

maritime

May 2010 Rs.100 www.maritimegateway.com

gateway

ports • shipping • logistics

Interview

Rough Sailing

Ashok Janakiram
Director, Penon Shipping

Opinion

World Trade: Need for Concerted Strategy

A Sakthivel, President, FIEO

Focus

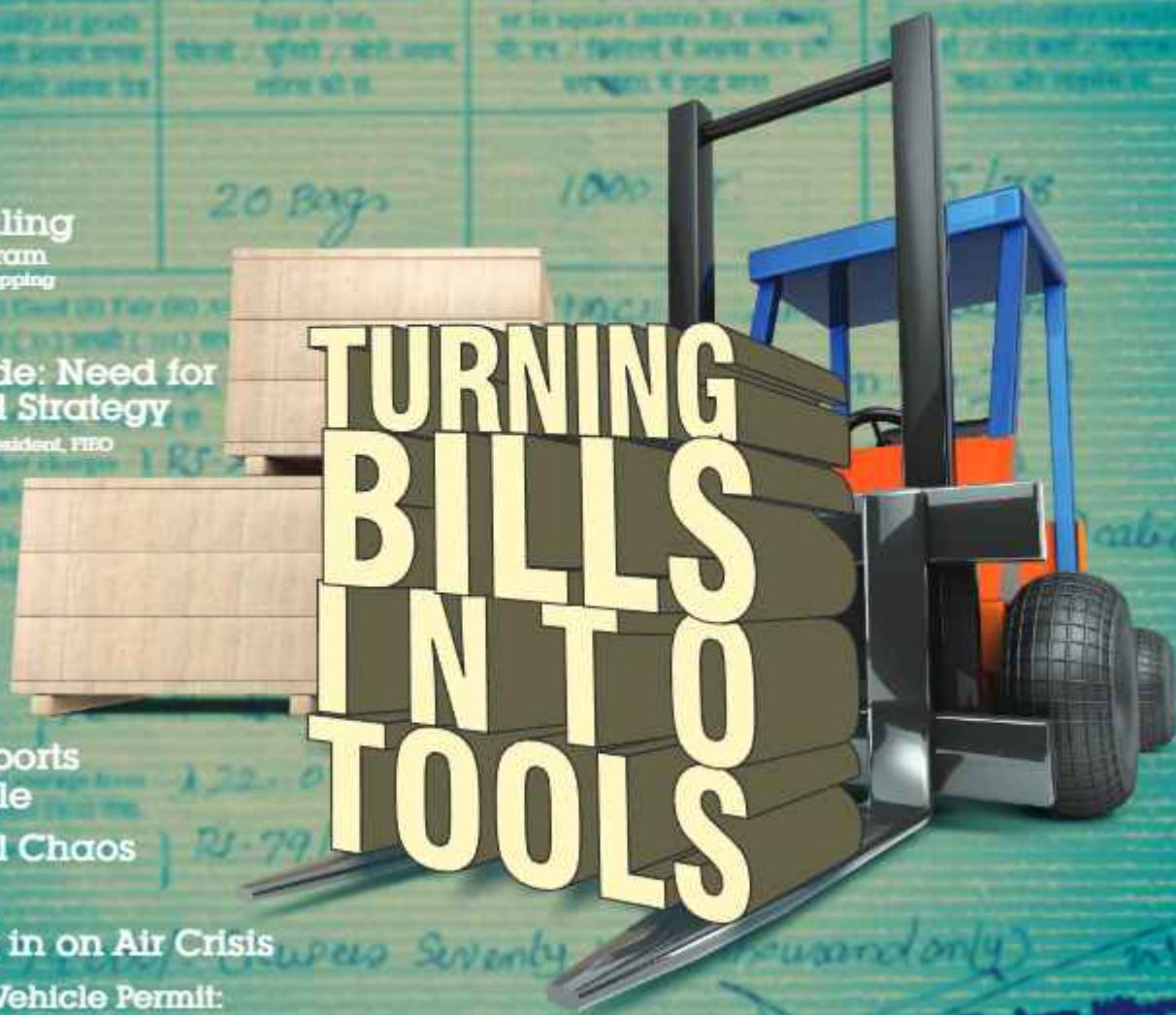
- Coal Imports
Inevitable
- The Coal Chaos

Updates

- Cashing in on Air Crisis
- National Vehicle Permit:
Nod to Single System

TURNING BILLS INTO TOOLS

For a developing economy like India, the establishment of credit flows is crucial to the success of the financial system. Warehouse receipts provide a marketing tool to the emerging private sector.



