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PORT SCAN

COCHIN PORT

THRIVING ON ADVANTAGE

FOCUS

BRAVING THE BATTLE: WINNING THE WAR

OPINION

RULE DEFIES RATIONALE

PRAKASH TULSIANI, MD
PIPAVAV PORT

INTERVIEWS

PLYING NEW TRADE

SAJJAN BHAJANKA, MD
CENTURY PLYBOARDS

AIMING 100% GROWTH

RS BEDI, CEO
P.S. BEDI GROUP

Boosting Bunkers

Bunkering business is yet to catch on in India. Despite having a great potential to fuel vessels and earn revenue, Indian ports have not been able to cash in on the opportunity thanks to the high prices and taxes ruling the marine fuel market and bureaucratic hurdles coming in the way. A concerted effort by the maritime industry can really work wonders for the bunkering market.

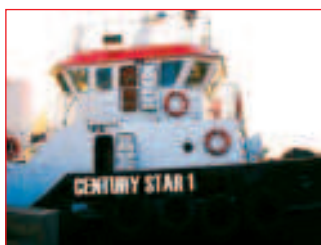


CENTURYPLY

CONTAINER FREIGHT STATION
KOLKATA



Container freight station operations



Century Star Shipping



Century Jetty

Century Plyboards (I) Ltd., makers of the well known "Centuryply" brand of Plyboards, Veneers & Laminates, forayed in the business of Logistics & Shipping with Century Jetty at Falta which was commissioned as a joint venture with the Ministry of Commerce.

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20 Cover Story

Boosting Bunkers

India is yet to make it big in bunkering business. The country has a great potential to fuel vessels and earn revenue yet it has been able to do so thanks to exorbitant prices, taxes, unreliable quality of fuel and other bureaucratic hurdles. A concerted effort alone can propel bunkering trade and ensure prospects for the maritime industry.

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Markets

Virtual Tour of Recess



Google Earth takes us on an engrossing virtual tour around the earth. A spin on it via vesseltracker.com

is truly breathtaking as it shows clusters of ships off the coasts of busy hubs. This indeed depicts the depth of the economic crisis! And does it also mean the looming joblessness of people? If shipping is seen as a cyclical industry, for now it looks flat and crestfallen.

But, like habits, hopes too die hard. The maritime fraternity is making all-out efforts to recoup and the present issue gives an update on things and practices in vogue by talking to the industry. Idling ships have turned out to be a big problem but those sailing along the Gulf of Aden have become an even greater

bother. An exhaustive study of the piracy issue in the Somalian waters forms the crux of the focus section this time. The Sea Asia event in Singapore, in particular the launch of *Maritime Gateway*, and inclusion of Southeast Asia reports are the promised additions.

The RBI governor calls for export revival to keep the economy going and credits Indian trade practices as the bedrock of regulatory regime. "I cannot define God, but I can recognise the devil, and whenever I see the devil, I take precautionary measures to avoid being affected," he says. For those who haven't seen the devil, a virtual tour of Earth will show, at least the offshoots.

Warm Regards,

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



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Cover Photograph by Peet de Rouw, The Netherlands



Rule Defies Rationale

The Union Shipping Ministry has revived the long-pending proposal to bring all the ports in India, both state-owned and private ones, under a single tariff regulatory body. According to this proposal, ports owned by the state governments as well as the new ones that are being built by states through public-private partnership model will be controlled by Tariff Authority for Major Ports (TAMP) and their tariffs will be set by this authority.

In India, private port operators like us are free to set our own tariffs depending on the market environment and factors like demand and supply. It is being noticed that the move by the government is opposed by private operators who are currently operating or developing ports. At Port of Pipavav, we too feel that the government's move will not be appropriate for the

competitive environment that is developing in this industry.

Tariff controls, for that matter any controls, are required in a monopolistic situation where the curbs are not to the advantage of the end user and the industry. Control Raj, which was in full force earlier, is disappearing because perfect competition is coming in. The state of Gujarat, for instance, has as many as 40 ports and all of them are offering efficient services and are working towards further increasing their efficiency levels. So, there is

competition which enables the client to have choice. The presence of choice, again, drives the market towards healthy competition and norms & controls are not necessary in such an environment. It doesn't help because the client decides where he can get the value and will go there.

We have to ensure that we deliver value because value alone can get business. As for the controls that the government intends to exercise by regulating tariffs, well, such curbs were needed in the yesteryear when there were fewer facilities available across India. Today, the country has so many facilities and therefore needs no controls.

To analyse the issue threadbare, private ports have been awarded by the Maritime Boards of the respective state governments. So the issue of tariff regulation has to be discussed by the State and the Centre. We, the Indian Private Ports and Terminals Association (IPPTA) as a close-knit body with common goals, are representing our voice on this issue. We want to discuss whether this move will accrue benefits to a port or hamper its growth.

The government plan has two main constraints – capacity and type of cargo handled at private ports. Major ports have larger capacities and the tariffs are set on the basis of the capacity and also the nature of cargo. If the capacities do not match in private ports, TAMP will face a problem in making the regulation uniformly applicable. I feel that by having more facilities, one can take care of the tariffs and other regulations. Also, customer is the king, he obviously has to make the choices and take decisions accordingly.

Therefore, there is no need to bring any artificial controls – let the market forces decide the demand and supply. That's the best way forward. I must say that the shipping secretary has been active and open to our ideas, comments and invites our suggestions. I am sure the department will invite all of us to know our views and then take the right step forward as we have seen in the past. I am sure the right thing is not to bring any control or tariff mechanism. **Me**

Prakash Tulsiani is the MD of Gujarat Port of Pipavav Ltd. (GPPL).

“
A single tariff for all terminals is not feasible as the project parameters defer from port to port. The upfront tariff setting exercise defies reason.
”



Braving recession

Paradip posts 9.36 per cent growth

Despite the financial slowdown, Paradip Port handles an all-time record traffic in 2008-09 and secures third place among all major ports in traffic growth.

The global economic meltdown notwithstanding, the Paradip Port Trust (PPT) handled an all-time record traffic of 46.41 million tonnes during 2008-09, registering a growth of 9.36 per cent over the previous fiscal.

"Surpassing the previous record of 42.44 million tonnes of traffic handled during 2007-08, the port handled 46.41 million tonnes of traffic during the last financial year," PPT Chairman K Raghuramaiah told reporters in Bhubaneswar.

The major port in Orissa has achieved the third place amongst major ports in terms of traffic growth during 2008-09, he said, adding a record 34.35 million tonnes of rail-borne traffic was handled by the port railway during the year, eclipsing the previous record of 30.80 million tonnes handled in 2007-08.

A record quantity of 5.13 million tonnes of cargo was handled during the month of March this year, surpassing the previous record of 4.70 million tonnes handled during February, 2009, he said.

On financial performance, the port chairman said there was a substantial improvement during 2008-09 when the port made an operating income of Rs 700.21 crore as against Rs 639.98 crore in 2007-08. The operating expenditure of the port in the current



fiscal is estimated to be Rs 337.72 crore as against Rs 315.79 crore last year.

On the expansion works, he said: "We are undertaking the work of deepening the channel at a cost of Rs 253.36 crore. The contract has been awarded to Dredging Corporation of India, which has commenced the work in June 2008."

On completion of the project, the depth of the entrance channel will be increased from 13 to 17 metres and the approach channel from 15 to 18.7 metres. "The likely date of completion of the project is March 2010," Raghuramaiah said.

Construction of an iron ore berth and a coal berth with back-up facilities would be started on a BOT basis through a public-private partnership model, he said, adding that there was a proposal to build one oil berth and two multi-purpose berths. -PTI

Vizhinjam port

Kerala to reassess bid

The Kerala cabinet has asked the bid evaluation committee for the proposed Rs 53.48-billion Vizhinjam port to scrutinise the tender documents of the Mumbai-based Zoom Developers, whose bid had been rejected earlier.



The decision was taken following a Supreme Court directive, Chief Minister V S Achuthanandan told reporters, adding: "We have asked the committee to go through Zoom's tender documents."

The chief minister said no time frame had been fixed for taking a final call on the bids submitted by a host of companies including Zoom. The evaluation committee is headed by the chief secretary.

The central government had cleared the proposal earlier this year, following which the state government awarded the contract to Lanco Infrastructure. This, however, was challenged by Zoom, which took the state government to court after its bid was rejected.

The awarding of the contract had run into further trouble after the Congress-led opposition alleged that Zoom was deliberately kept out, despite it offering to pay the government Rs 447 crore after 10 years of operations, as compared to Lanco, which offered Rs 115 crore. -IANS

Scrap contamination

Exporters seek scanners at ports

Exporters of engineering goods have asked the Government to install scanners at ports to ensure that scraps imported by them are free of radioactive material, a move aimed at preempting the chances of Indian goods being refused abroad on grounds of contamination.

Although the Directorate General of Foreign Trade has issued a directive to scrap importers to ensure that the consignments being imported carry proper certification that the goods are free of radioactive material, the EEPC has said that certificates are not enough and scraps brought into the country need a double-check.

"Certificates are fine but how much can we trust them. To be doubly sure, scanners should be installed at ports so that what comes in is free of radioactive contaminants,"

Engineering Export Promotion Council (EEPC) executive-director R K Maitra said.

Recently, steel consignments exported to Germany, which were made of imported scrap, were rejected on the grounds that they were radioactive. The Indian government and exporters took a serious view on the issue.

The EEPC has cautioned its members that countries, especially in difficult economic times, could use non-tariff barriers as an excuse to block imports from India. -PTI



IIML conference

Kandla Port, GTI get awards

It was awards galore at the India International Maritime and Logistics Expo (IIML) conference held in Mumbai recently. Known as Samudra Manthan, the IIML awards for the best major port of the year were given to Kandla Port and the



best container terminal to Gateway Terminals. The conference also deliberated on issues obstructing the growth of the maritime sector. CMD of India Trade Promotion Organisation Dr. Sheela Bhide, shipping secretary APVN Sarma and former secretary, Ministry of Shipping, D T Joseph gave away the awards. The event will have greater international presence next year as the Crown Prince of Belgium will visit India with a team of industrialists, Sheela Bhide said.

Kandla Port won the award for its lowest tariffs, deep draft for VLCCs and ULCCs, heterogeneous mix of commodity handling, largest liquid storage capacity, container terminal and unique logistic facilities. KPT handled 72.23 million tonne during 2008-09 and stood first amongst all the major ports. GTI was recognised for its excellence in performance, innovation, operational efficiency and world-class container terminal infrastructure.

Marginal profit

Chittagong port likely to open for India

The Bangladesh government is considering to open up Chittagong sea port for the northeastern states of India, according to Indo-Bangla Chamber of Commerce and Industries. An IBCCI delegation, led by president Abdul Motalab Ahmed, was in Agartala recently to explore business opportunities and joint ventures with the northeast states.

The NE states have been, for quite some time, requesting Dhaka to open the Chittagong seaport for India to help the land-locked region get direct access through the Bay of Bengal to other parts of the country for easy transportation of heavy machinery and other goods.

However, successive governments in Dhaka have been showing reluctance in view of stiff opposition coming from anti-Indian forces and Islamic fundamentalist outfits in Bangladesh. "The idea to open Chittagong port is being mooted to strengthen bilateral trades and relations with the northeastern states. If this happens, both the countries will be benefited," Ahmed said.

Bangladeshi industrialists and businessmen are keen on boosting bilateral trades with Tripura and specific steps are being chalked out for the purpose, Ahmed informed.

Kandla Port

SEZ hits a roadblock

Kandla Port Trust's Port Based Special Economic Zone (KPBSEZ) in Gujarat has come to a standstill as the company is yet to start development work for the project. The project is estimated to cost Rs 7,300 crore.

The Ministry of Commerce has written a letter to KPT early this year stating that its SEZ status will be terminated if it does not start necessary development work in six months time. KPT has sought two months extension for submitting the land related documents but there has been further delay due to elections.

Kerala-based KITCO is the official consultant for the SEZ and the final feasibility report is yet to be submitted by them. Various companies like Suzlon, Jindal group and Welspun have evinced interest in setting up their manufacturing units in the SEZ. -Projects Today

Container handling

KDS records growth

Kolkata Dock System handled a record container cargo of 30,800 TEU in the month of April 2009 – the highest so far in a single month, according to port officials.

Of the total container cargo handled, imports constitute 52.23 per cent and exports 28.15 and empty containers, rest of the share. The previous highest was 28,128 TEU handled in August 2008 while the corresponding figures for April 2008 were 25,235 TEU, the officials added.

A record 16,397 TEU of import load containers were handled in April. Incidentally, KDS handled an all-time high container traffic of 3,02,169 TEU during 2008-09, recording a growth despite global recession, the officials said. Of the 48 feeder vessel calling in April, 38 worked at berths served by mobile harbour cranes. A total of 19,544 TEU were handled at these berths – comprising 63.45 per cent of the total traffic handled.



Photo: Debajyoti Chakraborty

Productivity chart

- Highest productivity in one shift: 330 containers during night shift on April 5 on MV Mare Balticum
- One Mobile Harbour Crane in one shift: 254 containers during night shift on April 10 on MV Reflection
- Highest dispatch of containers by road/rail in one day: 763 containers on April 18
- Best overall performance of a container vessel: MV Mare Balticum exchanged 664 containers in 25 hrs and 40 minutes with average hourly productivity of 26.14 containers.

Swine flu alert

Kandla initiates instant drive

Following the WHO-issued swine flu alert, the Port Health Organisation under the Ministry of Health & Family Welfare, has initiated an instant drive to avoid the spread of Swine flu in the Kandla Port area. As part of it, all the crew at Kandla – both foreign and Indian – will be asked to inform if they are coming from any swine flu-infected country and will, accordingly, be referred to the port health officer (PHO) for screening and clearance. The medical department will also provide personal protective equipment such as masks, spectacles, manpower and other facilities to the HO apart from adding two standby ambulances for quick transport to any higher medical centre.

Haldia Dock

ABG Infra gets contract

The Board of Trustees of Kolkata Port Trust recently approved by majority votes the resolution relating to the award of contract to ABG Infralogistics for equipping and operating two berths, 2 and 8 of Haldia dock.

According to KoPT sources, the port authorities will shortly issue the letter of intent to the firm, the sources observe adding that the award of contract will yield substantial revenue for the port.

It might be noted that the award of the contract has been delayed due to opposition from a section of members of the Board as well as officials of the port. A Public Interest Litigation too has been filed in Calcutta High Court.

Dedicated voyages

Jindal vessel calls Pipavav

Jindal Tara, an Indian flag containership vessel owned and operated by Jindal Vector celebrated its 50th call at Port of Pipavav recently. A plaque was presented to the master of the vessel commemorating the event.

According to the port, the Indian flagged container vessel completed 51 nonstop, dedicated coastal voyages in one year. Jindal Vector, which launched its liner services in February 2008, is now emerging as a major coastal carrier. Its successful commercial partnership helped Pipavav handle over 15,000 TEU of cargo in 2008 alone. Ashley Dinning, chief commercial officer of the port expressed his resolve to ensure maximum customer satisfaction.

Jindal operates from Pipavav port to Kochi. The service, jointly run by Vikram Logistic and Kinship Shipping and Logistics, connects Okha in Gujarat with Kochi in Kerala. Kandla port would be added from May.

Pipavav productivity: Meanwhile, Pipavav once again demonstrated operational excellence on Nedlloyd Tasman (operating on Maersk Line's ME1 service) mirroring its earlier achievements on the Al-Manakh (operating on UASC's IMR service) and the inaugural Maersk Line ME3 call. For the Nedlloyd Tasman, the work productivity was 121.83 and the gross crane productivity was 40.80 mph.

On the UASC vessel, work productivity numbers of 108 mph were achieved. This was the third vessel on which the work productivity exceeded 100 moves in a span of 10 days. Gross crane productivity has also crossed 40 mph consistently in April.

Vizag Port

Cargo handling capacity to go up



Visakhapatnam Port Trust (VPT) will increase its cargo handling capacity from 62 million tonnes to 125 million tonnes by 2012 at a cost of Rs 2,600 crore with the help of private investors. The existing facilities will be modernised and new berths created as part of the endeavour, port chairman Ajeya Kallam said.

Of the total investment, the port is likely to invest Rs 1,200 crore from internal accruals. The two berths

will be built on an BOT basis while coal handling at the general cargo berth and fertilizer handling at EQ-7 berth will be mechanised. The outer harbour will be upgraded to handle 2 lakh DWT ships and the entrance channel of the inner harbour will be deepened to 12.5 metres as part of phase II, the chairman informed.

Tenders are being evaluated for strengthening of five berths in the inner harbour. Also, the port is taking up eight projects under the PPP mode to jack up its target throughput of at least 85 million tonnes by 2012, the chairman added.

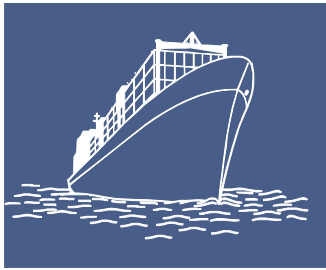
The port was taking up eight projects under public-private partnership (PPP) mode and expressed the hope that it could handle a throughput of at least 85 million tonnes by 2012 by creating world-class facilities.

VPT stands second among major ports after Kandla by handling 63.9 million tonnes. However, there is growth slowdown, the port chairman admitted and attributed it to recession, shift in part of transshipment cargo to Paradip following commission of pipeline up to Haldia, fall in iron ore traffic to China and diversion of coking coal and other bulk traffic to Gangavaram Port on 'economic considerations'.

The port is commissioning a study by the Kolkata-based institute on finances involved in the shifting of fishing harbour to another area and to make use of the vacated space for creating additional facilities for the port. "Even if found viable, its implementation will take a long time due to the requirement of about Rs 600-800 crore," the chairman said. Techno-economic study for developing the east docks is being entrusted to Indian Ports Association and proposal for the development of WQ-7 and 8 berths, including mechanisation, is under process.



Photo: Sailkat



Iron ore shipment

Mercator signs 14-yr deal with Vale

Mercator has diversified interests in tankers, bulk carriers, dredging, coal mining, logistics and offshore. It presently owns and operates a fleet of one rig, four dredgers, 12 dry carriers and as many tankers.

Mercator Lines, one of India's largest private sector shipping companies, has signed a contract with Brazil's Vale to transport iron ore from Brazil to China over the next 14 years. The US\$ 175-million deal with the world's biggest iron ore producer will begin from May this year and end in March 2023, Mercator said in a statement.

Diversification: The firm is also focussing on allied businesses such as dredging and coal mining. It recently entered the coal mining sector by acquiring three mines in Indonesia and one in Mozambique, as part of its backward integration initiative. According to chairman H K Mittal, Mercator has decided to enter coal mining as the company is already into transportation and handling of coal.

The company plans to produce between 1.5 million tonnes and 2 MT of coal from its Indonesia mines in the current fiscal. It will ramp up output to 10 MT over the next three to four years through acquisition of more mines. The Mozambique mine, where work is yet to start, is spread over an area of 180 sq km, with recoverable reserve of one billion tonnes.



The company also plans to focus on dredging as the domestic dredging market is buzzing with capacity expansion activities and development of new ports. Mercator also plans to increase the number of dredgers from four to 10 in this quarter, at a cost of US\$ 110 million. It plans to induct cutter suction and trailer suction dredgers.

Recognition: Mercator Lines (Singapore), the subsidiary of Mercator Lines Limited, has recently won Singapore Corporate Awards 2009 (SCA), in two categories – Best Annual Report Award (Bronze) in the 'US\$ 300 million to less than US\$ 1 billion market capitalisation' category and the Best Annual Report Award (Silver) in the 'Newly-Listed Companies' category. Shalabh Mittal, MD and CEO, Mercator Lines (Singapore) received the awards.

Recession aftermath

Maersk Line predicts consolidation

A senior executive for the world's largest box liner has forecast consolidation in the industry on the back the current recession, but only after the economy starts recovering. "There will be absolutely no consolidation right now. We are currently focussing on quality for our customers while cutting costs and keeping to basic business parameters," said Jesper Praestensgaard, Asia Pacific CEO for Maersk Line.

Speaking at a conference session at Sea Asia 2009 in Singapore, Praestensgaard said the industry at large, including Maersk, was at present "trying to make ends meet". But the basic characteristics for the box liner trades called for consolidation, something which is likely to take place as the recession fades away.

Container shipping is capital-intensive with very high fixed costs and low margins. And this makes a perfect recipe for intense competition, and the industry needs alliances to capitalise on economies of scale, he said.

Consolidation of box liners may not be too far off, judging by comments made at the same conference session by Kuah Boon Wee, Southeast Asia CEO for PSA International.

"I'm quietly confident that physical trade in terms of containers has actually bottomed... and the trend moving ahead is likely to be positive," Wee added.

New office opens in Mumbai

To meet the rising demand for classificatory services for shipowners, shipyards, maritime supply industry and ship design offices, Germanischer Lloyd (GL) has increased its staff and has moved to a larger office in Bandra, Kurla Complex, close to the old Mumbai port and the JNPT container terminal. As India's shipping industry now ranks eighth in the world in terms of order size, multipurpose vessels, heavy lift vessels, platform supply vessels and tankers are currently being built and on order with GL class in India.

"We took concrete action to support Indian customers, establishing Station Goa in 2008. Further stations will follow this year," says Dr Volkmar Wasmansdorff, GL's head of Asia/Pacific. In India, GL employs 275 experts serving the maritime as well as the oil and gas industry and the expanding renewable energy market.

Rising Tonnage: With the classification of the gas tanker MT Gaschem Nordsee, GL has passed the 80 million gross tonnes threshold. The German flagship measuring 154.95 m was delivered in late March by Meyer shipyard in Papenburg. The LPG/ethylene tanker is the first of four gas tankers of the same hull type to be built in Germany by 2010 by the Meyer shipyard and its sister firm Neptun Shipyard. The modern ship with a gross tonnage of 13,878 can hold up to 17,000 cubic metres of liquefied gas in its cargo tanks and is also designed for the transport of liquefied ethylene gas (LEG), the key chemical for the petrochemical industry. The tanker will initially be deployed by Japan's Marubeni Group to transport liquefied gas to Asia.



Till Braun, Head of Department Sales Projects GL, **Mario Fernandes**, GL Country Manager India, **Dr Hermann J. Klein**, Member of the Executive Board Germanischer Lloyd, **Dr Volkmar Wasmansdorff**, Senior Vice President and Managing Director Region Asia/Pacific with the Mumbai team.

Jag Payal, Rani delivered

The Great Eastern Shipping Co. Ltd. delivered its 2007 built double-hull medium range (MR) product tanker Jag Payal (37,159 dwt) and 1984 built Handymax bulk carrier Jag Rani (41,545 dwt) to the buyers. With this, the company's current fleet stands at 38 vessels, comprising 31 tankers (12 crude carriers, 18 product carriers, 1 LPG carrier) and 7 drybulk carriers (1 Capesize, 1 Panamax, 2 Supramax, 2 Handymax, 1 Handysize) with an average age of 10.1 years totalling 2.85 mn dwt, GE Shipping says.



GIL inducts supply vessel

Greatship (India) Limited (GIL), a wholly-owned subsidiary of the Great Eastern Shipping Co. Ltd. has taken delivery of Greatship Asmi, an 80T anchor handling tug-cum-supply vessel. The vessel was built at Labroy Shipbuilding & Engineering Pte. Ltd. (part of the Drydocks World Group) at their facilities in Batam, Indonesia.

Greatship Asmi is a DP2, FiFi1 full-service vessel built to exacting specifications, and capable of supporting offshore exploration and production in various regions across the world. GIL and its subsidiaries currently own and / or operate six PSVs, five AHTSVs and one jack-up rig.

GIL group has an order book of 15 vessels and one rig under construction – one AHTSV in Sri Lanka, two AHTSVs in Batam, four MPSVs in Singapore, two MSVs in India, four ROVSVs in Sri Lanka, two 150 TBP AHTSVs in Batam, and a premium 350' jack-up rig in Singapore.

