customers reduce their logistics costs and provide effective service.

This was the main message emanated from speakers at the Council of Supply chain Management Professionals (CSCMP) conference in Mumbai. They spoke on technology being the new means of strengthening the supply chain management. The prospective future value chain needs to have a comprehensive overview of critical trends existing in the market today. A lot of pondering was done over the need of identifying key areas of collaboration and building strategies for a new decade in supply chain management.

The fundamental highlight of the discussion was the opportunities offered by the Indian market. India as a country is a growing hub of supply chain management. Economic reports on the Indian economic sector have revealed that the average economic growth rate of India has been steady for the past few years and is a booming platform for foreign investors. Emphasis was given on

increased urbanisation with the birth of eight major cities as well as finding solutions to the rising supply chain and logical changes.

John Philips, Sr Vice President of Pepsico in his presentation said, "With the rapidly changing face of cities today, there is a dire need for cutting-edge infrastructure along with substantial economic power." Changing demographical maps also require equally changing business modes. The necessity to review products and processes taking into account increasing speed of growth has to be maintained. "This source of growth from manufacturers and retailers will help change the face of supply chain management across the globe," he said.

According to him, a vital example of the impact of consumer technology is shown to us by Steve Jobs and APPLE. Steve focused on the change according to the need of the age. Big leap of business across the world was due to rapid adoption of digital technology. With technology collaborating with business, business now has secured an altogether novel face."

Statistics indicate that almost 72 per cent of the US population conducts research online. Three-fourth of consumers' research pictures on Smartphone and 54 per



Dr Tom Speh's opening remarks

CSCMP's 2014 India conference will be held on April 4-5, 2014 in Mumbai

cent of the US population buy online.

Speaking about going one step ahead in technology Philips stated that Robotic convenience stores have been opened in United States. It has been estimated that by 2013 approximately 2 billion people

will purchase commodities via handsets. With the growth of mobile interaction and commerce, consumer technology is effectively used in stores today.

Leveraging huge amounts of data, dealing with privacy, maintaining transparency and collaborative measures with the shoppers and addressing social communities are a few other features of technology which has eased consumer purchase. It has also helped in



bridging the gap from online to offline by connecting brands with consumers.

Technologically advanced shoppers who use "SCAN IT" on their systems spend about 10 per cent more than the average customers. In the year 2010, purchases on mobile devices have surged from 3.2 per cent to 9.8 per cent respectively. Gaming is a global phenomenon and presents huge opportunities for advertisers. Portraying advertisements in games grabs maximum attention of consumers thereby taking the product to the end consumer.

Expressing his concern over the use of natural resources, Philips said, "With the shifting of economic power and changing world currencies, security of natural resources too is a crucial issue." A crucial example of balance of technology and sustainable energy is Frito-Lay, which owns a plant at net zero level. The company makes 50 per cent usage of solar energy and 80 per cent usage of natural gas.

There is a dire need for higher degrees of collaboration and integration across core functions. It is fundamental to master the convergence of physical and digital world and be the master leader. For supply chain to flourish in today's era it is most important to challenge yourself.



Photos: Anti-Clockwise

Engaged Audience - CSCMP India 2013

Neil Basu presenting to Rick Blasgen - CSCMP India 2013

Panel Session on Green & Sustainability

World's best Supply Chain Speakers

Engaging Networking Sessions



Hardeep Singh, Sr Vice-President, Logistics & Supply chain, Bharti Walmart, spoke on the infrastructure and technological flaws and advancements in logistics today.

In his presentation he said, "Every transportation mode has pivotal operational and commercial advantages and properties. However, contemporary demand is influenced by integrated transportation systems that require supreme flexibility. As a result, modal competition exists at various degrees and takes several dimensions." The areas of development include ability to handle increase in freight movement, role of warehousing, inventory control and safety stock, aggregation and disaggregation of product flows, value enhancement, complementing multimodal transport.