CONCOR ICD - DADRI

**WE, GO BEYOND OUR NAME & WE ENCOURAGE
YOU TO READ BETWEEN THE LINES**



I - INFRASTRUCTURE

- Largest ICD in Asia
- Rakes to run more than 4 trains per day
- Stacking area to hold more than 6000 TEUs
- Two Warehouses of 9000 & 2000 sq. m. area
- State of the art handling equipment
- Parking Area of 70, 000 sqm completed and functional

C - CUSTOMS INTERFACE

- Full fledged customs office
- Bonded warehouse and stuffing / de-stuffing area
- EDI facility with Ice-Gate in use

D - DELIMITATION

- Terminal notified as open to all goods

D - DECONGESTION

- Daily dispatch to JNPT / NSCT / GTIL
- Regular committed services to Pipavah and Mundra

A - ACCESSIBILITY

- Road access with no traffic restrictions
- Rail Over Bridge being constructed at Dadri to give faster access to NH-91/24
- Nearest terminal for NEPZ Noida and fast developing industrial area of Greater Noida



D - DIRECT APPROACH

- Offices of major shipping lines, CHAs, Transporters & surveyors within the CONCOR administrative building
- Full fledged branch of Punjab National Bank in the CONCOR administrative building

R - REEFER

- Capability to despatch one full Reefar train per day
- Sufficient Plugging points with ground capacity to hold upto 250 Reefer containers.

I - INTEGRATED TERMINAL

- A truly integrated terminal to address all your business needs within the ICD itself



**BUT WE ARE STILL NOT SATISFIED AND ARE WORKING
TOWARDS NEW ACHIEVEMENTS LIKE SOME RECENT ONES:**

- Record 3 full reefer trains dispatched on a single day
- Domestic movement of Reefer containers started

Ensure Cargo Movements with Speed, Skill, Security & Care



CONTAINER CORPORATION OF INDIA LTD.

(A Govt. of India Undertaking)

Inland Container Depot, Dadri, Noida - Dari Road,
Near Dadri Railway Station, UP
Tel: 0120 - 2352800 Fax: 0120 - 2569220
E-mail: dadri@concorindia.com

Regional Office: 502, 5th Floor, P-5, Ocean Plaza,
Sector - 18, NOIDA - 201301
Tel: 0120 - 4058300 - Fax: 0120 - 2516310
E-mail: ncr.feedback@concorindia.com

CONCOR - We carry your trust, we also carry container



TURNING BILLS INTO TOOLS

22
Cover Story

Using warehousing receipts as negotiable instruments

For a developing economy like India, the establishment of credit flows is crucial to the success of the financial system. Warehouse receipts provide a marketing tool to the emerging private sector by reducing the role of government agencies in agricultural commercialisation and contributing to the creation of cash and forward markets.

INTERVIEWS

20 Rough Sailing

Ashok Janakiram, Director,
Pennon Shipping



FOCUS



28 Coal Imports Inevitable

India looks at increasing coal imports to meet the widening gap between its energy demands and supply of domestic coal.

OPINION

06 International Trade: Need for a Concerted Strategy

A Sakthivel



31 The Coal Chaos

Contention over wagon loading brews between the Indian Railways and the Coal India Limited, even as the power and steel sectors continue to face coal shortage.

PORTS

38 Major Port Terminals: Private Players Brace Up

PPP in ports has helped not only in meeting investment requirements but also in achieving significant improvement in terms of economic development and operational efficiencies.