Great Take

Bharati gets stake in Great Offshore

Bharati Shipyard Ltd has acquired 14.9 per cent shares of Great Offshore through two units at Rs 315 each.

Natural Power Ventures and Dhanshree Properties have acquired the stake, which was pledged with Bharati's other two units – Advitiya Urja and Vishudh Urja – by Great Offshore's founders, it said in a notice to the Bombay Stock Exchange.

"We have decided to acquire the pledged shares and hold it as a strategic long-term investment," P C Kapoor, managing director of Bharati Shipyard said. "The investment would generate long-term benefits for the company and add strength to the company's position in the international market," he was quoted in the release as saying.

Great Offshore provides offshore and oilfield services, while Bharati Shipyard makes offshore vessels and rigs. Bharati has about \$230 million worth of orders from Great Offshore for a rig due for delivery in May next year and a multi-purpose supply vessel to be delivered in September.

Geared Supramax

Apeejay acquires APJ Kais

Apeejay Shipping Limited, an Apeejay Surrendra Group company, announced the acquisition of a 57,000 DWT geared Supramax, built at China's Cosco Shipyard. This is the first of the three building orders – for a total value of approx US\$ 130 million – delivered to the company from Cosco Shipyard. The ship has been christened APJ Kais, named after one of the Paul Family children, at a glittering 'naming' ceremony in China.

On March 24, Apeejay Shipping acquired APJ Mahalaxmi, a gearless Panamax of 67,359 DWT. With the recent purchase, Apeejay's fleet size goes up to 6 with a DWT of 357,653. Capt. Shekhar Mahapatra, CEO of Apeejay Shipping said, "The Supramax is a welcome addition to our fleet, despite the current depressed market scenario."

APJ Kais is the first of the three orders Apeejay had contracted with Cosco Shipyard at Guangzhou. Two more sister ships will be delivered in 2010 and 2011.

Ship acquisition

Rs 2k-cr venture by RNRL

Reliance Natural Resources (RNRL), a part of the Reliance Anil Dhirubhai Ambani Group (R-ADAG), is contemplating procuring six ships by the next quarter to transport coal from international destinations to India for its proposed 4,000-mw ultra mega power project (UMPP) in Krishnapatnam.



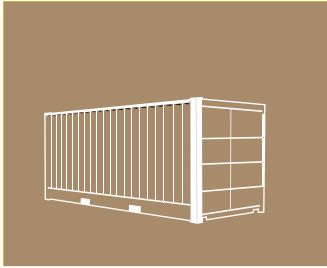
The group has earmarked an investment of Rs 2,000 crore for its shipping venture, which will be spearheaded by a wholly-owned subsidiary of RNRL. The six ships are likely to be used for coal import from Krishnapatnam Port. According to an official, R-ADAG will import coal from Indonesia where it has invested in three mines worth Rs 2,400 crore. The recession time could be just right for the company to foray into shipping business owing to low vessel prices.

R-ADAG is also likely to set up power plants of 4000 MW each at Sasan and Tiliya in Madhya Pradesh. The greenfield power at Sasan is expected to generate about 9 million tonnes a year of fly ash as by-product. RNRL might get into cement business too to make good use of fly ash, a raw material used for cement production.

Europe service

MSC teams up with SCI

The Shipping Corporation of India will operate the India-Subcontinent-Europe-Service (ISES) in conjunction with Mediterranean Shipping Co., effective in May. The joint service will deploy seven vessels of around 4,300 TEU each, offering a fixed-day weekly frequency. The world's second biggest container shipping firm has tied up with SCI after Zim Integrated Shipping Services, MISC Bhd, K-Line and Yang Ming Marine Transport Corp. have withdrawn from the service in the past few months. According to an MSC official, MSC will be offering a twice weekly direct sailing to all its customers from India to Europe.



Shipping innovations

DHL launches service in Lanka

DHL expands as part of its move to invest US\$ 8 million in Sri Lanka over the next three years for setting up a state-of-the-art warehouse and distribution centre by 2010.

DHL Global Forwarding has chosen Sri Lanka as its Asia Pacific launch pad for two of its latest innovations for ocean freight shipping.

The leading air and ocean freight company launched a GPS Tracking System for its LCL ocean freight shipments out of Colombo and unveiled its latest solution for the fashion and apparel industry – Garment-on-Hangers Boxes now available for LCL services.

The real-time data provided through the GPS tracking system helps customers in Sri Lanka to improve their supply chain processes, better evaluate delivery times, monitor container routes, and reduce costs of risk management. "With this service, customers in Sri Lanka can now monitor shipments anywhere in the

world via the Internet and in real time," said Ashwani Nath, country manager, DHL Global Forwarding Lanka.

Garment-on-Hangers is a system of transporting hanging garments over great distances. The boxes are versatile as they can be easily loaded on trucks, airline ULDs and containers. The system also improves productivity as products can go from the factory directly to retailers. The tailored solutions for the Fashion sector are in line with DHL Global Forwarding plans to capitalise on the opportunity in the Fashion and Apparel Logistics industry worth US\$ 3.9 billion per annum in South Asia. India, Pakistan, Bangladesh and Sri Lanka alone are estimated to account for well over US\$ 2.4 billion in this fast-growing industry.

Meanwhile, DHL has also opened a new Taipei Gateway in Taiwan, located at the Farglory Free Trade Zone of Taoyuan International Airport.

"With a total investment of US\$ 6.2 million, DHL is the only international express logistics company to have invested continuously in logistics facilities in Taiwan," the company said. The shipment handling capacity in its new Gateway will be tripled, from 3,600 to 11,000 pieces per hour.

The total footprint was four times that of the previous facility, it continued, increasing from 3,867 sq m (1,257 ping) to 13,515 sq m (4,088 ping) – the equivalent of 46 tennis courts."



Asia Air Network: The company also added a Boeing 747-400F to service its vital Singapore-Hong Kong route through Air Hong Kong, a joint venture between Cathay Pacific and DHL. The 110-tonnes Boeing freighter replaced the current 45-tonnes A300-600F, and would operate between both cities six days a week, more than doubling capacity on the SIN-HKG route, a vital link for Intra-Asia trade, the company said.

The addition of the Boeing 747-400F service came on the back of increased air capacity for flights between Hong Kong and Nagoya, Taipei, Seoul and Singapore, it said.



Shree Shubham Logistics

Agri-logistics park opens

Shree Shubham Logistics Limited (SSLL), a subsidiary of the Kalpataru Group, plans to develop and manage a chain of commodity warehousing logistics parks at 41 locations in India at a cost of Rs 600 crore. It will soon launch units in Bikaner, Jodhpur, Alwar, Ramganj Mandi, Kota, Deesa and Rajkot. SSLL recently opened an agri-logistics park at Sriganganagar in Rajasthan spread over more than 2.5 lakh square feet area with a storage capacity of 25,000 tonnes. The park is its third, after Unjha in Gujarat and Merta in Rajasthan. Anjani Sinha, MD and CEO of the National Spot Exchange Limited and director of Multi Commodity Exchange of India Limited, inaugurated the park. Farm produce, upon reaching the park, will be graded, cleaned, processed and packaged.

SSLL wholtime director Shubhendra Kumar Bafna said, "Weigh-bridge and laboratory testing facilities are in place besides funding from various banks for the material stored in the warehouse," Michael Andrade, head-Agri Business Group, HDFC Bank Ltd. was also present.



Net profit

Arshiya International records 44% growth

Arshiya International Ltd., a global supply chain and logistics infrastructure solutions company, announced consolidated total revenue of Rs 510.21 crore for the financial year 2009 as against Rs 407.44 crore for last year, an increase of 25 per cent. The EBITDA grew 48 per cent to Rs. 85.80 crore in FY09 as compared to Rs. 57.86 crore in FY08. Consolidated Net Profit stood at Rs. 65.43 crore as against Rs. 45.38 crore last year; registering an increase of 44 per cent.

Commenting on the performance and forward plans of the company, CMD Ajay S Mittal expressed satisfaction over the growth despite challenging times. "Looking forward, the worst seems to be behind us now and we are



seeing more movements from our customers and activities seem to have picked up over the last few weeks. We are hopeful to see a trend upwards in the coming quarters as the market stabilises," he hoped.

Schenker Talk

Freight Forwarders gaining ground

The market share of ocean freight forwarders is growing faster than the market share of the shipowners," said Thomas C Lieb, chairman of the Management Board of Schenker AG, Essen, in London recently. Speaking to the delegates at the CI Global Liner Shipping 09 conference, he explained, "Over the past four years, the market share of the top 4 container shipping companies has grown by 4.3 per cent. During that same period, the market share of the top 4 ocean freight providers grew by 18.8 per cent," added Lieb. He believes that major logistics companies will play an increasingly important role in future. On the whole, however, the ocean freight market is highly fragmented.

This year, DB Schenker will again be one of the major exhibitors at the 12th transport logistic 2009 in Munich from May 12 to 15. Visitors can discuss their concerns with experts from different fields from Europe and beyond.

Gati's march

Quarter net loss of Rs 17 crore

Logistics company Gati has reported a net loss of Rs 17.06 crore for the quarter ended March 31. In a filing to the Bombay Stock Exchange, Gati said it had a net profit of Rs 3.22 crore in the same quarter last fiscal.

"The financial results for the quarter have been calculated after considering the loss on freighter business of Rs 190 lakh for the quarter and Rs 1,832 lakh for nine-month period ended March 31, 2009. This business has been discounted during the quarter," the company said.

Net sales of the company rose to Rs 151.01 crore during the quarter under review as against Rs 146.35 crore in the same quarter ended March 31, 2008. Shares of Gati were trading at Rs 46.75, down 3.91 per cent on the BSE.



India connect

Toll Holdings expands

Toll Holdings of Australia has acquired 40 per cent interest in New Delhi-based BIC Logistics, with the option of upgrading to a majority holding over the next two years. BIC operates road, rail and air transport across India, with a company-owned fleet of 250 trucks and agreements with rail and air operators. BIC's annual revenue was more than Rs 1.3 billion for the year ended March 2009, and according to Toll, the acquisition would immediately be earnings per share accretive.

Toll Holding's managing director Paul Little said BIC was a strong fit with Toll's existing operations in India. "It represents an opportunity to enhance both the scope and scale of our operations and allows us to be one of the few foreign companies with critical transport fleet capability," he said. While BIC will continue to operate as an independent business, its interest will be aligned with our existing operations.

Car transportation

Concor, NYK joint venture to set up new firm

Container Corporation of India (Concor) signed a joint venture agreement with NYK Line recently to set up a company that will provide rail-based car transportation services in the country. The 50:50 joint venture firm will provide end-to-end car transportation services to automobile manufacturers with focus on rail-based transportation.

The joint venture company is keeping its options open with regard to the design of wagon that will be used to move automobiles. It is currently focussing on transporting cars in containers. "We are designing a frame that can be fitted in a container to allow us to fit in the maximum number of cars," said a source. The firm will focus on the Delhi-Chennai sector initially.

In India, NYK and Wallenius Wilhelmsen Logistics (WWL) of Norway have signed a memorandum of understanding with Mundra Port and Special Economic Zone (MPSEZ) to set up a world-class dedicated automobile terminal.

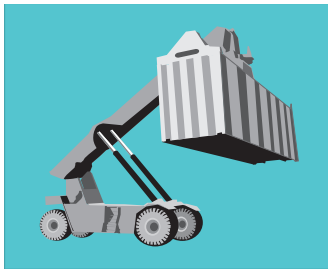
Vessel charter

Caravel gets license

The Directorate General of Shipping has given license to Chennai-based Caravel Logistics to charter a foreign flag vessel. This comes after the Indian National Shipowners Association gave its NOC to Caravel to charter a foreign flag vessel.

The license, valid for 180 days, will enable Caravel charter a vessel from abroad to start a coastal container feeder service on the west coast of India. After the 180 days, the company has either to buy a ship or look for an Indian ship. Accordingly, the firm has hired a Dutch container ship to run a 10-day service linking Mundra port in Gujarat with Kochi in Kerala and Tuticorin in Tamil Nadu, according to managing director Saju Chacko.

Caravel recently filed a petition in the Bombay High Court alleging that the DGS was encouraging 'monopoly' of a group of operators in coastal service and discouraging new entrants. The company, which depended on other ship operators to move its cargo containers, now has all the links in the multimodal transportation chain.



NEWS

Exim travails

Cement exports tumble

A strong recovery in outbound shipments is not expected before 2010 and this is bad news for cement exporters.

The ban on cement exports imposed last year has affected overall exports, hitting an eight-year low in FY09. The situation might not improve in the current fiscal year, according to industry players and analysts.

The 212-million-tonne domestic cement industry exported 3.2 million tonnes in 2008-09, merely 1.76 per cent of its production of 181.42 million tonnes. It was only in 2000-01 that the industry exported 3.15 million tonnes, less than that in FY09. The government banned cement exports in April 2008 to rein in inflation. Within two months, however, exports were allowed from Gujarat which make up 90 per cent of the overall Indian cement exports.

Meanwhile, the Builders' Association of India has called for a total ban on exports of cement as shortages in the local market were causing frequent price hikes. The association advised the government to constitute a regulatory authority to control the fluctuating prices.

According to association secretary Anand J Gupta, the levy of 8 per cent duty on imports in late 2008 has indirectly helped manufacturers and led to unjust price hikes.

Ambuja Cements, UltraTech and Sanghi Industries, the key players in the export market serve the needs of Iraq, Qatar, Nepal, Sudan, Yemen, Mozambique and Sri Lanka through their coast-based units.

Oil import bill

KG Basin gas to save \$ 9 bn



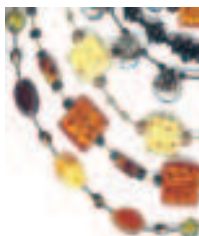
The flow of natural gas from Reliance Industries' Krishna-Godavari (KG) basin will help the country save \$ 9 billion in its oil import bill, according to Petroleum Secretary R S Pandey. This will help reduce the country's trade deficit, cut the fertiliser subsidy burden and improve the chances of oil multinationals investing in the country's oil and gas exploration. Reliance began production of gas on April 2. The initial output which was 2.5 million standard cubic metres a day (mmscmd) is expected to go up to 5 mmscmd a day and production would gradually increase to reach its peak of 80 mmscmd within a year. This would double the country's gas production, Pandey pointed out. In 2007-08, the crude oil import bill was about \$ 68 billion. The value of the gas over the 11-year life of the project was estimated at around \$ 42 billion, at \$ 4.20 per million British thermal unit (mmBtu). At this rate, the government's share was expected to be around \$ 14 billion, with \$ 2 billion going to Reliance every year. A peak production, the KG-D6 facility is expected to produce over 550,000 barrels of oil equivalent per day.



Glitter amid gloom

Gems and jewellery exports stable

India's gems and jewellery exports managed to retain glitter with a 1.45 per cent rise in shipments for the year ended March 2009, amid demand contraction in major global markets. Precious jewellery exports rose marginally to \$ 21.11 billion in 2008-09 from \$ 20.81 billion in the previous year. "The growth in the sector was primarily driven by gold jewellery (exports), which registered an increase of 23.64 per cent in FY'09," Gems and Jewellery Export Promotion Council Chairman Vasant Mehta said. Though faring better in the first half, the gems and jewellery industry witnessed a decline of 18.88 per cent in the second half of the last fiscal as global demand for the precious items took a severe beating since September. "The US slowdown in the second half of 2009 affected the industry greatly," Mehta added. -PTI



Wheat excess

Exports may be allowed

Indian state agencies have bought record amounts of wheat from farmers in the northern states of Punjab and Haryana, putting more pressure on New Delhi to allow exports from overflowing granaries. The government has already eased several controls on rice exports and traders say it is a matter of time before curbs on wheat trade are also relaxed.

But Indian traders said wheat exports were not yet viable as prices were too high, despite recent gains in US wheat futures, which rose for a second straight session after widely-followed analytical firm Informa Economics cut its forecast for winter wheat production.

The government announced a minimum support prices (MSP) for wheat of Rs 1,080 per 100 kg, or \$220 per tonne, to ensure adequate returns for farmers.

Traders say this would allow them to deliver wheat in Southeast Asia at about \$235-\$240 per tonne, which compares with Black Sea wheat that is quoted around \$225 a tonne, US soft wheat at \$255 and hard red winter wheat at \$300. -Reuters

Textile exporters

Search for new markets

The decline in exports to the US and Europe has prompted the search for alternative markets like Japan, South Africa and Latin America because only 4 per cent of textiles are shipped here. As against this, the US accounted for nearly 20 per cent and 33 per cent of textile and apparel exports, respectively. Most exporters hope that the situation will improve by October. Attempts are also being made to reduce the dependency on the US and the European markets.

The Apparel Export Promotion Council (AEPC), the apex body for promotion of garment manufacturing and exports, had organised a buyer-seller meet in South Africa last month to attract buyers. AEPC is also organising an apparel export show in Japan and Brazil in July. However, experts feel that these new markets cannot be effective substitutes for the US and Europe.

Pharma potential

Exports to China to go up

With the major markets for India exports being badly hit due to the recession, India is looking forward to increase its pharma exports to China. While India's pharma exports constitute as the fifth largest item in India's export list, China has imported only US\$ 100 million worth of these goods between April and December 2008.

But given the current situation, India is confident on increasing its pharma exports to China in this year. The commerce ministry too has identified pharmaceuticals and processed agro-products as two focus areas for exports to China, according to a senior government official. Also the ministry is optimistic of making a dent in the Chinese market with its strategic exports like pharma products and agro products. However, issues like trade barriers like drug registration and dealing with stringent sanitary and phytosanitary measures can prove to be initial hurdles.



Plying New Trade

Century Plyboards (I) Ltd., India's leading plywood company, has moved on to become a multi-business firm. It is a major player not just in veneers, laminates and prelamines but also cement and ferro-alloys. Centuryply has also forayed into shipping and logistics by entering into a joint venture with the Ministry of Commerce to operate its jetty at SEZ Falta, West Bengal.

Further augmenting its presence in the logistics and infrastructure sector, the company has started operations at the first privately owned container freight station in Kolkata. Centuryply CFS at Sonai and JJP Yards, close to Kolkata Port, are poised to play a crucial role in the logistics map of Kolkata, says **Sajjan Bhajanka**, managing director of Century Plyboards. Excerpts from an interview with **Maritime Gateway**.



What are the motivating factors behind your diversification into logistics industry, especially into CFS business?

A: Prior to the current meltdown, we observed that Kolkata Port was facing massive congestion and delay in cargo handling, owing to considerable increase in the volume of trade cargo. Moreover, being one of the major importers in eastern India, we felt that there was a serious requirement of a user-friendly container freight station in Kolkata with better infrastructure and services. This need was more pertinent taking into account the ministry's directive to gradually reduce dwell time at the port to three days, which was again a major motivating factor.

When did your CFS operations commence? Please tell us about its highlights.

A: We commenced business on the first phase i.e. Sonai Yard on November 24, 2008. I am glad that Sonai CFS is a milestone in container handling in Kolkata. Some of the key features of this project are:

- Proximity to Kolkata Port – located within 3 km of docks
- Dedicated Kalmar reach stackers, forklifts and equipment
- Dedicated fleet of brand-new trailers. In-house transportation
- Latest security and fire-fighting equipment
- Full EDI connectivity with CMC software

Who are your valued customers as well as potential customers?

A: We are handling containers for all major shipping lines calling at Kolkata Port. Further, we have entered into firm contracts with most of

the shipping lines calling at Kolkata Port to provide complete container handling solutions for the port.

What are the value-added services that you offer to your customers.

A: Our motto is to provide complete cargo handling solutions to our business partners, irrespective of the cargo being LCL or FCL. For us, our customers are our business partners and so our services are customer-centric with individual account managers assigned to take care of their needs. Our customer focus is the prime driving factor in assigning ample air-conditioned working space to shipping liners and clearing house agents. They also have access to common network and canteen facilities. The contemporary administrative building has been equipped with the best of facilities in a secure environment. Sonai Yard houses a sprawling warehouse shed for import and export consignments. There are facilities for weighing and storage and we intend to add further services in due course.

We would be adding tremendous value to our online tracking and documentation facilities which would be operational very soon. We have hired the expertise of Tulip IT systems for the installation of the network and the implementation of a secure software system. We already have full-fledged EDI documentation facilities. Auto updates of status reports are also being implemented.

In the current scenario of decline in trade, what are the revenues that you are looking at? What are the targets that you aim to achieve? Is there any revision of targets that you took up recently?

A: The current scenario is very different from the time when we planned our entry in CFS. We were riding an economic boom which we happily assumed was never ending. Kolkata Port being the gateway of the east was handling record volumes in spite of its limitations. When we conceived the CFS, Kolkata Port was handling around 14,000 TEU of import cargo and 12000 TEU of export cargo per month. The dwell time was 15 to 20 days or more. In fact, you would recall that the port handled record container traffic of 41,000 TEU in August 2008. We chalked out the project initially to target a market share of 25 per cent of just the inbound import cargo and looked at achieving break even in 12 months time with the projections. But with the global meltdown, volumes at Kolkata Port were adversely affected like elsewhere around the world. The port is currently handling 6,000 TEU of import cargo and about 4,500 TEU of export cargo per month. This downturn was unprecedented and has compelled us to rework our strategy and go for aggressive positioning. We are now looking at 50 per cent of the market share for both import and export cargo. Recent trade flows also give us an impression that business is going to

improve from August this year. We still stick to our initial target of achieving break even within a year of operations.

Competition is gradually increasing in the CFS business. How different is your CFS from that of your competitors?

A: CFS is a regulated business and the entry of new players is regulated by the government, ports authorities and Customs. CPIL is the only private CFS operator in Kolkata port while the other two are PSUs. Considering the flow of cargo to Kolkata Port and the existing infrastructure, we feel there is ample space for all of the three operators.

The business is totally service-driven which is, in turn, going to decide an operator's market share and this is where we are confident of having an edge. The interactive software wherein customers will be able to upload forms and retrieve information is going to make a big difference in the manner this business is operated in Kolkata. We are making all efforts to bond with our business partners, to foster a sense of camaraderie, getting them involved in the process of development so that we can modulate solutions specific to their needs.

What are the short-term and long-term strategies that you are adopting to stay in the business?

A: As mentioned earlier, we are providing the best of facilities at our CFS. I am sure that the infrastructure we bring in and the services we offer would automatically bring us business. We are looking at a long-term relationship with our business partners and aim to provide complete solutions with respect to cargo handling facilities for exports and import. We are open to any level of customisation for offering value-added services to our customers.

Please let us know the expansion plans lined up in your logistics division.

A: Work is in full swing at Phase II of our operations at JJP Yard. This facility is spread over 78,150 square metres and will have a container handling facility for 10,000 TEU. JJP is going to have a much bigger warehouse where we will offer cargo consolidation, packing, palletisation and stuffing for exports and destuffing for imports. We are going to have a container repair workshop for complete maintenance and overhauling of containers. Further, we shall have a dedicated area for empty container storage. All these additional facilities will be available in a secure, congenial and service-friendly environment. We assure the liners, CHAs, shippers and consignees a complete one-stop solution with respect to international trade cargo handling, which I am sure is going to be a wonderful experience. **MG**

COVER STORY



Photo Courtesy: Mark Emery

BOOSTING BUNKERS

India is yet to make it big in bunkering business. Despite having a great potential to fuel vessels and earn revenue, Indian ports have not been able to cash in on the opportunity thanks to exorbitant prices, taxes, unreliable quality of fuel and other bureaucratic hurdles. A concerted effort alone can propel bunkering trade and ensure prospects for the maritime industry.

by **Radhika Rani G**

The ongoing economic crisis has put on hold growth plans of several enterprises. The trade community, however, feels it is only a matter of time before things can rebound for them. Given an ideal conducive environment for growth, several trade initiatives the world over have been thriving and leading to more innovative and lucrative business models. In a similar context, the Indian maritime sector too has been showing an impressive growth year after year. Ports on the one hand have been consistently focussing on expanding their cargo handling capacities and other entrepreneurial initiatives to be commercially viable and competitive on par with their global counterparts. On the other

hand, the shipping sector too has been trying to meet the additional demand pressures to cater to the country's burgeoning international trade. It has also been subscribing to global shipping trends such as increasing ship sizes to fulfill growing tonnage and forging horizontal alliances or integration. By employing several expansion strategies and fleet upgradation moves, both the ports and shipping sectors have been trying to be efficient, effective and globally competitive tools of economic growth.