The physical infrastructure in India faces numerous challenges facing like choked ports and railway networks. State monopoly (railway), distribution centres, absence of global 3 PL, inefficiencies in road transports and hinterland road network are the challenges faced by transport infrastructure segment in the country today. To streamline the mode of transportation and thereby provide consistency to the flow of supply chain management, it is important to provide good quality of infrastructure. It is important to design business and consumer-friendly taxes which will help the business to flourish and cater to the demands of consumers.

Speakers at the conference stressed on the fact that the creation and emergence of fiscal benefit zones have resulted in imbalance thereby affecting the company's business.



This year's India conference was a bona fide success. More than 250 supply chain leaders from the Asia-Pacific region and beyond attended the event, exclusively designed to help them position their companies for profitable growth by gaining new supply chain knowledge and skills. The conference provided attendees with the latest supply chain intelligence and diverse perspectives, as well as numerous opportunities to talk one on one with colleagues from around the world. We're already preparing for our next India conference in April 2014, with another exciting program in the works.



Rick Blasgen
CSCMP president and chief executive officer

Currently, road transport constitutes 65 per cent of the total freight while rail accounts for 33 per cent and water transport 2 per cent.

With this level of imbalance, productivity goes for a toss. To improve the situation, it is important to encourage consolidation and creation of complimentary networks and build scale through judicious deployment of technology.

Speaking on the supply chain strategic planning, Mahendra Singh, Executive Director, MIT Global Scale Network said that there is a vital need for forums for idea exchange.

It is also necessary to create standards of excellence. Developing compelling and mutually beneficial PPP (Public Private Partnership) schemes will design a new path for business profits. Accelerate reforms and investments in infrastructure. Innovating product flow and maintaining balance between cost, lead time, service level, complexity, freshness, support postponement strategy and create complimentary backend infrastructure. "Generating strategic call on outsourcing and balancing tradeoffs between financial attractiveness and strategic importance business and leverage technology are other areas of this business," he said.

Presenting on winning the new reality with technology, Luca Fichera, Executive Vice President, Supply Chain South Asia, Nestle said, "The introduction of technology brought a new wave in the world of supply chain management across the globe. The intervention of technology brought with it global competition which brought costs and prices down and drove a new growth industry – global logistics. Supply chain needs to be co-developed with strategy including automation and IT."

According to him, in the absence of an integrated approach, SCM solutions become local and sub optimal. It is important to consider technology with an appropriate approach taking into account proper choice of technology as well as analyzing the intensity of the technology. Technology is helping the human kind

by lowering number of nodes, lowering distance and ultimately providing higher total productivity.

Information technology facilitates the development of Information systems designed to provide accurate information. The roadmap for a firm base to build a supply chain information system would be to develop an intra-firm information system along with expanding capabilities of the same by connecting to suppliers and customers, thus creating an internal-firm system. And then connect to the supplier's supplier and customer's customer, thus resulting in a supply chain information system.

Scot Webster, SVP, Operations, Underwriters Laboratories spoke on the supply chain mindset. He said, "It is crucial to analyse risk modeling while designing a pathway for a supply chain management. It is important to include all stake holders, carry out good due diligence, stimulate optimal result, refresh the plan often and after your win don't rest."

Speaking on the need and conservation of sustainable energy, VKM Reddy, Executive Vice President, Supply Chain Management, Vodafone India said, "Environmental acts like the Environment Protection Act and Rules and Water Protection and Control of Pollution Act too have to be taken into account while looking at the depleting natural sources of energy."

According to him, with the costs of resources inflating significantly it is important to search new avenues to cater to the demands of the business. "It has now become important to ensure profitability thereby protecting the environment and improving the lives of people across the globe," he said.

SHAKING HANDS WITH EUROPE

A trade visit of the Haropa delegation shows that India is an important blip in the world maritime trade.

Ritu Gupta



A recent visit of a trade delegation from the ports of Le Havre, Rouen and Paris was an indication that the Indian ports are becoming increasingly important for the world maritime trade. The aim of the visit of representatives from the French firm HAROPA, a group which combines the Le Havre, Rouen and Paris ports was to expand its business in India and to cooperate more closely with Indian customers.