SHIPBUILDING

33 The Report Card

A look at the current trends in global shipbuilding and the impacts of the recession and financial crisis on the industry.

UPDATES



44 Cashing in on Air Crisis

The emergency rates imposed by air carriers following volcano eruption in Europe apparently continue even into normal times.



49 Strategy Integrated

JSW Group's expansion plan includes a slew of seaports, airports and shipyards in various parts of India.



50 National Vehicle Permit: Nod to Single System

The transportation and logistics sector welcomes the government's introduction of a single national permit fee for trucks.

SECTOR FOCUS



52 Glittering Exports

Indian exports get ready to meet the surging wave of global demand for gems and jewellery.

SUPPLY CHAIN MANAGEMENT



46 Empowering Ecosystems

There is a need to ensure efficient and effective flow of goods, services, funds and information through optimisation of speed, cost and quality.

SHIPPING OUTLOOK

54 The Slow Sail Goes On

The economy slump has had an adverse effect on sea transport capacities, newbuilding tonnage and energy carriers. Yet, the optimism seems intact going by industry reports.



NEWS



08 Ports



11 Shipping



14 Logistics



16 Exim

42 International

OTHERS

56 Project Monitor

58 Markets

61 Third Eye

62 Events

64 Executive Diary

Port Corporates nee Trusts



The government is in for some watershed reforms in the port sector. On the one hand, it is toying with the idea of providing greater autonomy to 12 top state-owned ports by converting them into corporates. This, in a bid to help them compete better with both private and international players in terms of tariff and traffic. On the other hand, the government has just recently declared Port Blair in the Andaman and Nicobar islands as a major port, a status that is hoped to help the island port play a strategic role on the international shipping circuit.

If the total number of state-owned ports in the country now goes up to 13, the industry is keen to know how the move to corporatise ports will boost maritime trade. Shipping Secretary K Mohandas clarifies that the proposal for corporatisation does not imply disinvestment. Only the legal entity structure will be converted to a corporate structure.

The corporatisation could logically start with the country's leading container port – the Jawaharlal Nehru Port Trust followed by Marmugao, Mangalore and Haldia – perhaps as early as in 2010-11. If the major ports, governed by the Major Port Trusts Act are obligated under the Tariff Authority for Major Ports (TAMP) guidelines to follow a method of upfront fixation of tariff on the basis of a commitment to share revenue with the government and the landowner, the new regime is likely to undo the dated provisions of the MPTA.

Meanwhile, the government is consulting the Andaman and Nicobar administration and Andaman Lakshadweep Harbour Works to strengthen the Port Blair Port Trust by transferring to it the entire port management. The port trust will be headed by the island's chief secretary and assisted by the chief port administrator. Also, the port will have territorial jurisdiction over 23 ports, including the East Island Port, Diglipur Port (Port Cornwallis), Mayabunder Port, Elphinstone Harbour Rangat Port, Havelock Port and Neil Island Port. So far so good.

But coming back to the first point, examples across Europe and Australia show that the problem of corporatisation is one of a 'political management structure', that according to maritime researchers W Winkelmanns and T Notteboom, has impeded many public port organisations from developing enough flexibility and versatility to cope with a lack of productivity and innovation and to respond to structural changes in the world economy.

Whether the new corporate tag will propel towards autonomy and efficiency is something that one needs to watch out for. And will the new model help deliver the goods without any political input impeding commercial objectives is another moot point.

Best Regards,

Ramprasad, Publications Director

ramprasad@gatewaymedia.in

Editorial Advisory Board

NATIONAL

B B Pattanaik
MD, Central Warehousing Corporation

Janjit Sethi
CEO, TCI Supply Chain Solution

Capt Anil Singh
Sr VP & MD, DP World Subcontinent

A Janardhan Rao
President, Indian Ports Association

Yogendra Sharma
CEO, Adani Rail Logistics Ltd.