If this resolve is what is keeping the maritime players going, there are issues that can be resolved to make maritime trade a prospering proposition. Bunkering is a

seemingly untapped issue that could in fact propel the trade volumes of not just ports and shipping but also that of domestic oil refineries and bunker suppliers.

India's bunker offtake, as per reports, is around 0.75 million tonnes, cutting a slice of just 0.25 per cent of the world bunker offtake. This figure pales before the operating Indian shipping tonnage of a little over 10.5 million DWT. Ironically, all the 12 major ports have either bunkering services or the potential to serve as leading bunker terminals. Yet, things are not in favour of a successful bunker market as issues like exorbitant prices, inadequate infrastructure and unwelcome bureaucracy are coming in the way.

INDIA ISSUES

In the last few years, the Indian shipping industry registered an all-time high growth rate and this inspired domestic oil companies to look at bunkering to increase their fuel sales volumes and thereby profits. A few companies even tied up with foreign bunkering majors to tap the potential.

Indian Oil Corporation, the main player in the Indian market, meets bunker requirements at all the major ports such as Mumbai, Kandla, Vasco, Chennai, Tuticorin, Vizag, Cochin, New Mangalore, Kolkata, Paradip, JNPT, Port Blair and Haldia. Apart from meeting 100 per cent bunker requirement of Indian Navy, IOC also supplies bunker fuels – Furnace Oil (FO), Light Diesel Oil (LDO) and High Flash High Speed Diesel (HFHSD) – to all major shipping and dredging companies of India. Hindustan Petroleum Corporation Limited, the country's second largest bunker supplier fuels all Chevron Texaco vessels berthing at Indian ports, following its agreement with the fuel and marine marketing company. It supplies 380 CST to Chennai, JNPT, Mumbai and Visakhapatnam ports.

Mundra Port was the early one to become a potential bunkering destination by offering competitive prices. Its key supplier Adani Bunkering Services, now Chemoil-Adani Pvt. Ltd. after its joint venture with leading marine fuels firm Chemoil, secures its products from refiners.

Among other local suppliers, BGH EXIM Ltd is one of the active players for physical bunker supplies at Gujarat ports. With 10 years of experience in petroleum trading mainly as a product supplier to local bunker suppliers and the domestic market, the company actively operates in Kandla, Mundra, Sikka / Bedi, Vadar, Navalakhi and Porbandar.



Photo: Tartoo Tom

Table: International benchmarks in terms of port costs (approximate values)

Marine charges (USD)	JNPT	Fujairah	Colombo	Salalah	Dubai	Port Klang
Port dues	8500	1566	3950	1650	1900	950
Pilotage cum towage	21000	567	2275	272	284	66
Berth hire charges	7000	243	1100	190	203	60
Total marine charges	36500	3699	7647	3611	3957	1355
Marine charges per TEU	14.60	1.48	3.06	1.44	1.58	0.54
Container handling (loaded TEUs)	132653	219375	370000	272500	285000	152500
Container yard to truck or vice versa	20408					
Total container handling charges	153061	219375	370000	272500	285000	152500
Total charges	189561	223074	377647	276111	288957	1532855
Container handling charges/TEU	61.22	87.75	148.00	109.00	114.00	61.00
Total port charges/TEU	75.82	89.23	151.06	110.44	115.58	61.54

Source: i-maritime Consultancy

Oil firms resume sale

Indian Oil Corp (IOC) is offering 380-cst fuel oil for June lifting, after selling a mid-May cargo, while Essar Oil sold two May parcels, marking the resumption of India's exports of residual fuels after a two-month hiatus. Traders said Indian refineries were resuming fuel oil sales, in line with the start of the monsoon season between May and July. Exports had halted since late March, as refineries cut runs and switched to production of bitumen to meet rising demand from domestic infrastructure projects.

IOC is offering via tender 30,000 tonnes of 380-cst grade for June 1-4 loading from Chennai, after selling a cargo for May 15-18 lifting to BB Energy at a discount of US\$6 a tonne to the IOC formula, on a free-on-board (FOB) basis.

This is a narrower discount compared to previous deals. The state-run firm last sold two 30,000-tonne cargoes for early and late March loading to BP and Trafigura at a discount of \$10-10.50 per tonne to the IOC formula, FOB.

Essar Oil has also sold two 60,000-tonne cargoes of 180-cst fuel oil for loading on May 17-21 and May 30-June 3 from Vadar to FAL Oil. FAL paid a discount of around \$6-\$7 per tonne to Singapore spot quotes, FOB, for both cargoes, or a premium of \$2-3 per tonne to Middle East spot quotes. India is resuming exports at a time when fundamentals in the Asian fuel oil market are strengthening. —Reuters

Vinergy International is another bunker supplier that has a strong presence in Indian fuel oil market. The company has been handling the only bunkering terminal at JNPT for the last four years. It also signed an MOU with the Gujarat Maritime Board recently for setting up bunkering terminals worth Rs. 430 million. "We are presently supplying at bunkering locations like JNPT, Mumbai and Gujarat and are planning to expand to Vizag, Kochi, Mangalore, Haldia and Chennai," the spokesperson says. Vinergy supplies MFO (Marine Fuel Oil) 180 CST, MFO (Marine Fuel Oil) 380 CST, MDO (Marine Diesel Oil) and MGO (Marine Gas Oil) variants.

Taxes and duties: "The biggest stumbling block for competitive pricing is the value added tax (VAT) imposed on bunker fuel, that differs from state to state," Chandan Samaiyar, head (bunkering) of Chemoil-Adani tells *Maritime Gateway*.

The average tax component for a tonne of marine fuel works out to be around Rs 1400 and could add up to a few millions for each ship. "We are exempt from VAT as Mundra is in a special economic zone in Gujarat state. This has really made a difference and today we are able to sell nearly 50,000 tonnes of MGO and IFO 389 variants every month," says Samaiyar. An SEZ status, according to him, helps bunker suppliers sell duty-free, or bonded, bunker products to ocean-going vessels. And so, Chemoil-Adani is able to cater to nearly 200 ships every month. It is eyeing the entire Gulf of Kutch to reach a target of 1.2 million tonnes a year.

On the other hand, despite ports and fuel suppliers trying to do their bit to pep up trade, only concerted efforts can pay results, say experts. The role of the government as a catalyst in enforcing appropriate reforms at the right time becomes significant, opines maritime expert Ramesh Singhal. Right policy initiatives can

New Bunkering Standard

The Singapore Standard SS600: 2008 – Code of Practice for bunkering, to enhance consistency in practices in the delivery of bunkers for ships calling at Singapore's ports was launched by SPRING Singapore (the enterprise development agency) and Maritime & Port Authority of Singapore (MPA). To be adopted soon, this national standard for bunker suppliers and surveyors – the first in the world – aims to boost Singapore's position as a leader in the bunkering industry by enhancing the procedures and requirements for the delivery of bunkers by bunker tankers to vessels as well as the work of bunker surveyors.

The Standard will also serve as the technical basis for resolution, should there be any disputes. It will be used as a benchmark for the development of an ISO standard for bunkering, say experts.

indeed make bunkering services attractive for ports by attracting more number of ships. Towards this direction, the government of Maharashtra has exempted foreign going vessels from VAT.

Down south, Kochi bunkering terminal has been imposing 12.5 per cent of VAT on fuel offtake. But its locational advantage – situated just 11 nautical miles off the maritime highway – offers great potential to service vessels traversing to and from Fujairah, Singapore and Colombo. To tap this potential, Reliance is establishing a million-tonne capacity terminal at Puthuvyppeen SEZ and awaits exemption of tax from the Kerala government.

High prices: The bonded bunker prices in India being almost 50 per cent more than the average international rates, foreign vessels uplift the bare minimum fuel quantities from Indian ports. "India's bunker prices are uncompetitive compared to nearly global bunkering



Photo: Peet de Rouw

ports such as Fujairah to the west and Singapore to the east,” observes Lee Hong Liang, Bunkerworld editor of Asia-Pacific.

While Indian bunker prices hover around US\$ 247, Singapore sells at US\$ 164, Fujairah at US\$ 161 and Rotterdam at US\$ 160. As a result, the native bunker lifting hovers around half a million tonnes while Singapore is way ahead at 18 million tonnes, Rotterdam 15 million tonnes and Al Fujairah 10 million tonnes. Thanks to the disparity, even Indian shipowners prefer foreign ports for fuelling. And Indian ports are limited to Indian Navy, merchant ships, tankers chartered by oil companies and domestic passenger ships.

Visakhapatnam Port Trust has actively ventured into bunkering business to capitalise on its commercial viability as the mainline shipping trade route. Despite offering competitive prices on par with Singapore, it could not emerge as a preferred bunkering port. The twist here is not the pricing but high taxes and duties. A study conducted by the Indian Ports Association reveals that Vizag Port, despite inherent advantages, fails to attract vessels for bunkering since the additional costs render the price unprofitable. If bunkering has to become globally competitive at the port, fiscal incentives should be offered, opines economist Amit Mitra. “The government should reduce the elaborate procedures involved in customs documentations,” he adds.

Bureaucracy: Singapore’s leading position as a major bunkering hub in Asia, experts say, can be attributed to industry-friendly policies of the government. But the rules in India

Going bonkers!

Bunker fuel is technically any type of fuel oil used aboard ships. It gets its name from the containers on ships and in ports that it is stored in.

No. 1 fuel oil is similar to kerosene and is the fraction that boils off right after gasoline.

No. 2 is the diesel that trucks and some cars run on, leading to the name ‘road diesel’. It is the same thing as heating oil.

No. 3 is a distillate fuel oil and is rarely used. (No. 1, 2, 3 are referred to as distillates, light fuels or gasoils, distilled from crude oil.)

No. 4 fuel oil is usually a blend of distillate and residual fuel oils, such as No. 2 and 6; however, sometimes it is just a heavy distillate. No. 4 may be classified as diesel, distillate or residual fuel oil.

No. 5 and No. 6 fuel oil are called residual fuel oils (RFO) or heavy fuel oils. They are what remains of the crude oil after gasoline. No. 5 fuel oil is a mixture of No. 6 (about 75-80 per cent) with No. 2. No. 6 may also contain a small amount of No. 2 to get it to meet specifications.

Fuel Classification

The marine fuels are classified after their kinematic viscosity. Fuels most frequently quoted in the order of cost, with the least expensive ones first:

IFO 180 - Intermediate fuel oil with a viscosity of 180 Centistokes (a blend of gasoil and heavy fuel oil with less gasoil than marine diesel oil)

LS 180 - Low Sulphur intermediate fuel oil with a viscosity of 180 Centistokes

IFO 380 - Intermediate fuel oil with a viscosity of 380 Centistokes

LS 380 - Low Sulphur intermediate fuel oil with a viscosity of 380 Centistokes

MDO - Marine diesel oil (a blend of gasoil and heavy fuel oil)

MGO - Marine gasoil (equivalent to No. 2 fuel oil)

are stringent for both bunker suppliers and calling vessels, they admit. Time matters and so do procedures. “But paper work clearance is laborious in Indian ports and takes at least two to three days to move a file for bunker supplies whereas it is a matter of few hours in Singapore,” notes Samaiyar. Such cumbersome bureaucratic practice, have in fact been marring bunkering prospects. Added to this are cases of break-down of an entire shipping operation, thanks to contamination detected in the bunker fuels. Industry sources have confirmed that marine fuels tend to be contaminated with polypropylene particles.

Infrastructure bottlenecks: The native ports, no doubt, are a sprawling lot having ample scope for upgradation and expansion. Yet, their bunkering services are nowhere close to that of thriving counterparts. As experts point out, infrastructure has not been developed in accordance with the increasing requirements of the shipping industry. Even during enterprising times like today, most of the Indian ports still do not supply quality bunkering services with round-the-clock operations. Experts also feel that bunker berths and anchorage points with pipeline and barge facilities need to be properly designated at ports. Also, mid-stream delivery facilities can be improved for supplying fuel beyond port limits and at tanker berths, they say.

These issues, though not really pertinent, can be addressed if sales volumes eventually increase, says Samaiyar. “Since bunkering potential of Indian ports is intact, volumes need to be achieved by scrapping service tax,” he reiterates.

As bunkering offers a great potential for Indian ports, the government can add fillip by easing norms and procedures and tightening quality standards. With proven and time-tested sources of bunker fuels offering to expand their operations, the time could be just right to improve bunker terminals at ports and propel fuel oil trade. **MG**



Photo: Peet de Rouw



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Cochin Port

Thriving on Advantage

While Cochin port is known for its proximity to international shipping routes, one can infer from the present cargo volumes that the port has not used this to its advantage all these decades. But the current port management seems to be determined to leverage on the location advantage to the fullest and hence, has embarked on developing ambitious projects worth more than Rs 1000 crores. The new projects, once fully developed, will certainly elevate Cochin Port as an international maritime hub.

by Jagadeesh Napa



Located close to international ocean highways, Cochin port is dubbed as the gateway to the Indian peninsula. The port is a mere 11 nautical miles away from the Middle East-Singapore shipping route and 74 nautical miles from the Suez-Singapore shipping route. This geo-strategic location gives the port the much needed advantage over other ports to attract more cargo and expand its forte.

The current port establishment sits on an artificial island called Willingdon Island and was first developed by Lord Bristow in 1930s. The island is protected by placid backwaters giving the port the required shelter from the rough sea ravages. The peaceful waters in the channel make it feasible to operate the port during all seasons including the monsoon. Thus, the port offers 24/7 round-the-year cargo handling services. During the initial days of the port, Lord Bristow took efforts to



market the port internationally and documented the triple advantages of Cochin Port, – a natural and sage harbour, insignificant tidal variations and a very short deviation from the international ocean highways.

The port is surrounded by two channels – Ernakulam and

Mattancherry channels. The Ernakulam channel is 4.9 km long, 250 to 500 m wide and has a draught of 12.5 m, while the Mattancherry channel is 4.08 Km long, with the width varying from 180 to 250 m and a draft of 9.14 m except at Boat Train Pier where the draft is 10 m. The port management has taken up dredging of the channels and it will not be long before the draught is increased to 14.5 m.

Crude / POL

Historically, Cochin Port is known for handling crude oil and Petroleum Oil Lubricants (POL). A look at the berths can help in understanding the importance of this cargo at the port. In addition to a single point mooring (SPM) system located in the channel, the port has dedicated three more berths to handle this cargo. Every year, POL and crude make up for 70 to 75 per cent of the total cargo that the port handles. Of the 15,754 million tonnes of total cargo that it handled in 2007-08, 11,577 tonnes comprised crude oil and POL. With the prime customer for crude/POL being Kochi Refineries located adjacent to the port, it enjoys the advantage of steady revenues and increasing volumes.

Performance

Looking back over a period of five years, the port has grown at a very slow pace. While it is an advantage to have Kochi Refinery as the biggest customer in providing steady revenues, there are some associated disadvantages. A drop in the refinery's intake of crude will have an impact on the port's cargo volumes. In the last five years, the refinery's crude intake fell twice – in 2005-06 (5.6 per cent) and in 2008-09 (7.1 per cent). In the last fiscal, the refinery took in only 8.21 million tonnes of crude oil as against 8.75 million tonnes in 2007-08. So is the export of finished petroleum products by the refinery which has gone down from 2.54 million tonnes in 2007-08 to 2.28 million tonnes in 2008-09, a fall of 10.24 per cent.

Further, the ban on import of palmolein through Cochin port has also added to woes and contributed to the fall. All this has attributed to the overall fall in cargo handling for the year 2008-09. It handled 15.23 million tonnes, registering fall a 3.34 per cent as compared to the previous year's figure of 15.75 million tonnes. The silver lining in this rather hard year for Cochin port is the growth in the handling of salt, sulphur,



A bulker being handled at Cochin Port

Photo: www.flickr.com/photos/mohank/



A bulk ship and a container ship being serviced in the Ernakulam Channel.

Photo: www.flickr.com/photos/fabindia/

“With the prime customer for crude/POL being Kochi Refinery located adjacent to the port, it enjoys the advantage of steady revenues and increasing volumes.”

Different cargo types handled at Cochin Port

Cargo Type	2008-09	2007-08
Crude oil import (tonnes)	8,211,820	8,755,916
Petroleum products export (tonnes)	2,279,963	2,543,484
Traditional Cargo (including containers) (tonnes)	4,471,796	4,184,037
Containers (in TEU)	260,473	253,715
Total volume handled (tonnes)	15.23 million	15.75 million

phosphoric acid, urea and LNG. The port also went on to handle some first-time cargo like river sand and slag which compensated up to some extent in boosting the volumes.

Cruise tourism

Port of Cochin's major attraction that makes it stand apart from other major port in India is its cruise tourism operations. Cochin Port is the biggest cruise tourism destination

in India followed by Goa and Mumbai. With favourable draught and minimal tidal variations, the port has attracted some of the world biggest cruise ships bringing in tourists from all over the world to experience the wonders of the God's Own Country. Though the number of cruise ships has reduced in the last fiscal, the port witnessed the arrival of some of the biggest cruise vessels – Queen Mary II, Queen Victoria and

ICTT: Major growth driver

The idea of developing an International Container Transshipment Terminal (ICTT) at Vallarpadam in Cochin Port is to bring in more container volumes to the port. Much of the container cargo from Indian hinterland is either transhipped to Colombo in Sri Lanka or Singapore. Once fully developed, ICTT will have the potential to retain those volumes and tranship them from Cochin.

Being developed in Public Private Partnership (PPP) with DP World, the construction work had started in December 2007 and the first phase operations are expected to commence from December 2009. The first phase will have 600 m of quay, 6 quay cranes (four of them being Super Post Panamax cranes) and 15 RTGs to work on 3,500 ground slots. The design capacity for this will be 1 million TEU per annum. Second phase will take the quay length to 900 m and the capacity to 1.5 million TEU per annum. Third and final phase will raise these figures to 1,800 m and 3 million TEU respectively.

ICTT will impact the Cochin Port in a major way and will make it a major maritime hub in South India. The Port will gain in prominence in the maritime world which it missed so badly all these years. ICTT can also be an agent of change that will bring upon new businesses into the city's fold leading to Cochin's overall development. The transshipment terminal can drive the CFS and warehousing businesses in a big way in and around Cochin. It can also lead to the establishment of some of the biggest ICDs in Southern India.

With the advent of ICTT, the now dormant coastal shipping industry may also get a new lease of life. One of the cheapest modes of transport, coastal shipping can provide cost-effective transport solutions to exporter and importers. Thus, the demand for this mode will rise once ICTT begins operations, which in turn will create demand for businesses associated with coastal shipping.



Petronet LNG ties up with ExxonMobil

Petronet LNG Ltd. that is going to operate LNG Re-gasification Terminal at Kochi has entered into a 20 year agreement with US energy major ExxonMobil for an annual supply 1.5 million tonnes of LNG from Gorgon LNG Terminal, Australia.

As per the agreement, LNG will be imported to Petronet's Kochi terminal that will have an initial capacity of 2.5 million tonnes. This gas will be majorly supplied to the gas-based power plants in southern India so as to meet the energy requirements in this region.

The LNG deal has come at a time when global LNG prices have crashed and gas is available in the spot markets a throw away prices like US\$ 4 per unit.

MV Oriana. The month of March had been a hectic month for the port as it handled 11 cruise ships. Overall, the port hosted 36 cruise ships with 22,000 cruise tourists and 10,000 crew members in 2008-09, while it handled 43 cruise ships and 15,500 cruise tourists in the previous year.

Future projects – Growth in the offing

Leveraging its biggest advantage of being near to major sea routes, the port management is on its way to provide the right infrastructure. Though the port was declared as a major port more than 40 years ago, it did not take the right steps to further its cargo volumes all these years. The location proximity that Lord Bristow felt proud of seems to have not been put to the best use (to bring in more traffic to the port) all these years. While crude imports provided the lifeline to the port, depending mostly on the crude proved to be a myopic view of seeing things on the part of policy makers.

Learning lessons from the past, Cochin Port Trust has embarked on a mission to improve the infrastructure at the port so as to reduce its dependence on crude / POL handling in the long run. It has taken up aggressive expansion projects to

A bird's eye view of the new development projects taking place at Cochin Port

Project	Description	Capacity	Probable date of commission
International Cruise Terminal (Investment: Rs 375 crores)	To be set up in the north end of Willingdon Island on 6.71 hectares at a cost of Rs 375 crore. Will have modern cruise berth of 220m, cruise terminal building, shopping mall, five star hotel complex and Kerala village.	3,50,000 passengers per annum	October 2011
LNG Re-gasification Terminal (Investment: Rs 3,200 crores) PPP model with Petronet LNG Ltd.	To be operated by Petronet LNG Ltd. at Puthuvypeen SEZ area on 56 hectares land. Will handle vessels up to 2,16,000 m3 capacity	2.5 million tonnes per annum initially and expandable to 5 million tonnes per annum in future	December 2011
International Bunkering Terminal (Investment: Rs 150 crores) PPP model	Located at Puthuvypeen SEZ area, this will be a multi-user liquid terminal for handling bunker and other liquid bulk. Can receive and handle vessels up to 1,50,000 DWT	2.0 million tonnes per annum initially and expandable to 4.5 million tonnes per annum	2011
International Container Transshipment Terminal (Investment: Rs 2000 crores) PPP model with DP World	Located at Vallarpadam SEZ area on 110 hectares of land, will have a quay length of 1800 m and depth of 15.95 m. Will have 18 quay cranes and can service 8000+ TEU vessels	1 million TEU (Phase-I) increasing to 3 million TEU (fully developed stage)	November 2009 (Phase-I)

make use of the available land, improve its facilities and most important, to give the necessary boost to its volumes. A total of Rs 10,000 crores will be invested until 2011 in the development of new projects that include International Container Transshipment Terminal, International Cruise Terminal, LNG Re-gasification Terminal and International Bunkering Terminal.

In addition to these new projects, more growth is in the offing on the Willingdon Island. As the crude and container berths will be shifted to Puthuvypeen and Vallarpadam areas respectively, Willingdon Island will have more free berths that will be upgraded to accommodate other types of cargo. Other development projects at Willingdon Island that are on the anvil are modernisation of Mattancherry berths, providing 110 kv power supply, providing a new trucking terminal and provision of new cargo handling equipment. Further to this, a new business district is also planned at the southern part of the island which will accommodate warehousing and office space for the port's customers.

Cost-effective bunkering

Establishing bunkering terminals to offer large-scale bunkering services has always been elusive in India due to high taxes levied by the government. Except for Mundra Port, no other Indian port offers such services to ocean going vessels today. At Cochin Port, again, the location advantage will play a major role in getting business for its bunkering terminal. Currently, ocean going vessels rely on either Fujairah or Singapore to meet their bunkering needs. With the container transshipment hub coming at the port, the need for a bunkering terminal will be more than ever and it will grow as the container terminal grows. The port management hopes its bunkering fuel will be relatively cheaper and competitive to international prices as the terminal is located in a special economic zone and thereby attracts lesser taxes. Also, no transportation costs will be involved as the refinery is just adjacent to the terminal. Therefore, the day is not far when the ships plying on international routes will have a break at Cochin as a refuelling stop.

The port management is also investing funds to the tune of Rs 1100 crores to strengthen the basic infrastructure and connectivity. As part of this, dredging has already begun to increase the draught from the present 12.5 m to

14.5 m in the channel and alongside the berths. It is also looking at strengthening the road and rail networks in view of the upcoming container transshipment terminal.