According to the team, the HAROPA Ports are committed to further assist and facilitate the growing trade between India and EU by ensuring a seamless and cost-effective logistic solution through Haropa region into NW Europe. Led by **Herve Cornede**, Director, Commercial and Marketing, HAROPA Ports, the delegation visited Chennai, Delhi, Ahmedabad and culminated their tour in Mumbai. Lot of interest was generated in each city where they met top government officials, leading personalities from the shipping, ports, logistics sector as well as prominent importers and exporters.

“HAROPA was a new and the biggest initiatives and a place where one would want to be in. Le Harve is a preferred port of call with most major shipping lines. Therefore, its alliance with Indian counterparts is bound to be fruitful for all parties involved,” said **Avinash Batra**, chairperson of Seahorse Group, who represents HAROPA in India.

Indeed, the visit is likely to put trade between the Indian ports and HAROPA on a fast track. The visit



instilled hopes in the Indian maritime industry for a successful expansion of operations in Europe, as HAROPA is a strategic location to serve the West-European and French markets.

It offers a complete integrated transport system for multi-modal movement of cargo throughout France and the wider European region. It has some astounding figures to back its claim. It handles 130 million tonnes of maritime and river traffic, and is the largest logistics hub in France with 2.6 million sq. m of warehouses. It is well

connected to a vast hinterland through multiple. Moreover, the synergy between HAROPA Ports covers a spectrum of eight strategic commercial business units of containers, logistics, cereals, chemicals, automotive, energy, out-of-gauge and heavy lift cargo, and industry. It also offers connections to nearly 500 ports worldwide and was serviced by around 50 container shipping companies.

HAROPA is the largest French port for container trade, and is also the first major port of call for containerships at

the entrance to North Europe. It is also the first European destination and world third for foreign direct investments in 2012 in value (source OECD investment division). HAROPA is the leading European port for cereal export, with 300,000 tonnes of peas each year bound for India.

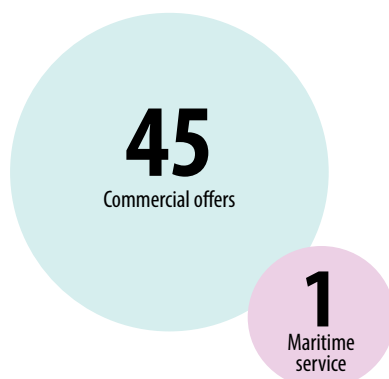
Presently, Le Havre is connected to eight Indian ports including Kandla, Mundra, Nhava Sheva, Cochin, Tuticorin, Chennai, Haldia and Kolkata. Container trade between HAROPA and India accounted for 540,000 tonnes (estimate) in 2012, that is a 6 per cent increase against 2011. Significantly France is the biggest trading partner for India among EU countries. Indo-French trade is set to double from €6 billion in 2010 to about €12 billion by 2015. Presently the trade is estimated to be around €8 billion. Considering all these facts the visit of the HAROPA team in India was a very significant step forward for the maritime industry.

According to Cornede, HAROPA is in the process of seeing further investments to the tune of €1.2 billion in the coming years. He added that as a major port and industrial zone in the European chemical industry, HAROPA is especially well positioned for chemical industry in India. The Seine artery concentrates more than 14 per cent of the chemical firms in France and since 2009, the port of Le Havre has been the first largest French port in terms of traffic of chemicals.

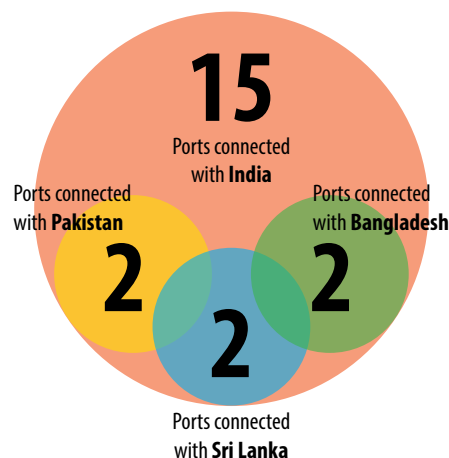
The Indian entrepreneurs seem impressed with the services offered at HAROPA including rapid, secure, easily accessible and low cost customs clearance and a time limit of six minutes for its completion. The one-stop port shop which traces all operations owing to the interconnection with the Cargo Community System AP+ and the single data management via the CCS AP+ software guaranteeing a easy and simple use evoked interest. This is something that needed to be replicated in Indian ports.