S S Kulkarni
COO, INSA

Capt Ram Ramchandran
President, NISAA

Dr P Vijayan
Vice-Chancellor, Indian Maritime University

INTERNATIONAL

Joachim von der Heydt
Chairman, Bengal Tiger Line, Singapore

Sudhir Bangnekar
CEO, Oman Shipping Co, Muscat

Capt Subhasgita Dutt
Vice President, Institute of Chartered Shipbrokers, Singapore

Publications Director: Ramprasad

Associate Editor: Radhika Ravi G

Sr. Assistant Editor: Jagadish Napa

Copy Editor: Srinivas Reddy G

Sr Designers: Vijay Mass, Lakshmi Dandamudi

Designers: Srinivas P, Nagaraja N S

Web: Upender Reddy V

Head - Business & Events: Wilson Rajan
wilson@gatewaymedia.in - 089409 05432

Manager - MarCom: Padmapriya C
padmapriya@gatewaymedia.in - 089880 58258

Marketing & Sales

Member: Dr Shibu John: Head-Strategy & BD
shibu@gatewaymedia.in - 088676 82982

Dellhi: K N Sundhar: Regional Manager
sundhar@gatewaymedia.in - 088101 66443

Kolkata: Nikhil Doshi: Region Head
nikhil@gatewaymedia.in - 088368 98293

Chennai: W Sudhakar: Manager
sudhakar@gatewaymedia.in - 087808 81888

Circulation: Umakrishna Pillai S
umakrishna@gatewaymedia.in - 095059 19923

Maritime Gateway is printed by L Vijayanand Reddy published by L Vijayanand Reddy on behalf of Gateway Media Pvt. Ltd., Plot No.761, Road No.39, Jubilee Hills, Hyderabad - 500 033, A.P., India and Printed at M/s. Kala Jyothi Process Pvt. Ltd., 1-1-80/5, RTC cross roads, Musheerabad, Hyderabad - 500 020. and Published at Gateway Media Pvt. Ltd. Plot No.761, Road No.39, Jubilee Hills, Hyderabad - 500 033, A.P., India
Editor: L Vijayanand Reddy

Please note

Views expressed in the articles are those of the writer(s) and may not be shared by the editor or members of the editorial board. Unsolicited material will not be returned.

Copyright

No material published here should be reproduced in any form without prior written permission from Gateway Media.

Feed Back

Readers are advised to send all feedback and comments to editor@gatewaymedia.in

SUBSCRIBE

Phone : +91 (40) 2330 0061 / 2330 0626
e-mail : subscribe@gatewaymedia.in
write to : Gateway Media Pvt. Ltd.,
407, Fifth Floor, Pawan Plaza, Khairatabad,
Hyderabad - 500 004, INDIA
Phone : +91(40) 2330 0061, 2330 0626
Fax : + 91(40) 2330 0665
www.maritimegateway.com
Digital Magazine:
http://mag.maritimegateway.com/

Enhancing Client / Partner's Performance and Profitability Through Practical,
Consensus and Efficient Logistics Services.

Thinking **AHEAD** Moving **FORWARD**



State-of-the-art infrastructure, high quality clientele and a nation-wide foot print has made LMJ a force to reckon with. Our quest to grow more and touch the sky has made us to look beyond the horizons to make tomorrow possible today.

- Port Operations • Mega Food Parks • Modern Terminal Markets
- SEZ & FTWZ • Warehouse Management • M&C Agents
- CFS/ICD/EFC • 3PL and 4PL



LMJ Logistics Limited
Thinking ahead – Moving forward

HEAD OFFICE
LMJ Complex, 15-B, Hemanta Basu Sarani, Kolkata - 700 001
Ph: +91-33-3983 9999 / 2231 0950-55
Fax: +91-33-2231 2525
E-mail: admin@lmjgroup.com

DELHI
LMJ House, 9, Hanuman Road, Connaught Place, New Delhi -110001
Ph: +91-11-2336 7203 / 05
Fax: +91-2336 7206
E-mail: ndelhi@lmjgroup.com

www.lmjlogisticsltd.com



International Trade: Need for a Concerted Strategy

The share of India's international trade in GDP is constantly improving touching 55 per cent in 2009. Looking at the trend of globalisation and regionalisation, the share is likely to grow further by 2020.