The four new projects that are named above can stand as the four cornerstones of development and success for the Cochin Port in the years to come. Looking at the broader picture, Cochin Port Trust is making moves in the right direction by ensuring development in all the areas of port operations. Now, it should only speed up the things and ensure that the projects will be commissioned on time. Given the current gloomy trade scenario across the world, industry watchers say that this is the right time for a port to go ahead with development and expansion projects. By the time the trade picks in another two years, the port will be ready with the necessary infrastructure in place and can take in the surge. As a Chinese policy maker pointed out, creating supply ahead of demand will not only fetch long-term benefits but also provides the necessary foresight to look ahead of what the customers expect. **MG**

Private Rail in India

Changing Tracks

Private rail in India is currently going through a rough phase and much needs to be done in terms of improving infrastructure and gaining customer loyalty. Given the current scenario, it is a daunting yet possible task and its success purely depends on collective efforts of all private players.

by **Vishal Sharma**

Railways hold a special place in the hearts of Indians. For decades they have brought a large country closer, enabled trade and allowed millions of people a decent living. They breed some of India's most accomplished managers – the elite officers of Indian Railway Traffic Service – IRTS. Managing the large and complex rail infrastructure is demanding given the fact that there has been less investments in infrastructure since Independence. The expansion of Indian Railways under the British was among the largest public works programme in the world but since Independence, it has been sorely neglected. The railway network grew from 55,000 km in 1947 to 63,028 km in 2008.





The turnaround began in 2004 with the new Railway minister Lalu Prasad Yadav at the helm of affairs. His recipe for turnaround was surprisingly simple. He allowed an increase in payload and allowed the officers to implement efficiency measures to boost turnaround of the trains. The increase in carrying capacity coincided with buoyant demand in the economy. The turnaround has improved self-confidence within railways and now there is a new feeling of wanting to do more. The introduction of Private Rail is a case in point where the twin monopolies of Indian Railways and its subsidiary Concor are being challenged.

Privatisation of rail transport

Private rail in India will be a game changer for the domestic logistics industry. They say timing is everything in life and private rail is an idea whose time has come. India is a large country and goods need to be transported all across the country. Industries have not been set up keeping logistics and distribution in mind, but more for tax reasons. Auto manufacturing is spread across the country; steel is made where there are no mines for ore. Many items of household consumption are produced across the country in small-scale units to maximise incentives.

Till 2006 rail transport was managed by only two entities – Indian Railways which transported in conventional rail wagons, and Concor which transported in Containers. The monopoly of Concor was ended through the awarding of

“The introduction of private rail has challenged the twin monopolies of Indian Railways and its subsidiary Concor.”

licenses to private rail companies. Thirteen licenses were initially awarded and later two more were given. Like all sunrise industries, the industry will go through three stages – **Euphoria, Reality Check** and **Maturing. Euphoria** was reflected in the number of players who applied for the licenses. Some of the players thought they could flip the licenses for a fast return but it turns out that the license itself is worthless as there is no scarcity value. Anyone can get licenses by paying fees. However, money has to be made the hard way – by creating value, which is proving far more difficult. There are many reasons for this. Some are plain lack of common business sense and some are due to the structure of the industry.

The second stage is a **Reality Check** where the harsh lessons of an evolving industry are learnt. Private players have made some glaring mistakes. One has been to focus on the export / import trade where the traffic has been available one way, i.e. mainly from the port to inland point but not the other way. In addition, more than 60 per cent of the containerised traffic

plies between Mumbai / Delhi and the other significant corridors being Gujarat / Delhi and Bangalore / Chennai. Everything else is insignificant. The concentration of traffic means that competition is fierce and the product is commoditised. Competing with the state-owned monopoly Concor has proven to be very difficult because it penalised the private players who use its rail terminals with exorbitant charges. The locomotives are provided by Indian Railways who is the largest shareholder in Concor. When your key supplier is also your main competitor, it's hard to compete.

The only way out is to build infrastructure that bypasses Concor's facilities and build strong commercial relationships with customers directly. Both take time and money, and in the case of the latter it requires some innovative solutions. The infrastructure to bypass Concor's facilities and also to be near the cargo is being gradually built around the country and is expected to be completed within 12 months. Already there are more than a half dozen rail connected ICDs in NCR and the regional industry belt and new facilities are being built outside Chennai, Bangalore, Nagpur, Rourkela, Raipur etc. Within a year private operators will be able to operate a substantial part of their business outside the Concor network. This will help improve the cost structure but providing access to customers remains to be the greater challenge.

In the export / import trade, the volumes are controlled to a large extent by the shipping lines. This is especially true of import volumes since three-fourth of India's imports are on CIF basis. So, the importer has no say over the inland transportation leg from the port. Some of the large importers may over time be able to negotiate inland rates, but in the vast majority of cases the importer does not have the buying power to negotiate; So, the shipping lines dictate terms. On the export front,



while the customers have greater choice, the shipping lines – with or without a rail subsidiary – remain formidable competitors as they can offer a total solution on the destination side.

The large shipping lines have little reason to tie up with private players as they can play the spot market. Some of the larger ones have tied up with Concor who has sweetened the pot with volume rebates.

So, what can the private rail players do to compete? This is the stage of **Maturing**.

In this stage, the players realise that the answer lies in clear strategy of segmentation and collaboration. The private players have to decide if they will compete geographically or within certain customer segments. They will have to share rakes, containers and rail-side assets to remain profitable. Unless they focus and collaborate, extinction is certain.

In any case, the industry structure will look a lot different than it does today. By 2012 Concor will probably settle into a long range market share of around 55-65 per cent (down from 90 per cent in 2006). A strong second national player will emerge with 15-25 per cent share and then the rest will be shared by 3-4 players most of whom will be owned by shipping lines and will focus on narrow trade corridors and export /

import. The second national player will need to have at least 3-5 key hubs which it owns / controls to combat Concor's position. Over time there will be 1 or 2 players who will focus only on the rail handling. That can be a profitable strategy if at least 50 per cent of the facilities are in key places such as Mumbai, Delhi, Ludhiana, Chennai, Nagpur and Bangalore.

The second player will have to build a successful domestic and export / import business. The ideal mix would be to bring domestic cargo to the ports where import cargo is being generated. There are only a handful of places where such a mix is possible. The metropolitan areas such as Mumbai, Chennai, Bangalore, Kolkata, and Delhi are the areas where domestic and international consumption is large and where rail and road transport can be balanced. Domestic containerised transport in India is miniscule compared to the vast potential, considering that only 5-7 million tonnes of domestic cargo out of a total of 800 million tonnes carried by rail in India moves in containerised form. This represents a huge opportunity.

Rail transport in India will also change thanks to unusual combination of investment in ports along the eastern coastline and the gradual implementation of single goods and services tax (GST) which will rationalise the warehousing set-up in the country. The investment in eastern ports will allow trade between the Far East and most parts of central and north India to be conducted through the eastern sea front. It makes no sense for ships to continue to sail around Sri Lanka and up to Mumbai carrying cargo from China that can enter through Chennai, Vizag or other ports and

rail through to Delhi/Nagpur and other parts of India. Only for the most western parts of the country will it make sense to have an all water solution.

Instead of the multiple warehouses in every state, there will be a maximum of 8-10 major and 7-10 second tier warehousing zones in the country. And given the pace of development of the rail terminals, it makes imminent sense to build most of them near the rail facilities.

For investors in this sector, patience and the willingness to commit large tranches of funds will be the key. Fixed costs are high hence the high Operating Leverage which means one needs to build scale and increase sales which only come after demonstrating investments and ability to serve. It is a classic Catch-22. The investment risk is high but returns will match for those that survive. Knowing which will survive is critical. The investment in the second player or the 3-4 regional players that survive will be quite profitable.

The players will need to develop capabilities beyond point-to-point rail. Today goods are either transported by road or some combination of rail and road. To wean customers away, private rail has to offer a full solution which saves cost and time. Alliances across the chain will be important. Marketing and distribution alliances will need to be struck. Investing in own assets across the chain will prove very expensive and hard to manage. The best network will be one that is incentivised to keep local costs low and extend personal service at all hours. This can only be achieved if the local end of the chain is formed by local or at best regional players driven by owners. **MG**

Vishal Sharma is the founder and CEO of Tuscan Ventures, a transportation and logistics focused operating, investment and advisory company.



Aiming Cent Per Cent Growth



What started as a small company rendering consultancy services on customs, central excise and import / export trade control laws, P.S. Bedi Group has developed into a full-fledged integrated logistics solutions provider. While servicing clients in regular logistics services, the Group also ventured into the niche areas of pharmaceuticals, security, exhibitions and removals. The Group has proved its forte in all the verticals it entered till date. **R. S. Bedi**, CEO, P.S. Bedi Group discloses the Group's plans to go for a pan-India footprint as he chats with **Jagadeesh Napa** of Maritime Gateway.

P.S. Bedi Group enjoys a respectable position in the industry today. What is your secret behind emerging as leaders in your domain? What gives P.S. Bedi Group an edge over other firms?

A: We are one of the rare knowledge-based freight forwarders as we started off as consultants on customs & import / export trade control laws. We are, therefore, clearly a solutions provider and not merely a service provider. And today, we proudly say that we enjoy high customer loyalty. 99.99 per cent of our customers come to us for the solutions we provide. Most of the customers come to us after they have tested waters with other service providers.

Apart from providing value-added consultancy services, we are one of the few mid-sized freight forwarders who can provide absolute integrated end-to-end logistics solutions. Further, our domain knowledge from the 33 years experience with vast and diversified customer

base covering a wide range of industries has equipped us with the depth of understanding to provide very unique solutions.

What is the strategic fit between your entry into exhibition logistics and your other businesses?

A: We have been handling the launches of many prestigious products in India. Also, we have provided services for bringing in luxury automobiles like Porsche, Bentley etc. as well as been associated with projects like Honda, Yamaha etc. In addition to that, we have also been handling a lot of security equipment suppliers who bring in equipment for demonstration and trials. Further, we have been handling communication equipment & television crews for cricket matches in India and also prestigious events like the London Sydney Car Marathon, Indo Asean Car Rally, Vintage Car Rally etc. While these were all stand-alone events, we felt that for the same customers who used to bring





UK, as I am told, it can take as less as 20 to 30 minutes provided there are no special issues involved.

What emerging trends do you see in the logistics industry in India in both domestic and exim sectors?

A: Huge opportunities exist in the 3PL and 4PL domains. There still also exists an immense opportunity for service providers who can provide not only integrated end-to-end services but also have the capability of customising solutions to fit the needs of individual customers. At P.S. Bedi Group, we are focussing on this given our experience of 33 years in this field and are making huge investments in the coming two

to three years to strengthen our pan-India capabilities. PS. Bedi caters to domestic and exim sectors through our own fleet of transport vehicles and warehousing network and we are expanding in these areas as well. Thus, when the markets pick up, we will be ready to fully exploit the opportunities on a pan-India basis.

“when the markets pick up, we will be ready to fully exploit the opportunities on a pan-India basis.”

in their cargo for the exhibitions we were not providing the services. So just as an extension to our services we were providing earlier, we entered exhibition vertical. This industry is very controlled with very limited players as it involves very specific and special handling capabilities. We have used our expertise from earlier individual events to bring in unique solutions and service standards in this industry vertical.

What difference do you find in the customs clearance in India compared to other countries?

A: Strict procedures are laid by the government because, historically, the taxation rates have been very high and importers always try to find ways to cut corners. So the government came up with stringent procedures which further increased the delay. However, over the past few years the procedures have been simplified and streamlined, including the EDI, though much is still underway. Consequently, in India, it still takes about two to three days on an average for import customs clearance. On the other hand, automation in this domain in countries like the UK and Singapore has gone to a more advanced level. In Singapore, the shipments are cleared in one to two hours and in the

When you say investments, private equity is often heard in this industry of late. What is your take on this?

A: The private equity is more into real estate-driven logistics projects like warehouses and other facilities. While the Log Index has gone down drastically, India is still holding strong and logistics is a major industry to invest. Our other Directors have recently been invited by various governments like Slovenia and Colombia to discuss on possibilities for investing in India in logistics industry. So, I think private equity will play a major role in due course of time and as far as PS. Bedi is concerned, we will exploit our valuations in the entire stream of verticals that we represent in the next two to three years of time.

As this sector is badly affected due to the recession, how is P.S. Bedi doing now?

A: We have structured our verticals in such a manner that there is no impact on us. Pharmaceuticals haven't been affected and so is the case with exhibitions. The security and related product line has, in fact, grown due to the increasing terrorism threats. Well yes, automobile vertical is doing badly as the export market is affected. But again, the import part of this vertical has not been

majorly affected. Similarly, the luxury products vertical is also not impacted. Further, some of the projects we were involved in are still in process and the new ones though delayed were to start later on. So our diversification into different verticals has helped us to minimise the impact. Overall, we are still focussing on a 100 per cent annual growth over the next three years.

Manufacturers world over are looking at modest logistics expenditures. How do you respond to this situation?

A: This is actually where the challenge is. This is where organisations like ours stand to benefit. We have constantly and consistently been providing solutions and these solutions result in cost savings.

I think there is a lot of inefficiency within the Indian system which a lot of logistics players try to exploit to their advantage and which they use to hide their internal inefficiencies. Thus, instead of improving their work systems, they are adding to costs to the customer.

The challenge really lies for the logistics industry to improve this. As you know, the logistics costs in India are very high as compared to the world standards and this is passed on to the customers. Instead, if one can

improve on these costs and bring in cost-efficiencies and pass them on to the customer, this will benefit the customer in a huge way.

Please tell us about your expansion / diversification plans?

A: We were originally a north India-based organisation. Whatever we have done in north India and succeeded in will be replicated on a pan-India basis. We will be targeting all the regional centres like Mumbai, Bangalore and Chennai where we believe we are currently under-exploiting our capacities. In addition to that we are bringing in a lot of capital investment in certain areas – especially to position ourselves as a pan-India 3PL service provider. We have already signed an MOU with an international partner and the JV company has just been incorporated a few days ago. In specific verticals like exhibitions, we are setting up a lot of infrastructure facilities and buying a lot of equipment.

On an overall level, we will be making investments to the tune of Rs 50 to 60 crores in the next three years. As for our revenue and bottom lines, we intend to grow 100 per cent annually for the next three years. Internally, we have set a goal called ‘Goal 100,’ which takes into account this kind of aggressive expansion. **MG**

Long Life in Logistics

Ahlers celebrates Centenary

Ahlers Logistics and Maritime Services, the Belgium-based company is celebrating its 100 years of liner agency services this month. On 1 May in 1909, Ahlers started as a shipping company in Antwerp for the German shipping line Hansa.

The centenary celebrations began in Belgium on May 4. The management welcomed customers, partners, friends and staff in the renovated Ahlers House to celebrate the past 100 years. In all, 600 guests among from the Belgian business and political world as well as partners and customers from abroad took part in the festivity. Two great-granddaughters of the 2 founders of the company, Nathalie Leysen and Francisca Ahlers were interviewed as well as André Leysen and his wife Anne Ahlers, daughter of founder Herwig Ahlers. An exhibition held on the 10th floor of the Ahlers House in Antwerp, which runs from May till November 2009, provides a visual overview of the most important facts of 100 years Ahlers.

The company, operating in China, India, Indonesia, Russia, Singapore, and Vietnam, has over 45 agency offices throughout Europe, Asia, the Far East, and Commonwealth of Independent States (CIS)/Baltic. Ahlers India Pvt. Ltd., the Indian subsidiary, is organising a gala function in Mumbai on May 15 to mark the milestone. Ahlers global representatives will attend, along with other major logistics players in the country.



Christian Leysen
Chairman



Luc Maton
Group GM, Agency & IF



Shibu John
MD - Ahlers India

The Singapore Launch



Just seven months into providing quality information to the Indian maritime fraternity, **Gateway Media** has launched its premiere maritime magazine *Maritime Gateway* in Singapore. The magazine was launched on April 20, 2009 amid an august gathering of leaders and captains from Singapore maritime industry.

The publication's foray into Singapore maritime industry has once again proved its commitment to deliver information of highest quality to its readers. The magazine, from now on, will have a dedicated section covering Southeast Asian content that will report news and information customised to Singapore's marine industries and markets.

The launch that was organised at Suntec City, Singapore has marked an important milestone in the journey of *Maritime Gateway*. Sudhir Rangnekar, former group CEO, Sical Logistics Ltd. and S Mahesh, vice-chairman, Transworld Group were the keynote speakers for the evening. The gathering included a mix of shipping lines, ship management companies, shipping agents, logistics companies and friends from the Institute of Chartered Shipbrokers (ICS), Singapore.

Addressing the audience, Rangnekar insisted on not bowing to the

downturn. Capt. Subhangshu Dutt, vice-president, ICS Singapore, too addressed the gathering and congratulated *Maritime Gateway* on the launch.

Gateway Media intends to reach out to the Singapore industry through *Maritime Gateway* and position the magazine as a credible resource of information. Singapore being the hub of maritime activity in Southeast Asian region, the presence of *Maritime Gateway* in this important hub can bring in great synergies to the maritime fraternity.

With India opening its port sector to private players a few years ago, the trade relations between India and Singapore as well as other Southeast Asian countries have strengthened and reached a higher plane than before. In this scenario of increasing trade relations, *Maritime Gateway* intends to cover and report this growing trend extensively and bring to its readers further business opportunities on this front as and when they arise.

Yudhisthir Khatau,
MD, Varun Shipping:



We are very pleased to hear that *Maritime Gateway* is now launching a global edition from Singapore.

Maritime Gateway has gained respect and credibility in India and has also launched *Maritime Insights* which has brought the shipping industry to the television media. We wish them all success in their launch.



Sudhir Rangnekar,
former group CEO,
Sical Logistics:

My hearty congratulations to *Maritime Gateway* on the launch of

their publication in Singapore. Singapore being a hotbed for maritime activity in Southeast Asia, I wish *Maritime Gateway* to provide quality news and articles that are useful to this industry.

Mahesh S Iyer,
vice-chairman,
Transworld Group:



I congratulate *Maritime Gateway* for bringing out such a wonderful magazine and making it available in Singapore. All the best to the *Maritime Gateway* team.



Capt. Subhangshu Dutt, vice-president,
Institute of Chartered
Shipbrokers, Singapore:

Singapore requires a magazine like the *Maritime Gateway* that reports useful news and provides the reader the much needed information and outlook about the industry. I congratulate the team members of publication and wish them all success.

The Name Implies

Agile to expansion through acquisitions, Agility continues to invest in emerging markets to consolidate its position as the world's largest third-party logistics provider. A **Maritime Gateway** feature.



Lim Siong Guan (left), chairman, Singapore Economic Development Board and Tarek Sultan, chairman and managing director of Agility at the inauguration of Agility's regional distribution centre in Singapore.

Despite the adverse conditions prevailing in the logistics industry due to severe recession and its aftermath, Agility, a premier international logistics services provider, has come out in flying colours. The company reported a robust net profit of US\$ 526 million with operating profits of US\$ 600 million. Its revenue rose 16 per cent to US\$ 6.8 billion from US\$ 5.9 billion in 2007. Worthy of its name, this global logistics player has been quick to respond to the opportunities and has rewritten its success story at a time when the whole world is reeling under the pressures of financial crunch and global recession.

Considered as one of the most aggressive players in the global logistics industry, Agility has adopted the acquisition route and maintained

its aggressiveness in expanding its global footprint. Today Agility's network covers more than 120 countries with 550 offices and 34,000 employees. Agility's commercial logistics division – Global Integrated Logistics (GIL) – provides supply chain solutions to customers in technology, retail, chemicals and other industries. GIL accounted for 59 per cent of Agility's revenue in 2008. Its revenue rose 17 per cent year on year. While the revenue from existing operations rose by 12 per cent, the remaining growth came from new acquisitions. Agility's management has always focussed on growing its GIL network by acquiring new customers, optimising costs and putting business-transformation initiatives in place. Agility's other divisions include Defence and Government Services (DGS) and Infrastructure. It handles the

government-related logistics under DGS and the Infrastructure division focusses on the providing infrastructure support in the areas of industrial real estate, customs optimisation and airline services.

Even in these difficult times of global recession, Agility is one of those few companies in the world that have not stopped their ambitious expansion plans. In line with its strategy, Agility opened its new Asia Pacific Headquarters in Singapore in April. Singapore being the maritime hub in Southeast Asia, Agility had already invested in more than 35,000 sq m of warehouse space. And now, it has further expanded its presence in the lion city by adding another 14,500 sq m taking the total warehousing space to 50,000 sq m.

Chairman and managing director of Agility, Tarek Sultan, who presided

over the opening of the new logistics hub at Singapore, said, "Singapore is an important piece in Agility's growth plans. We continue to grow our investments here because Singapore's excellent connectivity and operating environment provides us an ideal platform to manage our growing regional presence. In the last few years we have also made sizeable investments locally, including the acquisition of Synergy, a leading oil and gas service logistics provider."

Similarly, GIL's European network was expanded through acquisitions, establishing offices in Austria, Slovenia, Poland, Hungary, Denmark and Finland. Through GIL, Agility invested in Algeria, Libya, Morocco and the Kurdish region of Iraq, and continued to develop its third-party logistics (3PL) capabilities throughout the Middle East and Africa. The company sought to expand its presence and capabilities in China and acquired Shenzhen-based ocean freight forwarder COSA Freight and purchased Shanghai-based logistics provider Baisui Logistics in order to serve the growing Chinese domestic market. In the Indian subcontinent, Agility has made considerable investments in the last three years. It has invested around US\$ 130 million into building logistics facilities and a network of 70 offices employing 3,000 people.

Agility believes that the ongoing financial crisis has created unique business opportunities for forging new partnerships and acquiring assets on the basis of attractive and previously unobtainable business terms. With an excellent cash position, healthy debt profile, a diversified customer base and an established footprint in the emerging markets that offer huge potential for future growth, this agile logistics player looks to come out of the global downturn stronger than ever. 

Investing to Grow

Agility is known for its aggressive nature of growing through acquisitions. But it has a different tale to tell as far as its Indian operations are concerned. Right from the time it entered this vast Asian market, Agility has adopted the organic growth path rather than its quintessential acquisition route. **Wolfgang Hollermann**, CEO, Asia Pacific, reveals Agility's growth plans and further investments in India in a candid interview with **Ramprasad** of Maritime Gateway.



Q. What is your business outlook for India and how important is Indian market for you?

India actually has been, besides China, our most important investment market for the last 2-3 years.

In India we made a substantial commitment and made an investment of US\$ 130 million into logistics facility. We bought land, built warehouses and we are trying to build national logistics distribution network. Including contract workers, more than 3,000 people have been employed with more than 70 offices. We realised India is going to be an important market for us. As per the business outlook, I think India will fare a bit well. India has been fortunate to be not an export dependent market and to be into services. And also, India is going to have a strong domestic market. We feel India will fare better than China and other Asian destinations.

Q. What is the kind of service offerings that you focus in India?

Our major clients are general cargo and retail. We service the big companies like Tatas. Medium-size companies use our network when they import. We also have project cargo business. As of yet government is not of big business. So our biggest investment has gone into building logistics facility. We did not find enough facilities which are up to the standard of our international clients. That is why this is unique. Normally, we are called an asset appropriate company which means we do not need to own the walls but we operate the facility. But in India, we had to invest these millions to build the facilities. I do not think any other logistics company made that kind of investment.

Q. What is the Centre of Excellence that will come up?

We used India as a testing case to know how much we can outsource operational standard activities to outside the country such as back room activities like finance and documentation. For all the 70 offices we have in India, all the documentation is done in Chennai.

Since we now know that it works, we started replicating this in other places. For example, the documentation activities in Indonesia have been outsourced to Chennai.