Considering the extensive facilities offered by HAROPA, many from the Indian side indicated interest in using the HAROPA Port especially Le Harve. The Jawaharlal Nehru Port (JNPT) is in the process of signing a Memorandum of Understanding (MoU) with the HAROPA group, with the draft of the

The Indian Subcontinent, a first-class partner for HAROPA



21 ports connected with the Indian Subcontinent



Time-saving against HAROPA's main North-Continental competitors

From		To	
NHAVA SHEVA / India	2 days	MUMBAI / India	2 days
CHITTAGONG / Bangladesh	4 days	CHITTAGONG / Bangladesh	2 days
KARACHI / Pakistan	8 days	KARACHI / Pakistan	1 day

The main products exchanged in containers with India

From India	To India
Leather, textiles and garments,	Cellulose, Iron ore, Chemical products
Building materials, Chemical products	Grain (peas)

MoU awaiting the approval of the Union Ministry of Shipping. The HAROPA group is also working closely with other government bodies such as FIEO, and Trade Chambers for a meaningful association to provide efficient and cost-effective logistic solutions and facilitate Indian exim trade.

Recommending to the trade the use of the facilities of HAROPA, Deepak Tewari, president of MSC Agencies India, said that Le Harve Port is a benchmark in Europe for Ocean carriers. "The Indian trade should get a taste of the interface HAROPA offers in Europe. Above all it offers a seamless logistics hub into Europe and MSC would plan to enhance the number of services it presently offers," he added. Other industry representatives lauded the excellent intermodal-logistics interface that HAROPA offered into Europe. According to them, the Indian trade

should get the taste of intermodal transportation. India should learn from the HAROPA management as to how to become a seamless and congestion-free logistics hub. There are many lessons that could be emulated in India.

Apart from India, the group is also planning to expand its operations in other Asian countries. Container trade with Asia accounted for 66 per cent of HAROPA'S turnover in 2011, with China taking up 35 per cent of that figure. HAROPA saw a 14 per cent increase in its business with China last year. "We want to meet our Asian partners directly at the exhibition and talk with them about the solutions offered in terms of cargo flow facilitation, connections, speed and flexibility of services," said an representative of the group. The French aims to compete with its rivals in the Chinese market. 

Dates for your diary

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

Sea Asia 2013

April 09-11

Venue: Marina Bay Sands, Singapore

Topics Covered: Sea Asia will be conducted in Singapore for the 4th time from 9 - 11 April 2013 and will provide all the features that were so well received and even more:

- a conference programme that allows the Asian Voice and Perspectives to be projected,
- a sequence of lively, relevant and informative seminar sessions on diverse subjects,
- a bright and bustling exhibition floor containing some of the biggest brand names in the business
- a social programme that is both productive and enjoyable

Asia's remarkable forward progress in all aspects of maritime affairs, and the talented people who are driving it, needs a platform that reflects its status in the global industry; a platform which brings

the international community to Asia to see for themselves.

The organisers of Sea Asia, Seatrade and the Singapore Maritime Foundation, are committed to providing such a pivotal event, which matches Asia's achievements and projects them outwards to the world.

More information: <http://www.sea-asia.com>

Myanmar Transport & Logistics Summit

May 13-14

Venue: Yangon

Theme: Investment Opportunities & Cost Effective Supply Chain Management in New Myanmar

- New investment law and opportunities for logistics investment
- Ports, road, railway and air infrastructure development master plan to support logistics movement
- Update on SEZ law & industrial/economic zone projects - Dawei & Thilawa
- Logistics & Supply chain Management solutions & trends

More information:

<http://www.cmtevents.com>

CONTAINERS INDIA 2013



India Shipping Summit 2013

October 22-23

Venue: Mumbai

Attend for: This year's summit will include panel discussions, debates and social networking, which will offer a great platform for participants to discuss real issues and share views and ideas with key Indian maritime stakeholders and industry organisations. It is a great place to do business with India's maritime elite!