Not only the cost but labour efficiency is also improving. We are setting a global standard. Our organisation has started a global working group. Our aim is to put all the global operations into this centre of excellence in three to five years time. We may have more than one because it is dangerous to put all the eggs in one basket. We may also find another Asian location as a backup.

Q. Usually acquisition has been a way of business for you to penetrate the markets. What is the strategy for India?

Not in India yet. All growth is through investments in building infrastructure. We are looking at some targets that might have some difficulties to survive because of not having network.

Q. Managing cost and satisfying customer at the same time is a challenge. How do you manage that at Agility?

This is one of the important pieces of our puzzle. The global centre of excellence will save us 30-40 million dollars in terms of operating costs in few years time.

Q. Being a global logistics player, do any of the geopolitical disturbances come in your way of business?

Only if they affect our customers. Most markets are now quite open that we can create the infrastructure that we need to serve the customer. We suffer from the problems of our customers. Though we have not lost our customers, we lost 15-20 per cent of our business because our customers are shipping less cargo. Governments realised the need to support logistics players to get the manufacturer enticed to invest and also to keep the exporters and importers happy.

First Quarter results

Agility reports 16% profit, 8% revenue fall

Agility announced that net profit before non-recurring items rose to \$139.7 million during the first quarter of 2009, or 16.4 per cent more than a year ago. Operating profits before non-recurring items also increased by 12.8 per cent compared to 1Q 2008.

The first quarter net revenue margin increased to 37.9 per cent from 34.1 per cent compared to the same period last year, despite a decline in revenues by 8.1 per cent reaching US\$ 1400 million.

Tarek Sultan, Chairman and Managing Director of Agility, said: "The growth in our operating profits (before non-recurring items) is a testament to our transformation; which has enabled us to expand our net revenue margin; and our ability to control operating expenses. Our strategy of diversified but complementary businesses has also been able to generate healthy results for our shareholders during this global recession as we have increased our cash from operations by 25 per cent over the previous period."

Sultan said, "We are closely monitoring our cash; selectively investing our capital; and rationalising costs to ensure we emerge from this crisis as a stronger player globally. Going forward, we are proceeding with extreme caution, and will continue to center our efforts on aggressively managing cost and cash while driving performance. We also continue to scope out game changing opportunities for mergers and acquisitions."

The commercial logistics industry has been seriously affected by the financial crisis, seeing 20-30 per cent drops in volumes on an average. The decline in volume has led to a 13.8 per cent decrease in revenue for Agility's Global Integrated Logistics (GIL) group, which posted first quarter revenue of US\$ 841.24 million vs. US\$ 975.6 million in the first quarter of 2008. Despite the decline in top-line performance of its commercial business, GIL's net revenue margin increased to 31 per cent as a result of its ability to reduce its procurement costs through major suppliers.



Maritime resurgence

China draws roadmap

China has recently elaborated on plans to build Shanghai into an international financial and shipping center, with pledges to gradually allow foreign companies to list in Shanghai and let overseas firms issue yuan-denominated bonds, reports Xinhua.

As part of its aim to make Shanghai an international financial center in accordance with the country's economic strength and the international status of its currency by 2020, the nation will develop a multi-functional and multi-layer financial market in Shanghai with the introduction of more financial products, instruments, derivatives and futures, according to the plans.

The country will build the eastern metropolis, comprising Shanghai and four other cities, into a global shipping hub able to allocate international shipping resources by 2020. It will continue to improve infrastructure at the Shanghai port while integrating neighbouring resources in the Yangtze River Delta, promoting shipping services by lowering transfer costs for containers from across the world, while striving to enhance the competitiveness of domestic shipping firms, according to the plans.



It would extend the deadline of tax shelters for domestic ships under flags of convenience from June 30, 2009, to June 30, 2011, and it may initiate tax rebates for ports of departure. The country will also develop higher-end financial services for the construction of a global shipping hub in Shanghai.

China will allow major domestic shipping companies to set up financial leasing firms, and actively and steadily encourage such firms to trade and issue bonds on the Shanghai-based inter-bank market. It will also allow international cruise operators to register and establish agencies in Shanghai to operate approved international cruise lines.

Disease outbreak

Singapore mulls health control measures

The Singapore Ministry of Health (MOH) recently upgraded the Disease Outbreak Response System Alert status in Singapore from Yellow to Orange.

Under this alert, all travellers entering Singapore and who have been in Mexico in the last seven days have to declare their travel history in the Health Declaration Card. The Ministry of Health will impose Home Quarantine Order on such travellers which also includes phone surveillance.



Shipmasters, shipowners and agents are to bring to the attention of their crew and passengers the border health control measures that are currently in place in Singapore. Ship's crew coming ashore to Singapore will be subjected to Home Quarantine Order, if they have been in Mexico in the last seven days.

Shipping services

Cory opens regional hub

UK-based Cory Brothers, part of the Braemar shipbroking group, has opened a Southeast Asia hub here to cater for its growing range of ship agency and freight services in the region.

The new office will provide a wide range of shipping and agency services to ship owners, operators and charterers of all vessel types, including drydocking, crew change arrangements and stevedoring. "All our Singapore services are linked to Cory Brothers' unique, in-house 'Ship-Trak' software which enables us to provide transparent and live tracking of vessel movement and cargo status," says Keith Lee, director of Cory Brothers Shipping Singapore.

The company has also opened new offices back in the UK, Felixstowe, primarily intended to offer improved freight forwarding services following its acquisition of Freight Action Ltd. at the end of 2008. Cory Brothers, which began operations in Wales in 1842, provides a wide range of port, hub, liner, cruise and forwarding services from its bases throughout the UK and internationally.

CSNOx™ technology

Ecospec's new approach

Ecospec Global Technology Pte Ltd, a Singapore-based research and technology company specialising in advanced water and oil treatment technologies, has built a land-based demo site for CSNOx™ to illustrate its capability to reduce greenhouse gas emissions. The firm invited delegates and visitors at Sea Asia to visit its demo site located at a local shipyard in Pandan Crescent and

witness the scrubbing process first-hand.



Ecospec's CSNOx™ land-based demo site in Pandan Crescent, Singapore.

Chew Hwee Hong, managing director and founder of Ecospec said the demo site demonstrates the effectiveness of

CSNOx™ solution in consistently generating impressive success rates in scrubbing greenhouse gases and exhaust pollutants from ship emissions. "It also brings us a step closer to obtaining eventual type-approval of our cost-effective solution, which is aimed at combating global warming caused by greenhouse gases, such as CO₂."

Introduced by Ecospec in January 2009, CSNOx™ is a 'true green' technology that reduces greenhouse gases and exhaust pollutants – CO₂, SO₂, NOx and PM (particulate matter) – from marine vessels all in one process and in a single system.

Slowdown blues

Cosco posts Q1 loss

China Shipping Container Lines Co Ltd., the country's second largest container shipping company, recorded a loss of CNY (yuan) 1.21 billion in the first quarter of 2009 due to the waning demand and falling price. Sales fell to CNY 4.53 billion from CNY 10.8 billion.

This is the company's third quarterly loss after posting losses of CNY 272 million and CNY 296 million in the third and the fourth quarter last year, respectively.

The company's operating revenue fell 58.07 per cent year on year to CNY 4.53 billion in the first quarter. It forecast loss for the first half of 2009 due to the gloomy shipping market worldwide.

S Korea's stimulus

\$3 billion fund mooted

The South Korean government will expand credit lines to boost sales of ships being constructed by shipyards and shippers, while easing regulations to stimulate any of these type transactions.

The decision taken by President Lee Myung-bak and his government is meant to help shipping companies to remain competitive. The government, in a statement, said the move was necessary as global shipping is a key factor in the country's economic wellbeing.

The 4-trillion won fund will be used mostly to purchase ships from struggling local shipping lines which have to sell their assets as part of restructuring efforts. The purchases are likely to start as early as June with around 100 ships being bought at market prices.

The state-run debt clearer Korea Asset Management Corp., creditor banks and private investors will also participate in the fund as the government will inject 1 trillion won into the fund. Through the Export-Import Bank of Korea, the government will also provide up to 4.7 trillion won in loans for the purchase of ships being constructed by cash-strapped shipyards.

In the wake of a severe liquidity squeeze, experts have warned that a possible bankruptcy chain reaction will undermine the soundness of the shipbuilding and banking sectors, dealing a harsh blow to the economy.

Taiwan port

Kaohsiung out of top 10

Kaohsiung has slipped from the list of the world's top 10 container ports as container traffic continues to be hit hard by the global economic downturn, the Taiwanese ministry of transportation and communications said.

Last year, container-handling volume at Kaohsiung totalled 9.68 million TEUs, down 5.6 per cent from 2007, the ministry said. The decrease dragged the port's world ranking down from 8th in 2007 to 12th last year.

The ministry's data show that the world's five busiest container ports in 2007 maintained their rankings last year: Singapore with 29.92 million TEU, Shanghai with 27.98, Hong Kong with 24.25, Shenzhen with 21.41 and Busan with 13.43 million TEU.

Sea Asia 2009 Conference and Exhibition held from April 21 to 23 at Suntec, Singapore was a success.

Organised by Seatrade in association with Singapore Maritime Foundation, this biennial event was aimed at voicing the concerns and issues of Asian shipping industry and bringing out innovative and feasible solutions through meaningful debate and discussion.

The event registered huge crowd this time and it grew dramatically since it was first time held in 2007. This year's show had more than 10,000 visitors, more than 650 conference delegates and almost 200 exhibitor stands which comprised close to 350 companies. There were 4,500 square metres of exhibition space (a 60 per cent increase on 2007 figures) with seven country pavilions – China, Singapore, Norway, Panama, Korea, Japan and the UK.

Apart from the exhibition, Sea Asia also hosted focussed conference sessions on various industry topics that are critical to the need of the hour. The exhibition and conference were inaugurated by S Jayakumar, senior minister, Government of Singapore.

While delivering his inaugural speech, the minister noted that the global economic outlook remains weak and there is uncertainty over the immediate future. "But the longer term outlook for the maritime sector, in my view, remains bright and we should position ourselves to make bold moves when the weather turns for the better," he added. The areas of discussion included bulk shipping, container shipping, offshore, ship finance, crewing challenges, marine insurance,



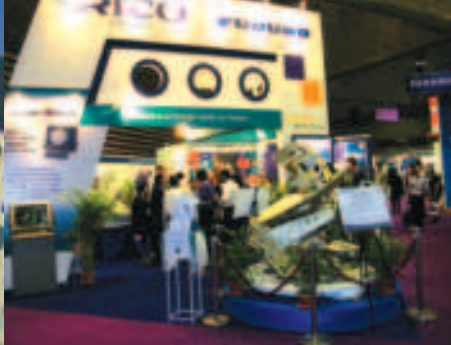
SeaAsia 2009 registers

Record Turn





move



LNG shipping, emission and ballast and ship building & repair. With such a wide variety of topics and fruitful discussions, Sea Asia 2009 has indeed become the Asian voice in the world of shipping.

The delegates felt that the conference sessions were very much useful and some really interesting theories and probable solutions were suggested during different sessions. Addressing the audience during the bulk shipping session on the first day, Kenneth Koo, CEO, Tai Chong Cheang Steamship said, "We are only seeing the beginning of the crisis now. We have the most severe cycle ever and it is still ahead of us."

Koo suggested that China should not be looked upon as a saviour in these difficult times as the country is going to witness a drop of 40 million tonnes in steel production in this fiscal.

With the record number of visitors turning out, the organisers declared the event to be a huge success compared to the last time. "The turnout has been fantastic, especially in a downturn. This is an auditable result, representing the number of unique show participants all of whom have been counted only once," said Vanessa Stephens, global event director of Seatrade. The last day of the Sea Asia exhibition has attracted young students from Singapore. Many of the students are either pursuing their maritime courses or planning to join one.

Singapore has once again proved to be the hub of maritime activity and the maritime week that was celebrated actively throughout the city-state is dazzling evidence to the fact. "Singapore is the right place to do something like this and hold a must-attend event," said a delegate in one of the conference sessions. **MG**



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AFTA and SE Asia Maritime Growth

Prosper Thy Neighbours

Nazery Khalid, Senior Fellow at Maritime Institute of Malaysia, explores the opportunities presented by the ASEAN Free Trade Area (AFTA) to maritime players in the region in a two-part article.



The South East Asian (SEA) region is located within the world's fastest growing economic and major trading territory. It enjoys a strategic location amid one of the world's major seaborne trade and shipping routes.

The economic success of the SEA region can be attributed to inter alia spot-on macroeconomic policies, strong focus on private sector development initiatives, success in

attracting foreign direct investment (FDI) and in developing trade linkages. In reaction to the sweeping forces of globalisation and liberalisation, SEA countries have gradually opened up their economies and become more export-oriented. They are also increasingly integrating their respective economies and enhancing trade with one another.

The Association of South East Asian Nations (ASEAN), the region's major

geo-political and economic group, has spent much effort to boost SEA's competitiveness as an economic area to attract investments and improve the economic condition of its members. Towards this, ASEAN has undertaken several initiatives to enhance economic cooperation and boost trade relations in the region. ASEAN has also pushed for integration beyond its immediate vicinity to include dialogue partners and other nations outside of the region through various initiatives.

Many policies have been introduced by ASEAN towards integrating the region's economies and creating an economically unified bloc to enhance its attractiveness and competitiveness as an economic region and a destination for FDI. At the forefront of these initiatives is the ASEAN Free Trade Area (AFTA), an agreement based on regional grouping involving the member states of ASEAN. By far the most significant and important regional economic initiative promoted by ASEAN, AFTA has played a catalyst role in boosting regional intra-ASEAN trade and regional cooperation in the transport sector. The planners of AFTA have articulated a vision of providing ASEAN members with a platform for greater trade and economic cooperation with the Asia-Pacific region.

Many socio-economic and political factors have combined to create a unique environment conducive to the establishment of AFTA. Of these, the increase in complementary trade among ASEAN nations and greater liberalisation and deregulation measures undertaken by its members played the most significant roles in

AFTA's creation. In addition, the growing global trend towards regionalism has persuaded ASEAN members of the need to protect their interests through a similar grouping platform of their own. This sowed the seeds for the conceptualisation and formation of AFTA as a regional trading bloc which is established to integrate the disparate and diversified economies in the region into a cohesive union.

The philosophy behind AFTA provides the pillars for the creation of a more ambitious vision espoused by ASEAN leaders to create what is known as the ASEAN Economic Community (AEC) by 2020. AEC is aimed at creating a single seamless regional market that can act as a production base to serve the global market. This is in line with ASEAN's efforts to enhance its attractiveness as an investment location for both domestic and foreign investors. The rise of rapidly growing economies in the ASEAN region is closely related to their adoption of liberal trade strategies which include export promotion and creating a regional trade area.

The initiation of AFTA not only marks a significant milestone in integrating the economies of ASEAN, but is also a watershed event from a political standpoint. The establishment of clear parameters towards greater openness and transparency in the region, as advocated by the premise of AFTA, epitomises the increasing political maturity among member nations, who are at different political and economic stages in their development. AFTA represents a noble ideal that symbolizes ASEAN's

commitment to bridge the huge socio-economic and development gaps amongst its members through regional integration.

Boom in regional trade

Since the introduction of AFTA, the production base of ASEAN member nations has become larger, thanks to the larger market created and the dismantling of trade barriers, along with other agreements entered into between ASEAN and its trading partners. It is a glowing testimony to AFTA's success that most of the South East Asian region is currently a free trade area and 96 per cent of the all ASEAN trade involves the first six signatories of the Common Effective Preferential Tariff (CEPT) scheme. This provides evidence to one of AFTA's most enduring legacies which is the elimination of tariffs on intra-regional trade. This is best illustrated in the expansion of intra-ASEAN trade since the introduction of AFTA, as shown in the table :

Intra-ASEAN trade 1993-2007

Year	Trade value (US\$ bil.)
1997	150
1999	131
2001	152
2003	159
2005	305
2007	404

Source : ASEAN Secretariat

As seen from the table, intra-ASEAN trade has grown rapidly over the last decade, marking a prosperous period



of economic growth for several member countries. This purple patch coincides with the introduction of AFTA, which has significantly contributed to the growth of trade in the region. Greater efficiency in production and increasing competitiveness in the economies of member nations under the AFTA regime has had a catalyst effect in advancing intra-ASEAN trade. AFTA's successful implementation is highlighted by the growth of inter-regional trade in ASEAN, which currently represents 25 per cent of the region's total trade.

The elimination of technical trade barriers in the region under AFTA has opened up and has enlarged the regional market, providing consumers in the region with a greater choice of goods, hence boosting trade in the region. This has further resulted a virtuous cycle of sorts in the form of greater demand for goods, much improved business performance, a higher standard of living, greater income per capita and greater economic prosperity all around for millions of people in the region.

AFTA's successful implementation is highlighted by the growth of inter-regional trade in ASEAN, which currently represents 25 per cent of the region's total trade.



Despite the overall feel-good factor about AFTA, critics of AFTA and other free trade agreements (FTAs) have voiced their concern about the negative effects of such a grouping to developing nations in the SEA region. Although there is no doubt that FTAs can help such countries to bolster regional cooperation, treaties between more economically strong countries and developing ones in the region may result in disparity in the treatment of each others' goods and may affect industries, farmers and consumers. It is a measure of ASEAN's cherished "prosper thy neighbour" philosophy that there have not been any hair-splitting issues among the members in the implementation of AFTA. However, it is hoped that the economic and development disparity among its members will not become an impediment that will derail the full objectives of the group.

AFTA and growing regional cooperation in the maritime sector

The increase in intra-ASEAN trade brings the attendant rise in demand

for transportation services to facilitate greater trade in the region. Initiatives to integrate transportation services and infrastructure in the SEA region are further complemented by investment liberalisation measures under the ASEAN Investment Area (AIA) Framework Agreement. Conceptualised in 1998, AIA features a regional investment arrangement to enhance the attractiveness of the SEA region for direct investment flows, in pursuit of the objectives of AFTA. The combination of liberalisation, cooperation and facilitation in transport and investment in the SEA region has spurred investment in the transport sector and hence boosted its growth in the area.

Growing trade and increasing economic prosperity under the AFTA milieu also combine to quicken the pace of industrialisation in developing countries in SEA and allows ASEAN nations to reap greater economies of scale provided by the wider regional market. It also enables member nations to have access to cheaper sources of raw materials and greater business-to-business and intra-industry interactions across the regional borders.

These agreements have given rise to challenges and opportunities in equal measure, to the region's ports and its shipping and maritime ancillary services sectors. The new dynamics created by AFTA also promise much prospects for regional countries to capitalise on. The more liberalised and greater regional market created by AFTA demands a new approach to counter the rising competition amongst the regional nations – essentially to attract seaborne cargo which facilitates most of the regional trade. AFTA initiatives in trade and transport have altered the landscape in which the region's countries trade with one another and the way in which the maritime transportation sector develops. It would not be an exaggeration to state that AFTA has brought about significant changes

affecting SEA's maritime sector.

The transformation in the region's maritime transportation landscape as a direct and indirect result of those initiatives can be seen in the rapid development of ports, the rise in shipping calls and the growth of maritime ancillary services in the region. There is a growing acknowledgment among the region's nations to capitalise on the prospect of greater maritime trade amongst them. To do so, players and stakeholders in the maritime sector must enhance the capacity, level of services and overall competitiveness to compete and thrive in the AFTA environment.

The maritime sector has been identified as one of the priority areas to facilitate greater trade among ASEAN nations. It would not be sufficient to just remove tariff and technical barriers without facilitating the physical movement of goods across national boundaries in an efficient and seamless manner. To this end, ASEAN has put in place agreements to ease seaborne transportation of goods, in acknowledgment of its crucial role in carrying much of the region's trade.

Cooperation in transport at the ASEAN level is conducted via various committees under the purview of ASEAN Economic Ministers at the ASEAN Transport Ministers Meeting. Meetings are conducted on several platforms under the Senior Transport Officials Meeting (STOM), the senior-level coordination body for ASEAN transport cooperation. Some of the major initiatives in the area of maritime transportation that have been undertaken by ASEAN members include:

- ASEAN Vision 2020 which lays down the roadmap that sets the goals for the region's transport development
- Hanoi Plan of Action (HPA), featuring a set of proposals to thrust forward maritime transport cooperation in the region to speed up the economic integration of

ASEAN member countries and to enhance and facilitate easier intra-ASEAN trade

- ASEAN Transport Cooperation Framework Plan / Successor Plan of Action 1999-2004 which followed the HPA, designed to achieve a fluid, integrated and coordinated and transport system in the region through broad-based strategies
- ASEAN Transport Plan of Action 2005-2010, designed with the objective to build, consolidate and improve on the achievements of the previous two transport cooperation five-year plans.

A major focus of the Transport Action Agenda of the HPA and the Successor Plan of Action 1999-2004 is the development of a trans-ASEAN transportation network. This visionary project maps out, among others, the plan to designate ports in

member nations as ASEAN ports. It articulates the creation of a competitive policy environment for the ASEAN maritime transport sector, in which the private sector is encouraged to invest in infrastructure and in opening transport services. It envisions that in such an environment, ASEAN ports will have improved capacity, efficiency and productivity, and the region's shipping operators will operate in a more liberalised regime.

In line with the HPA, ASEAN Transport Ministers reaffirmed the importance of the overall improvement of transport infrastructure linkages and of strengthening institutional arrangements for transport facilitation and logistics in the region. During the 6th ASEAN Transport Ministers Meeting held in October 2000 in Brunei, they concurred to formulate a framework

for the development of ASEAN's maritime transport sector. This was envisioned to promote closer economic integration in ASEAN and the implementation of AFTA.

These initiatives have been enacted to facilitate trade and transport services to enable ASEAN countries to reap the full benefits of AFTA and to integrate the region's transport infrastructure and systems and its economies. Through the promotion of such initiatives, the region has acknowledged the need to push for the liberalisation of critical services such as transportation to keep pace with efforts to liberalise goods and investments in the region. **ME**

In the next part of this article, the author will examine the impact of AFTA and growing intra-regional trade to the development of ports and the shipping sector in the region.



S&P introduces ASEAN credit rating scale

Standard & Poor (S&P) Rating Service has launched an ASEAN credit rating scale which provides additional transparency on the credit risks facing lenders and borrowers in the Southeast Asian region.

In a statement, S&P said the rating scale would provide information for investors in the region's developing debt markets, and help companies across Southeast Asia in accessing new sources of capital.

"The rating scale is designed to meet the needs of investors interested in participating in the bond market," executive managing director and head of S&P Asia-Pacific Tom Schiller said.

"By encouraging broader regional market participation among investors and issuers, we hope to support the continued growth of ASEAN member countries' domestic capital markets, while contributing to their closer integration," he added.

ASEAN credit ratings have already been assigned to 19 issuers in the region, including Bangkok Bank Public Co. Ltd in Thailand, DBS Bank Ltd in Singapore, PT Indosat in Indonesia, Public Bank Bhd in Malaysia, Siam Commercial Bank Public Co. Ltd of Thailand and San Miguel Corp. in the Philippines.

S&P ASEAN ratings are based on the same rigorous criteria and methodology applied to its global ratings. The main difference between the two scales resides in calibration and basis of

comparison: A regional scale rating is based on credit-risk comparisons within a specific region, while a global rating is based on global comparisons.

S&P South and Southeast Asia managing director R. Ravimohan said ASEAN domestic bond markets had grown rapidly over the recent years. "The ASEAN rating scale aims to promote growth in local bond issuance by facilitating strong regional and global market participation through deeper penetration of ratings in this important region," he said.

The ASEAN rating scale was designed to appeal to a wide range of companies and institutions seeking to raise capital, as it offered granularity of credit quality that could be mapped out with Standard & Poor's global rating scale.

"S&P's ASEAN ratings will provide issuers, counterparties, intermediaries, and investors with an independent opinion of relative creditworthiness within an ASEAN context," said S&P Asia Pacific executive managing director for ratings services Yu-Tsung.

Meanwhile, ASEAN secretary general Surin Pitsuwan welcomed the initiative as it would help enhance ASEAN's economic competitiveness and promote greater regional cooperation.

ASEAN and Japan, China and South Korea, with the help of the Asian Development Bank (ADB), have agreed to create a credit enhancement facility to allow the private sector to access cheaper funds from bond issuances in the region.

APPOINTMENTS

FORCE president

Capt Mohan re-elected

Capt PVK Mohan, CMD of Seaways Group, was re-elected the president of FORCE (Freight Organisation of Related Cargo Experts) for the second consecutive year. He was unanimously elected from among 40 members at a FORCE congress in Hurgada, Egypt recently. FORCE, an association of leading global freight forwarders, controls significant air and sea cargoes through its members' strengths in their respective locations. Capt Mohan is the first Indian to be elected to FORCE's highest office.



Sical



LR Sridhar, currently CEO of Sical Bulk Logistics and director & CEO of Sical Distriparks Ltd. has been appointed as the managing director of Sical Logistics Ltd.

Karthik Menon, currently a non-executive director on the Sical board has been elevated as the vice-chairman of the company. The board also approved the appointment of Vinod Giri as IDFC PE's nominee director.



Pipavav

Prakash Tulsiani took over as the managing director of Gujarat Pipavav Port Ltd. He was earlier serving as the chief operating officer of Gateway Terminals India Pvt. Ltd.

DB Schenker

Andy Vargoczky has been appointed vice president -sales, marketing and key account management - India of Schenker India Pvt. Ltd. He has over 17 years of experience in the transport industry.



APL

Anil Radhakrishnan, managing director of APL India, the logistics subsidiary of the container ship leader APL Ltd., will be taking charge as the MD of APL Middle East shortly. APL is a unit of Singapore-based Neptune Orient Lines.

Pipavav Goes Commercial

Gujarat Pipavav Port Ltd. has formally entered commercial operations, **Prakash Tulsiani**, managing director, Pipavav Port stated in a press conference arranged at the port on April 17. The occasion was also marked by capacity enhancement in container handling by adding two more Post Panamax Quay cranes taking the number of gantry cranes to eight.

Speaking on the occasion, Kim Fejfer, CEO, APM Terminals, said, "It is important to recognise this milestone and I don't think we should talk about Port of Pipavav as a project any longer because we now have a full-fledged port operating at international standards."

Fejfer urged that it is now time to reach to the customers, provide world-class service and build relationships. "This is a milestone which has been accomplished through a lot of efforts. While this is only a milestone, the real hard work starts now because, now, we have to go out and sell this proposition to our customers and develop the relationship and loyalty that is all the more necessary in taking the business forward," he added.

The Port of Pipavav, India's first private sector port, has already become one of the most popular trade gateways for northwestern India. An all weather deep water port, it is backed by the resources and global expertise of APM Terminals and is one of very few



Fejfer (L) and Tulsiani (R) speaking at the press conference

ports in India to offer customers completely integrated port services. Extensive infrastructure has been developed to handle all types of cargo including breakbulk, bulk, containerised and liquid cargoes. The port also provides storage, warehousing and office accommodations. An ondock rail terminal at the port has dedicated sidings for bulk and containerised cargoes and is currently equipped to handle 22 trains per day, including

regular scheduled services to and from major markets throughout northwestern India.

APM Terminals has made investments worth Rs 1,000 crore till date in the Port of Pipavav and this has gone into dredging, constructing the quay, getting the equipment together, building the required yard facilities and other port facilities. In 2008-09, the port handled 200,000 TEU and 2.5 million tonnes of cargo. With the additional infrastructure in



place, the port management is confident of raising the bar in this fiscal to 280,000 TEU in container handling and 4 million tonnes in overall cargo handling.

The port has taken some big steps in this direction. To increase the momentum of the cargo and enhance ease of operations, the port has begun the construction of customs house building in its premises for which the foundation stone was laid by Vijaya Lakshmi Sharma, chief commissioner, Central Excise, Ahmedabad. Special emphasis has been given to augment volumes in the dry bulk sector which includes coal and fertilizers among others. With a bigger target to achieve this fiscal, the port is gearing up to meet the challenge. The same day was chosen to inaugurate a new fertilizer bagging machine that can speed up the process of the movement of

fertilizers in the port. With the new machines – 10 in all – up and running, the port's capacity to bag and rail this valuable cargo rises from 1,000 tonnes a day to 10,000 tonnes.

The dredging works have almost been completed and now the port boasts of a depth of 14.5 m alongside the berths. Further, the excellent road and rail connections to the port stand as driving factors in boosting up the volumes. With vast amount of land at its disposal, the port is looking forward to have customers to use this land and carry on their business with the port. "We have a proposition to our container customers. We have 400 hectares additional space which we can offer to customers who want to do business in the Port of Pipavav," said Fejfer answering a question.

Tulsiani further revealed that the

Property team of the port is working closely with potential development partners, to ensure that they maximise the use of this land in a way that enhances the customer experience. He said, "We welcome approaches from any potential tenant or investor with strategic ideas to add value to the services and facilities we currently provide – there are great business opportunities awaiting them."

The port is also equally committed to enhance the living conditions for its employees and their families at the port. It has commenced the construction of single and double bedroom apartments to the port staff within the premises of the port. "We are committed to providing better living conditions to our team members – the family of Pipavav – and that they live comfortably along with their families," added Tulsiani. [W](#)

Braving the battle in the Gulf of Aden

Winning the War

Nazery Khalid warns that until problems on land are addressed, the threat of piracy in the Gulf of Aden would not subside.

“Well then, there is not a moment to lose!”
(Captain Jack Aubrey in ‘Master and Commander’)



The spate of piracy attacks on merchant ships plying the Gulf of Aden (GOA), a crucial trade waterway and a vital sea line of communication, has been commanding international attention of late. Located near the world's most prolific oil region, the GOA facilitates much of the world's seaborne oil transport and also enables the transportation of a significant volume of seaborne trade between East and West.

Given its strategic importance to world trade, it is imperative that this waterway is protected from security threats that may impede the smooth flow of shipping traffic passing

through it. Any disruption of the transportation of goods in this busy shipping lane can hamper the movement of goods across the global supply chain.

For this reason, the world is rightfully anxious of the unrelenting pirate attacks on ships traversing the GOA. The kidnapping of crew members may endanger their lives. Attacks on ships carrying crude oil in this critical maritime route may cause mayhem to the global economy. The cost to shipowners, who have to pay ransom to release their crew and ships, fork out higher insurance premium to cover ships passing through the treacherous

waters and bear the delay in shipment of goods and disruption in shipping schedules, is significant. The cost is magnified amid the tough economic conditions in these times of slumping demand for shipping services and global economic woes.

It is a matter of growing global concern that the attacks on merchant ships by pirates operating in the GOA have not shown any signs of relenting, although efforts have been taken by the international community to neutralise their threat. Despite the passing of a UN resolution to allow a coalition force of international navies to conduct patrol and thwart piracy in the GOA,



Photos Courtesy: US Navy

Scourge at sea: Pirate attacks double

A dramatic increase in activity by Somali pirates led to a near doubling in the number of ships attacked during the year's first quarter compared with the same period in 2008, according to a report issued by the International Chamber of Commerce's International Maritime Bureau (IMB).

A total of 102 incidents were reported to the IMB Piracy Reporting Centre (PRC) in the first three months of 2009 compared to 53 incidents in the first quarter of 2008. The quarterly report also said attacks increased by almost 20 per cent over last quarter of 2008.

The increase in the first quarter of 2009 is due almost entirely to increased Somali pirate activity off the Gulf of Aden and the east coast of Somalia. The two areas accounted for 61 of the 102 attacks during the first quarter compared to six incidents for the same period in 2008.

IMB reported that worldwide a total of 34 vessels were boarded, 29 vessels fired upon, and nine vessels hijacked. A total of 178 crew members were taken hostage, nine were injured, five kidnapped, and two killed. In the majority of incidents, the attackers were heavily armed with guns or knives. In addition, violence against crew members continued to increase.

"The navies have played a key role in controlling piracy in the Gulf of Aden," IMB Director Pottengal Mukundan says. "It is vital that these naval operations continue."

Forty-one incidents were reported in the Gulf of Aden region, including the hijacking of five vessels. In January 2009, one in every six vessels attacked was successfully hijacked, with the rate decreasing to one in eight for February 2009 and one in 13 for the month of March. On average, one in eight vessels attacked was hijacked during the first quarter.

The last quarter of 2008 saw a total of 41 incidents in which the ratio was one in three vessels attacked being hijacked, IMB reported. IMB urged all ship masters, owners and others in and outside the shipping industry to report all incidents of actual and attempted piracy and armed robbery to the PRC.



Maersk-Alabama Capt. Richard Phillips, right, after being rescued by U.S. Naval Forces off the coast of Somalia.

the buccaneers in the area appear to be unperturbed and have carried their business as usual. Even after the daring rescue mission to free the captain of *Maersk Alabama* by the US Navy that killed three pirates and the storming of a yacht by French Commandos, the activities of pirates in the GOA have not showed any signs of slowing down.

While piracy in the GOA is not a new phenomenon, the frequency and intensity of attacks in this vast area have increased dramatically in recent years. A combination of factors contribute to this – the main one being the dysfunctional state of Somalia, a littoral state of the GOA from which most of the pirates roaming the sea-lane hail. The breakdown in law and order and enforcement in the beleaguered nation makes it difficult to monitor and secure the vast waterway from criminal activities. The perpetual state of conflict and the lack of education and economic opportunities in Somalia have driven youths – who are low on hope and high on angst – to take to the seas to earn money. The disenchanted among the population are easily recruited by powerful warlords who control certain areas in Somalia to join groups of sea bandits to hijack ships for ransom.

“The disenchanted among the population are easily recruited by powerful warlords who control certain areas in Somalia to join groups of sea bandits to hijack ships for ransom.”

Besides the sorry state of affairs in Somalia, there are several other factors which contribute to creating a conducive situation for piracy to foment in the GOA. Some of the pirates operating in the area consider themselves as a sort of modern-day Robin Hood in justifying their heinous act of extorting shipowners for money to release the kidnapped crew. These bandits are known to disburse their ill-gotten gains to their kin and people from their villages to buy food and supplies in a country where the economy and trade infrastructures are in shambles. Some pirates also see themselves as vigilantes whose attack on merchant ships plying the GOA are seen as a legitimate show of anger towards the irresponsible acts of foreign ships which dump toxic wastes and carry out illegal fishing in the waters. There are even bandits who legitimise their dastardly acts of

taking ransom from shipowners as a form of charging ‘toll’ on ships sailing from the Mediterranean which pay fees to pass through Suez Canal but sail through the GOA without paying anything to the littoral states, hence bringing no economic benefits to the littoral states.

Not surprisingly, these pirates are hailed as heroes by fellow citizens who benefit from their ill-gotten gains and who have become jaded with the conflict that have wrought their country and the continued trespassing of foreign ships in the GOA. To the pirates, they act as the rightful guardian of the waters in the absence of a legitimate government in Somalia, and to the people, the pirates are brave defenders of the homeland who dare to stand up to foreign vessels violating the waters. The legitimacy given to the pirates by locals, who do not quite view them as the bad guys, adds another layer

Anti-piracy: The Big Players



By S. Venkiteswaran
Senior Advocate

It is an age-old story that the big players do not care about what happens around the world, until they themselves are subjected to the same fate. It would always be easy to deal with the problem when it is at its infancy, and more difficult when the players are more experienced. More so in the case of Somalian pirates, in that on account of the failure to forcefully react immediately after the first few incidents, the pirates were allowed to get away with a large amount of ransom. And once emboldened, they are now ready to attack even the big brother. I am referring to the recent news item regarding the attempt to hijack an American ship and kidnap its American master. One cannot pretend or feign ignorance when acts of terrorism are committed against the nationals of any country. We have heard

oft-repeated statements by and on behalf of Uncle Sam that terrorism will not be tolerated. As I understand, piracy and hijacking of ships are nothing but organised terrorism – and have to be dealt with in the same way. The US has and had ample presence in the area, and it was indeed surprising to see that the US made no noise till one of their own was directly affected.

Piracy was rampant in the Malacca Strait and in and around the area, and the pirates were mostly from Indonesia. The number of incidents slowly reduced and you can now say that you do not hear of piracy in that area any more. The short point is: a stitch in time saves nine. Any act of terrorism, including piracy, can only be contained by sending the right message at the right time.

If an international Naval force gets stationed, with the ships in convoy transiting the area, terrorism will die a natural death. I hope, along with the Americans, the rest of the world gets the message that, if not today, one day they will also be victims – and it is time that the civilised countries unite and take a cooperative and strong action against the wrong-doers everywhere.

of complication to the discourse on the subject.

The modus operandi of GOA pirates

Operating with impunity, pirates in GOA have proven to be a daring and highly organised lot. The way they conduct their operations and the tactical nous demonstrated suggest that they are not just swashbuckling opportunists who carry out sporadic attacks.

Media images of Kalashnikov-bearing pirates in skiffs, looking ragged and undernourished, belie their capabilities to take on large ships. These are among features commonly observed in piratical attacks in the GOA and their perpetrators which underline their structured approach and brazen nature:

- Backing by powerful warlords who supply them with funding and weapons to launch attacks – Some analysts have even suggested that these pirates receive financial and institutional support from backers with vested interest who are based in other countries. A worrying possibility is that the pirates are doing the bidding for terror groups who ‘commission’ the pirates to carry out attacks and raise money from ransom payment to support terror activities.
 - Mounting attacks from mother vessels acting as ‘floating headquarters’ – Having such bases makes their operations in the high seas and the ambitious
- scale of their sorties possible. Often, these vessels are fishing trawlers, although in a few cases, other types of vessels and of bigger size, believed to be painted over and retrofitted for decoy, have been used.
 - Use of sophisticated weapons such as rocket propelled grenades and heavy assault weapons – The pirates are also known to be adept at handling radio equipment and sophisticated navigation systems such as GPS, which explains their knack of knowing where to attack, evading naval patrol vessels and making a quick escape thereafter.
 - Ability to mount vessels of considerable height and size, and seize them – This suggests that they have been given some form of highly specialised training. Some quarters have even raised the chilling possibility of the pirates receiving special-forces type training to carry out daring raids on large vessels such as the *Maersk Alabama* container vessel and the *Sirius Star* supertanker carrying crude oil. This begs the question whether there exists collaboration between security personnel and the very bad guys they are suppose to thwart.
 - Retreating to their bases onshore once they have hijacked vessels – Once the pirates have taken the hijacked ships to bases known to be piratical bases such as Eyl and Hobyo on Somalia’s Indian Ocean coastline, they then blend



in with and disappear into the community, making them and the hostages hard to trace. This gives the pirates an advantage in negotiating for ransom, knowing that it would be difficult for security forces to attempt a rescue operation of the hostages whose whereabouts are unclear.

Sailor sues over safety

A member of the crew on the US-flagged ship hijacked by African pirates sued the owner and another company recently, accusing them of knowingly putting sailors in danger. Richard E Hicks alleges in the suit that owner Maersk Line Limited and Waterman Steamship Corp., which provided the crew, ignored requests to improve safety measures for vessels sailing along the Somali coast.



Hicks was chief cook on the *Maersk Alabama*. Pirates held the ship's captain hostage for five days until the US Navy rescued him. Hicks' lawsuit seeks at least US\$ 75,000 in damages and improved safety. Officials for Norfolk, Virginia-based Maersk Line and Mobile, Alabama-based Waterman said their companies don't comment on pending litigation.

Hicks asked that the two companies improve safety for ships by providing armed security or allowing crew members to carry weapons, sending ships through safer routes, and placing such safety measures on ships as barbed wire that would prevent pirates from being able to board vessels.

"We've had safety meetings every month for the last three years and made suggestions of what should be done and they have been ignored," Hicks said. "I'm just trying to make sure this is a lot better for other seamen." -AP

Ripping out the roots of piracy in GOA

While the efforts of international navies to provide a presence in the GOA to deter pirates are lauded, they alone are insufficient to eliminate the threat of piracy. Piracy is not just a crime but a manifestation of a complex problem encompassing many aspects. The root causes of piracy can be traced to socio-economic, political, ideological and geo-strategic dimensions, among others.

Although recent actions by international navies to free hostages kidnapped by pirates have been lauded, a lot more needs to be done to eradicate this modern-day menace. Confronting the pirates at sea is only one part of the equation to neutralise the threat of piracy. The attacks at sea are only the symptom of a deeper malaise found onshore. A comprehensive approach is needed to identify the causes on land that give birth to this scourge and to prescribe the remedy to prevent piracy from taking roots.

To be sure, it is a huge challenge to keep the peace in the vast maritime area like the GOA which borders a country like Somalia, effectively a failed state. Somalia does not have a legitimate government with the necessary resources, socio-economic planning, legal and institutional infrastructure, technical capabilities and state apparatus which are essential tools to fight a trans-boundary, offshore crime like piracy. Therein lies the biggest, most important task to nip piracy in the bud: to provide a semblance of stability and a modicum of order in Somalia to enable its government and people to focus on nation building. Until a semblance of law, order and governance is restored and socio-economic development is generated in Somalia, there is little hope of neutralising the threat of piracy effectively. Nations must work together and provide financial and technical assistance to Somalia to help the country get back on its feet.

The importance of collaboration among the navies present in the GOA is underscored by the subsequent attack on a US flagged vessel after the release of the *Maersk Alabama* captain and the shootout that killed three pirates. In reaction to the death of the comrades, pirates sought revenge on American crew members by mounting an attack on the American freighter *Liberty Sun* without the intention of seizing the ship or holding its crew hostage. The escalation of what is essentially a



“What is needed is the political will among nations to take detained pirates onshore and try them in a court of law and prosecute and punish them.”

robbery crime at sea – as evidenced by the *Liberty Sun* incident – has added another dimension to piracy in the GOA. Pirate attacks motivated by revenge pose serious threat to the safety of seafarers. This is a problem which the US cannot handle or solve on its own without getting assistance from other navies patrolling the area. It would not be possible for even the world's most powerful navy to conduct patrol on its own and

establish a 24/7 presence to protect all of its ships passing through the sprawling gulf. To depend on one naval force alone to look for pirates in a vast area like the GOA is akin to looking for a needle in a haystack.

A notable aspect of the work of the international navies patrolling the GOA is their tendency to protect ships registered under the flag of the respective countries and to secure the release of crew who are their citizens only. A worrying mentality of 'to each nation its own' seems to prevail in the GOA. This is not helpful in securing a vast area which hosts ships from various flags manned by crews from many

nationalities. Piracy, a trans-boundary crime, affects all countries that have stake in maritime trade, hence the problem cannot be solved by way of nations adapting a posture of 'rescuing one's own citizens' alone.

The situation in the GOA has reached a critical enough level that demands naval forces to work hand in hand and set aside the 'going it alone' mentality to prevent pirates from picking and choosing victims based on their nationalities. Navies present in the dangerous waterway must act in concert to repel pirate attacks on all ships regardless of their flags and crews and not just protect their own ships and nationals.

It is also not enough to just raid pirates' boats and ships to thwart their attacks. It would be futile for navies to just confiscate their weapons and equipment only to throw them into the sea and to let the criminals off scot free, as always is the case. What is needed is the political will among nations to take detained pirates onshore and try them in a court of law and prosecute and punish them. France has made efforts to bring arrested pirates in

GOA to Paris to be tried in French courts. The US has followed suit by taking the arrested teenage pirate who held the captain of Maersk Alabama into American custody to be prosecuted. It is hoped that such resolute follow-up actions can be sustained as they can act as a powerful deterrent for other pirates from carrying out their dirty deeds in the GOA.

Braving the battle, winning the war

Measures such as sending navies to patrol the GOA, killing pirates and prosecuting them are not without controversy and may lead to potential political, legal and geo-strategic entanglement. However, in the face of bold and increasing attacks by pirates on merchant ships traversing this crucial sea-lane, the world cannot afford to just sit by and not act. The situation has reached such a pandemic level that not taking

action is no longer a viable option. In fact, the initial lack of reaction on the part of the international community during the beginning of the outbreak of piratical attacks in the GOA had emboldened the pirates into launching more attacks and becoming more violent and daring in their acts.

It would be up to the legal experts to determine whether there is legal justification to use lethal force against pirates and to avoid any legal complications and violations in the process. In the meantime, the navies, shipping industry and other stakeholders need to increase their vigilance to ensure that the crews, ships and cargos sailing through the GOA are protected.

While no doubt that an unusual, critical circumstances like the piracy in the GOA present a set of unusual, urgent response to blunt the threat posed by the pirates, we must not

lose sight of the equally important need to address the issues which contribute to the proliferation of piracy in the area. On one hand, strong, resolute actions are needed to win the battle against pirates at sea and send a strong message to the marauders that their acts will be meted out with stern punishment. On the other hand, a more nuanced approach is required to understand the complexity of the piracy problem, to identify its root causes and provide the remedy to stamp out the causes of this dastardly crime. This would require a holistic approach in addressing the multiple problems on land and the disenchantment of the people that lead to them committing this heinous crime at sea. Only then can the war against piracy be truly and comprehensively won. **MG**

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UPDATE

Indian sailor killed

Somali pirates have killed an Indian sailor and injured one of his colleagues on board a ship that was hijacked in January, the Mumbai-based Directorate of Shipping of India said.

"The pirates shot dead Sudhir Suman on board the MT Sea Princess II while his colleague Kamal Singh sustained bullet injuries. Suma's body was thrown into the sea by the pirates on April 26," a press statement from the Directorate said.

The ship, now freed from the clutches of the pirates, has reached Port of Aden safely on May 6.



Attacks on US ships rare

After US Navy SEALs killed three men holding an American captain hostage in the Gulf of Aden, some Somali pirates vowed retaliation, saying they would target U.S. ships in the area.

But roughly a month after pirates seized the Maersk Alabama and fired rocket-propelled grenades and automatic weapons on the US-flagged Liberty Sun, there have been no further attacks against American boats or their crews.

And maritime experts believe it's unlikely pirates will succeed again anytime soon because there are so few US ships in the Gulf of Aden — as few as one out of the 70-80 ships in the Gulf of Aden each day — and because increased attention by the United States makes any attack especially risky.

"You're going to be a poor pirate if you specifically go after US vessels, and you're going to be leading a short life," said Donna Nincic, chairwoman of the Department of Maritime Policy and Management at the California Maritime Academy. -AP

Capturing East Trade

Container Corporation of India (Concor) is undertaking holistic measures to enhance its business volumes in eastern India. Developing inland container depots for the vast hinterland is a step in the direction.

Maritime Gateway comes up with the details.

Concor is undertaking a wide range of initiatives to boost traffic in eastern India. They include upgrading of existing terminals and ICDs and enhancing cargo handling profile with a focus on customised services for wide range of cargo. Concor's operation in eastern India is primarily based on handling domestic cargo. Cargo handled by the organisation consists of container traffic originating from eastern and northeastern India.

The nature of cargo originating from the hinterland surrounding Kolkata has started becoming assorted in recent years. This has made it imperative for Concor to enhance and upgrade its infrastructure and operational network, apart from providing tailor made services for transporting individual nature of cargo of the concerned businesses. This will allow Concor to raise its business volumes in eastern India and consolidate its position.

Though jute cargo transportation

continues to occupy major part of Concor's eastern India business with its share at 22 per cent, other cargoes too have been gaining their share in recent years. This includes steel, pig iron, sponge iron and ferro chrome. Steel cargo constitutes 11 per cent of Concor's business, while pig iron and sponge iron occupy a share of 21 and 11 per cent of its business respectively.

Other cargoes which have started gaining importance with Concor include ferro chrome, CP coke, purified terephthalic acid, food products, battery, paints, peas, TMT iron bars.