More information:

<http://www.indiashippingsummit.com/>

Containers India 2013

April 19

Venue: Taj Vivanta by President, Mumbai

Some of the world's most admired speakers examine:

- How will future global and regional cargo flows change?
- What are the emerging transshipment opportunities?
- How the supply/demand balance will change?
- What Port / Terminals are doing to add value?
- How much further the containerisation process can go?

More information:

www.containersindia.in

SMM India 2013

April 04-06

Venue: Bombay exhibition grounds, Mumbai

Attend for: India's growing strength in Shipbuilding sector, coupled with the renewed drive in the industry, has set stage for the third SMM India to play host to the full spectrum of the Shipbuilding world. This leading international platform for new maritime innovation, SMM India 2013, will take place in conjunction with the 50th National Maritime Week offering undoubted result in unique collaborations that create a powerful new impetus for the sector. The event will attract more than 3,000 visitors and delegates from over 30 countries to the exhibition.

More information:

www.smm-india.com

THE 2013 GATEWAY AWARDS

THE BENCHMARK OF INDIAN MARITIME BUSINESS

April 18, Mumbai



East Coast Maritime Business Summit Sep 19-20, 2013 Venue: Hotel Novotel, Visakhapatnam www.gatewayecmbs.com



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JOIN US TO DISCUSS
CONTAINER TRADE IN INDIA

Keynote Session: Indian Container Trade Analysis-How is it shifting on trade lanes and gateways?

- Container cargo - East Bound Cargo; West Bound Cargo
- Present level of containerization in India; Containerization potential; Factors effecting growth of containerization
- Export and import volumes - imbalance; current status and future scenario
- Capacity growth scenario - for East and West Coast - planned capacity till 2020
- PPP for development of container port capacity

Keynote Session: Policies impacting Containerization and its Growth

- How is the policy frame work facilitating the enhancement of capacities and efficiencies in Indian Maritime Sector?
- What ails the capacity expansion projects in PPP mode?

- When will the land policy for major ports see light and how will it benefit?
- What is the current thinking on TAMP? Will partial de-regulation of tariff setting of major ports help?
- Why did FDI in shipping did not take off?
- Cabotage relaxation: Rationality

Keynote Session: Legal Framework in Container Shipping

- Are maritime laws in the country are aligned with the present maritime trade especially container trade scenario.
- Some of the Acts like Major Ports Act, Lighthouse Act etc are archaic. How can they be amended to suit the present conditions.
- How different is Indian Ports Bill 2011 to Major Ports Act?
- Partial deregulation of TAMP: Will it address the concerns being raised by the stakeholders?

Business Session-1: Transshipment, Hub and Feeder Ports: Indian Story- A Reality Check

- Is ICTT ready to take the challenges of Transshipment hub?
- Cabotage relaxation: What is more rational?
- Do we have effective hub and feeder ports model? What is the emerging scenario?
- Does India has an effective hub and feeder ports model? What is the emerging scenario?
- Challenges and service levels at Container terminals: Carrier's perspective; Landside and vessel related charges
- Learning curve: Best Practices from International Terminal

Business Session-2: Seamless movement of containers

- Shipping as Intermodalism: Where are we?
- How are the Shipper-Carrier relationships in container trade? What is user perspective?
- Will DFC and Double stack trains end the problems related to movement of containers?

CONTAINERS INDIA 2013

April 19, 2013 | Vivanta by Taj - President, Mumbai

For information: madhukar@gatewaymedia.in or www.containersindia.in

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- Deepest port in India with a draft of 18 meters
- Strategic tie-up with MLOs, Feeders, Freight Forwarders, CHAs, LSP's, Transporters, CTOs and ICDs
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