Officials point out that the share of iron and steel has gone up significantly in recent years. This is owing to the fact that large number of greenfield secondary steel plants have started to come in the eastern part of the country. Increasing demand for finished products made by the plants, both in the eastern and also in other parts of the country, has enhanced the demand for movement





“The Durgapur terminal mainly caters to the transportation needs of primary and secondary steel producers and sponge iron units in the region.”

of steel products. Also, growing demand for sponge iron and pig iron by the secondary steel plants as a production input has increased the transportation demand of raw materials and finished steel products.

Transportation of steel is expected to remain firm. This is both owing to the demand for finished products from the secondary steel plants and also due to the well laid expansion plans of the primary steel plants in the region belonging to Steel Authority of India Limited and Tata Iron and Steel Company.

To expand its transportation services to steel traffic, Concor has recently constructed the Durgapur terminal. Built at a cost of Rs 8.5 crores and spread over an area of 29.7 acres and having a paved area of 30,000 square metres, the terminal has been built primarily to cater to the traffic of steel and heavy engineering industries located in Durgapur industrial area in the State of West Bengal and also in other parts of the state. The terminal offers customised transportation services for carrying range of finished steel products comprising, sponge iron, angles, joints, billets, TMT bars rounds, coils, flat products etc. To transport heterogeneous steel products, Concor is also looking at deputing both-side access and open top containers and if required hard top containers, depending on the trade requirement.

Construction of Durgapur terminal is one of the recent greenfield initiatives of Concor to upgrade its

infrastructure in eastern India. Also to provide its transportation services to steel cargo, Concor has planned to construct another greenfield cargo terminal at Rourkela in Orissa. The terminal would mainly cater to the transportation requirements of the primary and secondary steel producers and sponge iron units located in the region. As of now, Concor undertakes movement of containers at Rourkela through the railways container terminal. As per officials, tenders for the construction of the terminal have been finalised and work is likely to begin within 7-8 months.

Remodelled Amingaon ICD

Concor's ICD at Amingaon in eastern India has been instrumental in handling the large domestic container throughput of cargo generated by Kolkata and eastern India hinterland. However, the Amingaon ICD has been in focus both for handling export tea cargo through Kolkata Port and also for moving domestic tea cargo to Kolkata. To enable the ICD handle larger volume of cargo and generate business volumes, Concor has recently upgraded Amingaon ICD at Guwahati in Assam.

Upgraded at a cost of Rs 3.2 crore, the new facilities of the ICD would enable Concor to handle two full rakes at a time, one each for exim and domestic traffic, in two separate lines. Also, the deployment of two new reach stackers, in addition to cranes in place, would enable the ICD accelerate the pace of loading and unloading of boxes, thus resulting in faster turn round of rakes.

Large quantities of tea move out of

“With the creation of new facilities, the Amingaon ICD could target movement of tea in larger volumes enabling Concor to have a larger share of the traffic.”



the region by road for destinations throughout the country. With the creation of new facilities, the ICD could target movement of tea in larger volumes enabling Concor to have a larger share of the traffic. With the new facilities in place, Tata Tea Limited TTL is examining if it could use the facilities available at Amingaon ICD for transportation of tea cargo to various domestic destinations. Currently, TTL uses road transport to move Assam tea to various parts of the country.

The Amingaon facilities mainly handle direct exports to the UK, US and Dubai. However, the export throughput over the years has been showing a downward trend – 35 TEU in 2008-09; 299 TEU in 2007-08; 372 TEU in 2006-07; and 382 TEU in 2005-06.

Nonetheless, with the shortage of tea looming worldwide and integration of tea buying at TTL with emphasis to reduce the supply chain cost, TTL may consider using the facility to reduce lead time. Notably, two major tea companies McLeod Russel and Hindustan Unilever make their domestic tea movement through Amingaon. To ensure optimum use of the facility, Concor should assure its customers regarding the availability of rakes and containers. Priority should be given to the export rakes. Further, Concor should also supplement its operations at the ICD with road transport.

As of now, the inward domestic traffic throughput at Amingaon ICD has been much larger than the outward throughput. While Concor proposes to compete with the road transport on the trunk route for attracting traffic to and from the region, it would at the same time look to join hands with the road transport operations for short haul movements within the region. In the Northeast railways own movement is often delayed due to narrow gauge lines on several routes. The transshipment of traffic from one gauge to the other is time-



Photo: GPA Cargo

consuming. It should be therefore possible for Concor to offer a package also involving road transport of consignments from Amingaon to different locations in the Northeast which the railways finds difficult to serve adequately. Taking note of the situation, Concor is mulling with the idea to supplement the existing services being provided by the railways to attract traffic to the ICD. Amingaon ICD's throughput during 2008-09 was 2,440 TEU, marginally lower than that during 2007-08 (2,501 TEU).

Well spread network

While Concor's new facilities will definitely enable it to draw larger

traffic volumes, Concor's foothold in the domestic transportation business in eastern India is mainly due to its well-spread out cargo terminals at significant locations of cargo origin. Concor's officials strongly believe that the well laid out expanse of its cargo terminals and inland container terminals would enable it to consolidate its position. The well spread terminals of the Concor's eastern India contribute 17-18 per cent of overall domestic business to company's kitty.

Apart from Amingaon ICD, Concor has ICDs at Tatanagar in Jamshedpur and Balasore in Orissa. The Tatanagar ICD is important for handling finished steel products for Tata Steel.

Concor's cargo terminals are also located at Fatuha in Bihar, Shalimar and Majerhat, near Kolkata in West Bengal. The Majerhat cargo terminal has been recently opened by Concor following the shelving of operations of the Cossipore cargo terminal, which was countering space restrictions. Sprawled in vast area of 85,000 sq m area, Majerhat terminal has the added advantage of being near to Kolkata Port.

Tailor made transport solutions

Concor's well placed positioning in handling domestic cargo in Kolkata and also in eastern India is due to its ability to offer customised transport solutions to the trade. It wants to bank on this service model for consolidation and expansion of its business.

Concor's transportation solutions are based on three service models. The first set is "terminal service" model. In this model, the customer brings the container cargo to the Concor terminal from where it is loaded to the railway rakes through cranes. Concor levies the material handling charges. The second service model is based on "door service". Under door service model, Concor makes arrangement for the customer for bringing the cargo from the factory to the terminal and its subsequent

loading to the railway rakes. Two-way service charges are levied for this service, first for transportation and second for loading the cargo.

The third set of service model is the "chassis service". In this model, Concor provides the railway rakes to the customers, who bring their cargo from the factory to the terminal. In this Concor does not play any role in handling the cargo.

The transport solutions are tailor made based on the feasibility of the customer. To make it further effective, Concor claims to provide end-to-end transport solutions. This is specially for jute and steel cargo. For jute it procures the gunny bales from the jute mills on behalf of FCI for its subsequent transportation to Phillaur market in Punjab. The gunny bales are later used for packaging of wheat, paddy and sugar.

Concor also offers end-to-end logistics services to Tata Iron Steel Company (TISCO) to handle its steel cargo. The services range from acquiring the cargo from Tisco's plant at Jamshedpur, unitising the cargo through stuffing lashing and chocking of the cargo for transportation to Chennai. This is followed by destuffing the cargo on arrival at Chennai through road transportation which is subsequently transported to the final destination followed by collection of receipt of document from the customer and handing over the same to Tisco. Concor has in place a special type of containers for transporting steel coils.

Concor in eastern India would continue to lay emphasis on value added end-to-end transport solutions services to increase its customer portfolio. Concor is planning to replicate its service model to different segments of shippers.

Though Concor's success is primarily due to industrial rejuvenation and spurt in cargo throughput in eastern India, its future growth depends much on how it provides value added services and expands its operational network. **MC**



Logistics

Putting Things in Order

Logistics cost of the Indian economy is high owing to under-developed trade and logistics infrastructure. An organised market can help the industry reach a huge market size, waiting to be tapped.



by **Ramnath Rangaswamy**

The current economic slowdown is a good time to mull over and take steps to reduce high logistics costs that are normally hidden like the proverbial iceberg under the sea.

Logistics costs in India are among the highest in the world at roughly 13 per cent of the GDP, compared to 9.5 per cent in the US and 10.5 per cent in Japan.

The reasons for the high logistics costs in India are:

- Infrastructure
- Laws
- Environment

Infrastructure

Roads

In India, roads carry 65 per cent of freight and 85 per cent of passenger traffic. The total road network in India is 3.34 million km – the second largest in the world; but the quality of the road network leaves a lot to be desired.

National highways, with a length of 65,569 km, constitute only 2 per cent of the total road network in India but carry 40 per cent of the traffic. While the state highways are 1.3 lakh km

long, the much talked about Golden Quadrilateral runs only 5,846 km.

A truck in India travels an average of just 280 km per day compared to 600 km in the USA, resulting in high logistics costs. An amazing fact is that it takes more time for a truck to travel from Delhi to Ahmedabad today than it did 40 years ago! In the 60s, it took a truck about 32 hours to do the 934 km from Delhi to Ahmedabad, but today it takes 50 hours, despite having two and four-lane roads!

The Golden Quadrilateral was a good start to improve the quality of road networks, but much more needs to be done. Our road infrastructure needs to keep pace with the tremendous economic growth the nation is witnessing since last decade. Else, our road network will continue to be an impediment to efficient logistics.

Ports

Much needs to be done to improve the conditions prevailing at Indian ports. The lack of proper facilities, high drafts, good connectivity and necessary equipment at Indian ports has contributed to high logistics costs.

A lot of time is wasted because of pre-berthing delays. Antiquated and inadequate shore equipments and cranes cause longer idling times at ports, the cost of which is passed onto the customers. The average turnaround time of vessels at major Indian ports ranges from 1.77 days to 4.82 days. Dwell time for exim containers at Indian ports is between 1-3 days compared to less than a day at Singapore.

Larger vessels, which have the potential to cut costs up to Rs 100 per MT, are prevented from entering most of the Indian ports as they have limited drafts. Very few ports in India have draft of 18 m.

Most of the ports also lack good connectivity with their hinterland, leading to congestion and wastage of time. The logistics costs can be reduced substantially by providing a better rail and road network connectivity to ports.

On the positive side, many new ports, with their modern equipment, high draft and good connectivity with the hinterland, are contributing significantly to our economy.

Also, the government has taken steps to invite private partnerships in



ports. The process is well established, objective and works reasonably well. A few projects have already been started using the PPP route.

Railways

Higher freight charges and lower speed of freight trains compared to those of other developed countries contribute to the high logistics costs in India.

Moreover, the wagons in India are not well designed to carry higher payloads. The payload to tare ratio of Indian wagons is 68 MT/23 MT compared to 84 MT/21 MT of other railways. This results in relatively higher logistics costs.

Indian Railways, however, is making sincere efforts to improve its efficiency by adding capacity to all the congested routes. Dedicated Freight Corridors are being created to enhance the freight carrying

capacity. It is allowing investments in higher capacity wagons and specialised wagons.

All these measures should help the railways improve its efficiency and pass on the reduced costs to customers.

Logistics parks

This is a fairly new concept in India. A logistics park reduces logistics costs by integrating road, rail, ship access along with warehousing and container yards, all in the same complex. MIHANS is developing a logistics park in Nagpur next to the airport, which will have rail, road and air connectivity along with warehousing complexes.

Laws

CST

The 4 per cent CST charged on all inter-state transfer of goods has

further increased the logistics costs. Companies had to incur warehouse rentals and staff costs to maintain depots but this law will soon give way to VAT and lead to a more efficient distribution network.

Coastal shipping

The archaic protectionist laws and exorbitant shipping rates have prevented India from going for large-scale coastal shipping, which is lot cheaper than the rail transport. The laws prevent foreign players from participating in this sector.

But things have changed of late. The Government is seriously looking at encouraging coastal shipping by reformulating the existing protective laws governing coastal shipping. Some companies like Maruti Suzuki already use coastal vessels to ship cars from Mundra/ Kandla to Kerala.

Multiple checkpoints

It is easier to move between countries in Europe than between states in India!

Checkposts – octroi, forest, municipal, panchayat – cause delays in transit. It is estimated that a truck spends about 11 hours a day waiting at checkposts. It is estimated that truck drivers pay Rs 235

“Dedicated Freight Corridors are being created to enhance the freight carrying capacity, allowing investments in specialised wagons.”

as bribes every day. This amounts to Rs 11,000 crore per year. The automation of checkpoints as demonstrated by Andhra Pradesh (e-Seva), Kerala (FRIENDS) and Gujarat (Computerised Interstate Check posts) needs to be replicated across the country.

The government should do away with multiple checkpoints to prevent transit delays and reduce the logistics costs.

Environment

Truck industry

Indian truck industry is dominated by the single-truck owners. This leads to higher costs as they are less

organised compared to the truck industry dominated by large fleet owners. They depend on brokers and middlemen to get business, which adds to the existing costs. Though there is no easy solution to the issue, truck-exchanges and GPS could help reduce costs.

Associations and unions

Lorry and truck associations and unions are fairly widespread in India. They fix rates and control the number of trucks available in an area. This leads to higher costs. What this also means is that the type of trucks that are deployed is controlled. The most effective and

efficient type of truck for the type of cargo to be deployed is not used.

How do we move forward and begin resolving the multiple issues so that logistics costs in India are lowered?

What needs to be done is that the logistics fraternity under the aegis of industry bodies like CII and FICCI should start working on these issues. It would be good to use this recession to get things in order so that we are prepared for the economic upturn. As Sun Tzu has said, "Better to sweat in peacetime than bleed in wartime." **MB**

The author is Logistics Group Head at Vedanta Resources

The Bookshelf

Global Supply Chain Management and International Logistics - by Alan E. Branch



The development of international trade is driven by international logistics and management and the provision of the global supply chain. The ultimate objective of global supply chain management is to link the market place, distribution network, manufacturing / processing / assembly process, and procurement activity in such a way that customers are serviced at a higher level

yet lower cost. Overall this has introduced a new breed of management in a computer literate environment operating in a global infrastructure.

Addressing this complex topic, this book fulfils two clear objectives:

- to provide a concise, standard work on the subject, written in lucid language that embraces all the ingredients of a notoriously complex subject with a strategic focus
- to extol best practices and focus on all areas of the industrial and consumer sectors and their interface with changing international market needs.

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Plunkett's Transportation, Supply Chain & Logistics Industry Almanac 2009

-by Jack W. Plunkett



The immense, global transportation and logistics sector is vital to businesses of all types. This carefully-researched book covers exciting trends in supply chain and logistics management, transportation, just in time delivery, warehousing, distribution, intermodal shipment systems, logistics services, purchasing and advanced technologies such as RFID.

A complete overview, industry analysis

and market research report are available in this book. The corporate profiles section of the book includes in-depth profiles of the 500 leading companies in all facets of the transportation and logistics industry. Complete profiles of the popular and upcoming companies that are making news today are listed in this book. Purchasers of either the book or PDF version can receive a free copy of the company profiles database on CD-ROM, enabling key word search and export of key information, addresses, phone numbers and executive names with titles for every company profiled.

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Money.

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

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Taxability of Inland Haulage Charges

Recent Developments

In the previous edition, the authors analysed some recent judicial precedents on taxability of freight income from slot chartering. In this article, they look at the taxability of Inland Haulage Charges (IHC) and other incidental income, in the backdrop of some recent developments.

by **Girish Mistry and Nikhil Rohera**

Shippers or consignees of cargo, in most cases, are situated at different inland locations away from ports. As such, transport of cargo from hinterland to the ports is provided by Foreign Shipping Companies (FSC) to the shippers and consignees. In consideration for such an incidental service, FSC recover IHC from the shippers, which is also generally indicated in the invoice.

Taxability of IHC under the Income-tax Act, 1961 (IT Act)

Under the IT Act, FSC are taxable on presumptive basis under section 44B / section 172 of the IT Act. As per these provisions, 7.5 per cent of certain freight collections of FSC are deemed to be income chargeable to tax in India.

Prior to 1997, only 'freight' collections of FSC were chargeable to tax in India. Other receipts like demurrage charges were held to be outside the purview of freight taxability as per ratio laid by the Karnataka High Court in the cases of Chowgule & Co. Ltd. and V. M. Salgaocar & Bros. Ltd.

The Finance Act, 1997 nullified the effect of the above decision by



Photos Courtesy: Hapag Lloyd

including in sections 44B / 172 other receipts like 'demurrage charges, handling charges or any other amount of a similar nature'. This amendment was made with a retrospective effect from April 1, 1976.

Central Board of Direct Taxes (CBDT) Circular No. 763 dated February 18, 1998 clarified that the amendment was brought about to prevent FSC from splitting their receipts and inflating other receipts like demurrage or handling charges to avoid taxation of such receipts. As such, post this amendment, 'demurrage, handling charges and any other similar charges' are treated at par with 'freight' and taxable as such under sections 44B / 172.

Although, much needed clarity was achieved on taxability of demurrage and handling charges, tax treatment of IHC has given rise to some litigation in the recent past.

Freight Systems' case

The Delhi High Court, in the case of Freight Systems (India) Pvt. Ltd., has dealt with the issue of taxability of IHC in the hands of FSC and the consequent withholding tax implications on payment of IHC to FSC (or their Indian agents).

Earlier, the Delhi Income-tax Appellate Tribunal (the Delhi Tribunal) had observed that IHC are covered by the provisions of section 172(8) of the IT Act and, therefore, IHC, just like demurrage and handling charges, was held to be a receipt incidental to freight income. Accordingly, in view of CBDT Circular No. 723 dated September 19, 1995, which provides that the withholding tax provisions do not apply to receipts under section 172, the Delhi Tribunal held that the assessee Indian company was not liable to withhold tax on IHC payments made to Indian agents of FSC. Aggrieved by this decision, the Tax Department carried the matter to the High Court.

However, Delhi High Court dismissed



“Recently, the Mumbai Income-tax Appellate Tribunal analysed whether IHC earned by FSC are covered within the scope of shipping profits earned by FSC from operation of ships in international traffic and, thereby, exempt from tax in India under the DTAA.”

Tax Department's appeal by placing reliance on its earlier decision in the case of Continental Carriers Pvt. Ltd. It is important to note that the Tax Department's SLP against Continental Carriers' case has been subsequently dismissed by the Hon'ble Supreme Court. As a result, finality seems to have been achieved on the view that withholding tax provisions of section 194C do not apply on IHC payments to agents of FSC.

Taxability of IHC under the DTAA

Under the DTAA, Article 8 deals with taxability of shipping profits earned by an enterprise from operation of ships in international traffic. Generally, as per Article 8 of the DTAA, shipping profits from such operation are taxable only in the resident country / place of effective management of FSC. As such, the

said profits of FSC are not taxable in source country, viz. India.

Recently, the Mumbai Income-tax Appellate Tribunal (the Mumbai Tribunal) had the occasion to analyse whether IHC earned by FSC are covered within the scope of shipping profits earned by FSC from operation of ships in international traffic and, thereby, exempt from tax in India under the DTAA.

Safmarine Container's case

Briefly stating the facts in this case, the assessee, a Belgian entity, was engaged in the business of ship operation, whereby it used to collect cargo from exporter's station and bring it to Mumbai from where its vessels could carry the cargo to its ultimate destination outside India. The tax officer granted benefit of Article 8 to the assessee in so far as assessee's freight income from



transportation of cargo from Mumbai to overseas destination was concerned. However, the dispute revolved around the taxability of IHC received by the assessee for carrying cargo from exporter's station to Mumbai.

The Mumbai Tribunal referred to India-Belgium DTAA, Article 8 of which defines income derived from 'operation of ships' in the international traffic to mean income derived from transportation by sea of goods carried on by owners / lessees / charterers of the ships, including, 'any other activity directly connected with such transportation'. Since, the expression 'any other activity directly connected with such transportation' was not explained in the DTAA, reliance was placed on commentaries for ascertaining the true purport of this expression.

Para 7 of the Commentary on Organisation for Economic Co-operation and Development (OECD) Model Convention provides that profits derived by an enterprise which undertakes to have its cargo picked up in the country where the transport originates or transported or delivered in the country of destination by any mode of inland transportation operated by other enterprises, shall also be considered

as profits from operation of ship.

Placing reliance on the above commentary, the Mumbai Tribunal held that inland transportation, if coupled with the main transportation of further shipping of cargo by the assessee from Indian port to the foreign country, would be an 'activity directly connected with such transportation'. Hence, the assessee was granted the benefit of Article 8 of India-Belgium DTAA.

However, in arriving at the aforesaid conclusion, the Mumbai Tribunal also observed in the passing that IHC are towards transport of goods from exporter's place to port and, as such, the same is not covered under other receipts of section 44B of the IT Act. It is unclear whether or not the ratio of the decisions in the case of Freight Systems (supra) and Continental Carrier (supra) was brought to the notice of Mumbai Tribunal.

Federal Express' case

Following its own decision in Safmarine Container's case (supra), the Mumbai Tribunal held in the case of Federal Express Corporation that inland transportation is an integral part of the main activity of transportation of cargo in the international traffic only if there is live link between inland

transportation and the main transportation in international traffic.

Delta Airlines

In the context of airline industry, it is interesting to note that the Mumbai Tribunal in the case of Delta Airlines held that incidental activities (viz. third-party charter handling, security screening and maintenance) would not fall within the ambit of words 'other activity directly connected with such transportation' used in Article 8 of India-US DTAA, since the same is not directly related to the main transportation of passengers by assessee in international traffic. This was despite the fact that assessee was engaged in the business of international air transport and the benefit of Article 8 was granted to the assessee on its income from main transportation.

In the conjoint reading of all the above pronouncements, one can conclude that a lot would depend upon surrounding facts and circumstances in determining as to whether or not a particular receipt is incidental to freight income.

It will be interesting to see how the Hon'ble Bombay High Court interprets the expression 'other activity directly connected with such transportation' vis-à-vis the incidental services offered by FSC / foreign airline companies.

In the next article, we will discuss certain compliance procedures under section 172 of the IT Act and the practical difficulties faced by the industry in this connection. 



Girish Mistry is the executive director and **Nikhil Rohera** the associate director of PricewaterhouseCoopers Pvt. Ltd., Mumbai. They can be contacted at girish.mistry@in.pwc.com, nikhil.rohera@in.pwc.com.

Boxes and ships are idling at ports as the fallout of poor imports and exports. Thanks to the credit squeeze and falling vessel orders that affected container throughputs and ushered in a bad start for ports this year, the outlook for the coming few months could be anything but cheery. Supply chain players, irrespective of their size and sales, are falling into the black hole of recession, set off by a chain reaction. Most see tiding over the slack water as the only plausible way out since recess, as the US diplomat Christopher Hill observes, "...is always a possibility." So be it, and brave it seems to be the sensible mantra!

Even as the trade community sees uncertainty as the only certain thing and tries to grapple with its own insecurity, it hopes to turn the tables at least by the next fiscal. Whether it can or will recover and by when is a difficult prediction for both economists and experts. Michael Pram Rasmussen, chairman of Maersk Line, the shipping and oil major, sees the prospects for the container market activities in 2009 as 'particularly negative' based on the unprecedented drop in transported volumes.

He is, however, hopeful that his company, the carrier of 15 per cent of world container cargo, will post

Photo: Peet de Rouw

Surviving the Singe

As things heat up, world shipping finds itself in a precarious situation with little to do with its own assets and operations. If innovation was the instrument of entrepreneurship for the shipping fraternity, it no longer exudes enthusiasm among most of them as it only eludes returns.

by **Radhika Rani G**

reasonable profits despite the tanker and offshore markets experiencing a fall in demand and contract rates. "For 2009, however, the group has significant contract cover jack-up rigs, semisubmersible rigs, FPSOs (floating production storage and offloading system) and supply ships, which is positive in the current situation," he says.

But not many are lucky, including oil and gas servicing companies. WesternGeco, a subsidiary of global oilfield service contractor Schlumberger, has reported a 25 per cent drop in the first quarter operating income owing to the downturn in oil and gas activities. To counter the falling demand, its chairman and chief executive Andrew Gould says the company is obviously lowering operating costs. "We are cutting costs and will lay up vessels," is what he says.

A few wise shipping firms like Mercator Lines are diversifying their portfolio to stay afloat. The India-based company is focussing on businesses like dredging and coal mining. It has recently acquired three mines in Indonesia and one in Mozambique. "We are into transportation and handling of coal. So we decided to get into coal mining," says Mercator chairman H K Mittal. The company plans to produce between 1.5 million tonnes and 2

“Lay-up of ships – the last course of action could become more of a feature in 2009, reasons Drewry as cascading of tonnage can no longer be an effective capacity management tool.”

million tonnes of coal from its Indonesia mines in the current fiscal. "We will be ramping up production to 10 million tonnes through acquisition of more mines in the coming few years," adds Mittal.

On the other hand, ships of several large companies are literally staying afloat off ports. Singapore, with idling vessels anchored around its shores and empty containers creating the least buzz at terminal yards, is turning away ships.

A little further east, the Philippines has become the preferred lay-up haven for vessels from Japan. Its cost-effective ports have become the docking areas as owners wait for resurgence in cargo shipping. The acquiescence also implies job security for Filipino seafarers, 70 per cent of whom man Japanese ships. The government has ensured that its seafarers get training in specialised skills during the lay-up. Whether this arrangement will sustain is a moot point though.

As ships bide time, especially those in the hot lay-up, they are game for local communities in terms of job generation. For instance, GAC has launched a special package – GAC Ship Lay-Up Solutions (GLUS) – to provide cost-effective and customised services to vessel owners, operators and ship management companies for laying up ships at more than 10 locations around the world. "Since journeys during these times of dull demand can be non-profitable, GLUS ensures low wear and tear, fuel consumption and insurance premiums," says a GAC official. The results should be showing soon.

Meanwhile, industry veterans see sense in scrapping old tonnage rather than letting it fade. Already, 2.5 per cent of world fleet hauling ore and grains has been scrapped in the past six months. As rents for capesizes and panamaxs have been falling below operative costs since early this year, the number of vessels being scrapped is going up from 'practically' zero in the last five years, says commodities shipper Norden.

As ships meant for the high sail are losing vigour without work, shipping lines and owners are forced to be mute spectators. "They can do almost nothing to determine freight rates, charter rates and asset values for their ships," says container forecaster Neil Dekker. As demand and credit lines have dried up, it is not a buyer's market for potential charterers or ship purchasers, he suggests.

With the gap between supply and demand in container shipping growing, "further casualties are a real possibility," foresees Drewry. And it could be right. **MC**



Photo: Peet de Rouw



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Creating Professionals

Anglo Eastern Maritime Training Centre was set up in 1994 to train in-house officers and ratings of the Anglo Eastern Group. But in 1996 it went on to train marine personnel on an all-India basis and in the year 2000 went global. Now, the institution accepts students from other companies, and

organisations as well and has students from Eastern European countries, Canada, Thailand, and Myanmar. Foreign students often come to Anglo Eastern to get trained in their specific domains through advanced equipment and better training methodologies available.

Undeterred by the downturn affecting the shipping industry, Anglo Eastern is going ahead with its dream and has nearly finished establishing a full-fledged maritime training academy in Karjat, about an hour's drive from Navi Mumbai.

Capt K N Deboo, director & principal, Anglo-Eastern Maritime Training Centre reveals his plans in an interview with **Jagadeesh Napa** of Maritime Gateway.



Q: Please tell us about your training USP?

A: Our focus is maritime training – whether it is sea-going ships, offshore industry or oil & gas or anything related to sea. We have specialised ourselves into more advanced level training. For instance, if a student has finished the mandatory courses like STCW, we further develop them with more value-added training. So, each of our classrooms are constructed for a dedicated purpose. Except for two classrooms, we have developed all the other classrooms for a specific purpose – navigation simulator, engine simulator, automation lab, hydraulics lab and computer classroom among others. We conduct courses right up to masters' and chief engineers' requirements.

Q: What are the different types of simulators available with Anglo Eastern?

A: We have four types of simulators – Navigation, Engine, Tanker 1 (liquid cargo handling simulator)



and Communication (GMDSS). Then we have all the laboratories with switchboard equipment that replicates the ones onboard a ship. The automation lab has electric and electronic equipment and programmable logic control to train students on automation and control equipment. We also have hydraulics and pneumatics laboratory for that specific area of training.

Further, we have tie-ups with MAN B&W Engine makers. This is a unique tie-up in Asia between a training academy and an engine maker and it helps us to conduct training at our laboratories. A full-fledged simulator of this kind of engine is present in our laboratory. We also have a simulator of the latest electronic engine that MAN B&W has come out with. Only three such simulators are present in the world and ours is one of them. Apart from a full-scale physical engine of MAN B&W, we have a generator of Japanese make. So we have the complete set of simulators and equipment required for a ship. We also have a life-size reefer container for training students in operating reefers.

Q: As a master mariner, do you see any difference in the human resource requirements in the last two decades?



A: Earlier, when we went out on sail, the ships were not specialised. But today you find specialised ships everywhere – container carrier, bulker, car carrier, VLCC, LNG/LPG – each carrying different types of cargo. Each ship has different equipment and requires different training methodologies. In the earlier days we have had to train ourselves in two or three different types of ships and each ship did not make much difference. Since our training periods onboard a ship were much longer before we got a promotion, we gained more experience and exposure. But today, there are quicker promotions, lesser sea time and lesser training period. Over and above, more specialised ships have come up with more advanced equipment onboard. People haven't changed but their knowledge has grown over a period of time.

Q: What is the impact of the downturn on the human resources in shipping industry? Do you see any new trend developing?

A: As you know shipping industry is cyclical in nature and whenever a

downturn takes place, shipping companies and owners try to cut down on expenses to the minimum level. The easiest area to cut expenses is training because most other operational expenses will have to remain the same. A cut in the training expense will have an overall detrimental effect on the seafarers' performance in the long run. For instance, the chances of accidents will increase, people who are less knowledgeable will create more problems on the vessel and more commercial losses could also take place. So, to prevent that, we must make sure that the training has to be continued. And if you take a look at the last few years, the need for training seafarers had increased tremendously and that is a positive trend.

Another thing to be considered is that a ship can be built in one or two years. But for a cadet to be trained and groomed to become a successful officer with good productivity, it takes a minimum of five years. That's a pretty long period and if you stop the training now, you can feel the effect three to four years later. For instance, maritime training slowed



“About 65 per cent of our seafarers are from India and the remaining 35 per cent are from the other countries. Indian seafarers have proved their quality over the years and so are the preferred lot.”

down in the 1980s and we can feel the effect now in the form of shortage of seafarers. There was a kind of recession in the shipping industry in early 80s and people had cut down on training costs. Consequently, very few cadets came out of training academies.

When the shipping industry picked up pace, it began to face the shortage of officers. Given the initial grooming period of five years and slow capacity addition to the training academies, the industry had nothing to do but wait for the right people. Hence, cutting back on training will only affect the industry in the long term. So whether downturn or not, the training budgets should continue.

Q: What is the importance of Indian seafarers in the industry?

A: Over the years, India has built a reputation for itself in supplying high

quality seafarers. All the shipowners around the world look forward to employing Indians. Let me give you the example of our company – the Anglo Eastern Group. We are into ship management and maritime training among other things. Under ship management, we manage around 280 ships of 55 shipowners spread from Japan in the east to US in the west.

About 65 per cent of our seafarers are from India and the remaining 35 per cent are from the other countries. Indian seafarers have proved their quality over the years and so are the preferred lot.

Q: Do you foresee any equilibrium or excess of seafarers in the coming years as the shipping industry is cutting down on its tonnage through cancelling new orders, laying-up and disposal of ships?

A: Though I am not sure of 2009 statistics, in 2008, we had a shortage of 20,000 officers around the world. So it is not going to rectify overnight as there is still an imbalance – demand is high and supply is low. Even though new buildings are being cut down, the demand will stay high. If the shipping industry resurges after three years, supply of officers will come only after five years. In view of the high demand, cadets will be absorbed immediately after their training. May be the training academies may not increase their intake of cadets, but the current intake can be maintained till the situation turns brighter. Presently, India supplies 5,000 seafarers a year and that should continue despite the decrease in tonnage. After all, the DG Shipping requires training institutes to find placements for their cadets on ships.

Q: What is the manpower requirement of Anglo Eastern Group per year?

A: We place around 200 deck cadets and 180 engineers every year on our ships. Depending on their training requirements, each cadet takes two to three years to finish the onboard training and at any point of time, we have about 600 cadets and engineers in our system. This is the reason why Anglo Eastern felt the need to train its own cadets and junior engineers. We have invested in land of about 50 acres on Mumbai outskirts and will be starting the Anglo Eastern Academy from August this year.

In fact, Anglo Eastern is the largest supplier of Indian manpower to foreign companies. We have been receiving the Best Employer for the Indian Seafarers Award from the DG Shipping for the last six years. We have expanded to New Delhi to train North Indian students and have commenced operations in April. We also have plans for Chennai as it is becoming the hotbed for seafarer training. Currently, we book space in hotels and run courses every alternate month in Chennai and have plans to set up a training centre there. **MG**

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Maritime logistics expo

Fraternity asked to endure

India International Maritime Logistics Expo 2009 was organised at the World Trade Centre in Mumbai recently. Shipping secretary A P V N Sarma inaugurated the event. Major ports, minor ports, shipyards, and logistics operators highlighted their specialities and USPs drawing good crowd to the exhibition. Parallel conference sessions that were organised at the venue highlighted the need to endure and stay afloat in the business in these difficult times of global downturn and recession.

Lakshmi Venkatachalam, director general of shipping, Department of Shipping, D T Joseph, former secretary, Ministry of Shipping, Capt. P V K Mohan, chairman of National Shipping Board, S K Hajara, chairman of the Shipping Corporation of India, S S Hussein, chairman of JNPT and A K Chanda, chairman of Kolkata Port were present.



S K Hajara (right), chairman of the Shipping Corporation of India and other members of the maritime community at the India International Maritime Logistics Expo in Mumbai.

Laser Coastal Sailing

Championship draws response

The Tamil Nadu Sailing Association (TNSA) hosted the sixth Vestas Laser Coastal National Sailing Championships at the Port of Chennai recently, under the aegis of the Yachting Association of India and the Laser Class Association of India. The laser dinghy is Olympic Class and popular with sailors all over the world. Fighting for top honours at the exciting event were over 50 contestants from all over India. The fleets competed in three categories – Laser Standard for men, Laser Radial for both men and women and Laser 4.7 for boys and girls between 12 and 18.

K S Sripathi, chief secretary to the Government of Tamil Nadu presided over the inaugural event. Chennai Port Trust chairman K Suresh, Commodore of TNSA Ashok Thakkar, Vestas MD Arvind Kaul and DP World CEO Ennarasu Karunesan, regatta organising committee chairman Ravi Santhanam and Chennai police commission Radhakrishnan were also present.



Youth taking part in the Vestas Laser Coastal National Sailing Championships in Chennai.

CCHAA Golden Jubilee

Members celebrate in style

The Calcutta Customs House Agents' Association celebrated its golden jubilee in Kolkata recently. Dignitaries from various walks of life gathered at Rangmanch, Swabhumi for an evening of music, dance, cocktail and dinner. The high spirited evening overshadowed the gloom of recession and custom house agents thoroughly enjoyed themselves. PC.Sircar (Jr) enthralled the guests with his magic show rending children spellbound with his feats.

The past presidents of the association were felicitated by the working committee for offering their services to the fraternity. The association has been protecting the legitimate interests of its members in discharging their duties and responsibilities as licensed Custom House Agents at the Sea Port and promoting the overall export/import trade.



Members of Calcutta Custom House Agents Associations form a unity chain at the Golden Jubilee celebrations in Kolkata.

ShipTek 2009

Marine BizTV launched

ShipTek 2009, organised by BizTV Events, made a remarkable record with the 3rd International Maritime Video & Excellence Awards and launch of Marine BizTV in South East Asia. The event held in Singapore recently announced the launch of ShipTek 2010 at Dubai.

As part of the event, an international conference was inaugurated by Noboru Ueda, chairman and president of Class NK and the awards nite by Bjorn Swensson, chairman of the board of Berg Propulsion, the leading manufacturer of controllable pitch propellers. The inaugural edition of ShipTek, the flagship event of Marine BizTV, was the first ever maritime event to be witnessed live globally. Following the tradition, ShipTek 2009 was telecast live exclusively. The event offered a productive business base for the delegates and opportunity for maritime business associates to display the new technologies of the maritime industry.



The maritime fraternity applaud the winners at the 3rd International Maritime Video & Excellence Awards during ShipTek 2009 in Singapore.

JUNE 25-27, 2009

Logistics Meet

FFFAI gets ready for event

At Park Hyatt Resort & Spa, Goa



While preparations for the 19th Biennial Convention at Goa in June are in full swing, Federation of Freight Forwarders' Associations in India (FFFAI) is looking forward to draw in wide participation from the logistics industry. This being the largest freight forwarders convention so far, the federation is quite optimistic about using this convention as a platform to highlight the need to bring the industry together and prepare for the upturn that is on the anvil. The aim of this convention is to impart knowledge, create networking opportunities and relationships among the member associations. The Goa convention will run on the theme – Logistics Emergent India – and offers interactive business sessions with topics contemporary to the logistics industry. Further, the federation feels that the topics discussed at the business sessions during the convention would open doors for the delegates to improve their business processes as well as bring in new opportunities that may lead to further growth.

Compared to the 2007 convention that happened in Bangalore, FFFAI has gone a step further this time and has invited the International Freight Forwarders and International Customs Brokers to the Goan convention. Pankaj Shah, honorary secretary of FFFAI, who has attended the recently concluded international freight forwarders convention at Zurich feels that the international presence will add value to the Goan convention. With international participation, the federation hopes to enrich the experience of the delegates through networking with their international counterparts and instigate new business relationships.

The federation, which has 22 CHA associations as its members, endeavours to organise united action to promote the interests of the freight forwarders at the national level and for that purpose coordinates the activities of its member associations. At the international level, FFFAI represents India's interest in international Federation of Freight Forwarders Association (FIATA) and other associations. Protecting the interests of the member associations and improving the common benefits being one of the objects of FFFAI, it hopes to highlight the interests of the federation at the convention thereby acquainting the authorities and stakeholders of the industry to bring in efficiency in to the system.

Finally, the convention also provides the flavours of Goan culture through both entertainment and the exquisite Goan cuisine. After going through the hectic business sessions, delegates can unwind for the evening and enjoy the Goan delicacies and the entertainment.

EVENTS

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

MAY 12 - 14

IMDEX Asia 2009

At Singapore Expo, Singapore

The biennial international maritime defence show serving the Asia-Pacific region offers a one-stop opportunity to keep abreast of the latest maritime defence technologies, platform designs and technology developments.

www.imdexasia.com

MAY 13 - 15

LTI (Logistics and Transport India) 2009

At Pragati Maidan, New Delhi

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

www.lti2009.com

MAY 20 - 28

Private Equity & Logistics Forum

At Shangai & Mumbai

Organised by India Supply Chain Council, the Forum aims at recognising private equity as a feasible route to fund logistics organisations at a time when institutional investors and banks have backed off due to financial crunch and recession that followed.

www.supplychain.cn

JUNE 3 - 4

7th ASEAN Ports & Shipping

At Shangri La Hotel, Jakarta, Indonesia

This event, organised by Transport Events, will focus on the global transport and logistics challenges and opportunities that shipping and ports industries face. It will host 35 speakers, who will present their views, discuss and debate on the said topics.

www.transportevents.com



1



2

FLOATING WONDERS



Peet de Rouw

The port of Rotterdam is a hub of international goods flows and an industrial complex of global stature. With an annual throughput of more than 400 million tonnes of goods, Rotterdam is by far the biggest seaport in Europe. The gateway to a European market of more than 500 million consumers, the port buzzes with activity. The collage here has photographs taken by Peet de Rouw, a former merchant marine sailor from the Netherlands, who spent his whole life in and around harbours and ships all over the world. Living in Rotterdam port neighbourhood, he specialises in nautical photo-reportages. His free work can be seen at <http://www.flickr.com/photos/nachtdienst> or at www.denachtdienst.nl

1. Pipe-laying barge *Solitaire* at the Keppel Verolme Shipyard, the largest pipelay vessel in the world.
2. Shipyard Keppel Verolme at Rozenburg in the Botlek area, to be converted into a pipe-laying vessel.
3. The semi-submersible crane vessel *Hermod* of Heerema Offshore that manages the hook down, removal and subsea activities.
4. Semisubmersible Crane Vessel (SSCV) *Thialf*, a large deepwater construction vessel (DCV), capable of a tandem lift of 14,200 tonnes.
5. The *Sevan Voyageur*, a Floating Production, Storage and Offloading platform (FPSO), used as a floating production and storage for hydrocarbons.



3

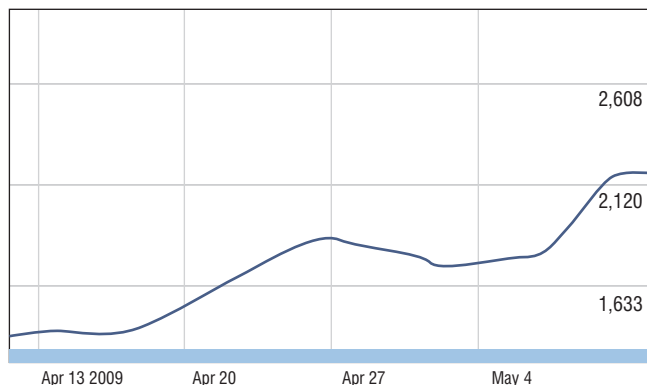


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Baltic Dry Index - April 2009



Looks like the confidence is gradually increasing in the bulk sector if not steeply. The Baltic Dry Index has gained steadily over a month's period to settle at 2194.00 on May 9, 2009.

Newbuilding Contracts Cancelled in March 2009

Shipyard	Hull No	Type	Delivery
Unknown Indonesian		Diving Support Vessel	2010
Hyundai Ulsan	2328	Capesize Bulker	2010
Hyundai Ulsan	3027	Capesize Bulker	2010
Sungdong	3047	Panamax Products	2011
Sungdong	3046	Panamax Products	2011
Nokbong		Handysize Bulker	2011
Nokbong		Handysize Bulker	2011
Hyundai Qingdao	105	Feeder Container	2009
Hyundai Qingdao	104	Feeder Container	2009
Hyundai Qingdao	103	Feeder Container	2009
Hyundai Qingdao	102	Feeder Container	2009
Sungdong	1090	Capesize Bulker	2010
Sungdong	1067	Capesize Bulker	2010
Sungdong	1080	Capesize Bulker	2009
Sungdong	1079	Capesize Bulker	2010
Odense	228	Capesize Bulker	2010
Odense	227	Capesize Bulker	2010
Saigon Shipbuilding	07001	AHTS	2009
Kleven Ulsteinvik	338	AHTS	2010
Kleven Ulsteinvik	337	AHTS	2010
Daehan Haenam	1004	Capesize Bulker	2009
Daehan Haenam	1003	Capesize Bulker	2009
Jiangsu Eastern	07C-006	Handysize Bulker	2010
Jiangsu Eastern	07C-005	Handysize Bulker	2010
Jiangsu Eastern	06C-008	Handysize Bulker	2010
Jiangsu Eastern	06C-007	Handysize Bulker	2010
Jiangsu Eastern	06C-006	Handysize Bulker	2010
Jiangsu Eastern	06C-005	Handysize Bulker	2010
Bijsma Lemmer	739	General Cargo Ship	2009
Bijsma Lemmer	713	General Cargo Ship	2009

Source: Lloyd's List, Fairplay

Stock Price Movement of Indian Shipping and Logistics Firms

COMPARISON OF SHARE PRICES

Company	Closing Price in Rs.		Percentage Change
	08-May-09	09-Apr-09	
Shipping Corporation of India	94.30	88.55	6.49
Essar Shipping Ports & Logistics	51.30	46.20	11.04
Varun Shipping	50.75	48.45	4.75
Great Eastern Shipping	238.65	201.25	18.58
SKS Logistics	14.45	12.86	12.36
Sical Logistics	26.65	26.05	2.30
Allcargo Global Logistics	777.00	794.25	-2.17
Container Corporation of India	810.05	736.10	10.05
Transport Corporation of India	46.65	45.70	2.08
Gati	46.00	45.95	0.11
ABG Shipyard (532682)	150.80	135.35	11.41
Bharati Shipyard (532609)	107.40	79.15	35.69
Mundra Port & SEZ (532921)	413.60	376.30	9.91

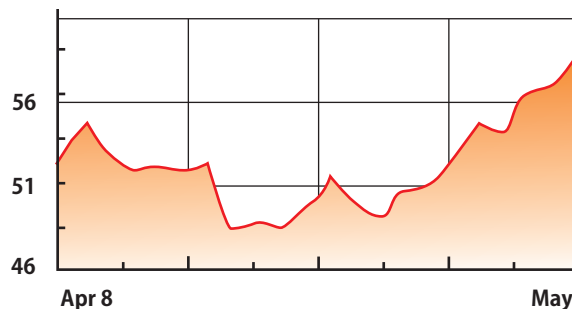
Source: www.bseindia.com

The past month at stock exchange, most of the shipping and logistics stocks have fared reasonably well except Allcargo Global Logistics which fell 2.17 per cent. The highest gainer during this period in the shipping industry is Great Eastern Shipping registering a gain of 18.58 percent, while Bharti Shipyard's stock grew by 35.69 per cent in the shipbuilding sector. With these exceptions, most others have witnessed a steady progress.

Container freight rates to revive

After the disastrous dive, some big shipping lines are mulling to increase their freight rates. A.P Moller-Maersk has announced to raise rates on the Euro-Asia trade by 250 dollar per 20 foot container unit (TEU) on June 1 and by 75 euro per TEU on the Euro-Med transport from May 15.

Crude oil price moment



Source: www.oil-price.net

A look at the graph suggests that, similar to other markets, the crude oil too made a decent progress during the last month with a marginal fall in the middle of April and gaining back subsequently. The Crude price was doing at US\$ 58.64 on May 9, 2009.

India's Port of the Millennium



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2008-09 PERFORMANCE HIGHLIGHTS

- "EXCELLENT" (unaudited) Performance under MOU.
- Cargo handled 9% above the target fixed by Govt. of India.
- 9.7 million tonnes of Coal handled for TNEB, the highest since inception.
- Nourishment of the Northern beach carried out; about 500 m of beach restored.
- Capital Dredging Phase-I with a capital expenditure of Rs.91 Cr. was completed.
- Marine Liquid Terminal (MLT), the first BOT project (cost – Rs. 250 crores) put to commercial operations.

NEW PROJECTS

- Iron Ore and Second Coal Terminal construction is in progress at a total estimated cost of Rs.480 & Rs.400 Crores respectively.
- Container Terminal (1.5 MTEU) approved by Govt. Selection of BOT operator is in process.
- New BG Railway line between Puthur and Athipattu (near Ennore Port) costing Rs. 446 Cr. approved by Gol .
- Feasibility Report for new Port Connectivity Road from Tachur on NH5 to Ennore Port finalised through NHAI. (Cost Rs.434.32 Cr.)
- MoU signed with Nissan Motors for the export of 1,80,000 passenger cars per year through the Port.
- New General Cargo Berth at a Cost of Rs.110 Cr.
- Work for rail connectivity to Coal / Iron ore stack yards & internal road network at a total estimated cost of Rs.70 Cr taken up.



Keeping it SIMPLY SAFE

AT DP WORLD NHAVA SHEVA , WE EXPECT THE JOB TO BE DONE WITHOUT COMPROMISING ON SAFETY OF OUR EMPLOYEES, OUR EQUIPMENT AND OUR TERMINALS. AS A LEADING GLOBAL TERMINAL OPERATOR, SAFETY AND SECURITY IS A BASELINE SERVICE WE OFFER OUR CUSTOMERS



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