India's Merchandise Trade in 2009-10 was US\$ 455 billion while services are likely to be about US\$ 210 billion (assuming services exports of US\$ 115 billion and imports of US\$ 95 billion). The world trade in 2020 is estimated to be of US\$ 48 trillion. The target of increasing our share to 5 per cent of the world trade would result in enhancing our international trade

from US\$ 665 billion to US\$ 2,400 billion in next 10 years requiring a CAGR (Compounded Annual Growth Rate) of 14.25 per cent. The following are the two thrust sectors for boosting exports in the next ten years.

Pharma and healthcare sectors

The demographic change will lead to increase in exports of pharmaceuticals, medical and diagnostic equipments and health services. By 2020, the pharmaceutical market is anticipated to more than double to US\$ 1.3 trillion, with the Emerging Seven (E7) – Brazil, China, India,

Indonesia, Mexico, Russia and Turkey – accounting around for one-fifth of global pharmaceutical sales. Further, incidence of chronic conditions in the developing world will increasingly resemble those of the developed world. Over 20 per cent of world's generics are produced in India. Drugs worth nearly US\$ 70 billion are likely to go off patent in the USA, offering India a chance to manufacture a considerable share of the products to exploit the ensuing generics opportunity.

Foreign players are also expected to increasingly discover investment opportunities in the country in establishing research centres, outsourcing production services, and authorising products and technologies. In manufacturing, pharmaceutical firms are strengthening bonds with Indian players to serve the world markets via marketing alliances.

Textiles and clothing

We need to target steady growth of 15 per cent per annum for the domestic textile industry and 20 per cent per annum growth in our textile exports till 2020 in order to enable us to increase our share in world textiles and clothing exports. If we are able to achieve 20 per cent

growth in our textiles exports per annum and 15 per cent growth per annum in domestic production then our domestic textile market size would be US\$ 213 billion by 2020 and exports would be around US\$ 164 billion. Given the long-term growth of 7 per cent in world trade in textiles, India's share would be around 14 per cent in 2020 at a growth of 20 per cent per annum, which would be almost four times of India's current share of 3.4 per cent.

India does not have a significant share in value added garments in global trade which is only 3 per cent. The policy should focus on making India a manufacturing hub of value added garments and ensure to achieve 25 to 30 per cent share of these branded items in our exports.

There is need to deepen our fibre consumption which remains very low. Today, the average world per capita fibre consumption is around 10.8 kg and that of India is around 5.5 kg only. Another main task of this policy would be to align the ratio of man-made fibre to natural fibre, which is currently around 40:60 in India, to the world norms (60:40).

A Sakthivel is the President of the Federation of India Export Organisations.

“A concerted strategy needs to be devised for export of pharma products and services so as to reach an export of US\$ 100 Billion by 2020.”

We are an international commodity traders with special focus on India. We specialize in strategic raw materials like Coal and Iron Ore. We target a Million ton per annum on imported coal alone and another Million from Iron ore in the next two years.

Leveraging on our experience of our pedigree and our highly satisfied clientele, we intend to become a leader for Imported Coal, targeting over 12 MTPA in the long run.

We believe that success in commodities trading comes through genuine long-term commitment to all elements in the trading process. This commitment involves the interest and support of the communities in which we operate. And through our core values: Best Procurement Practices, Quality, Price, Service and Delivery we intend to be the preferred class.



SEABASE
IMPEX PVT. LTD.

Quality
Price Service
Delivery



EXPORT
Iron ore

to East-Asian countries

IMPORT and
provide Coal

for Indian Industries.

Contact Us

Email: info@seabase.in

Tel: +91 - 44 - 4350 8731/2

Fax: +91 - 44 - 28270616



Radar network

New traffic service at Kandla

Shipping secretary reviews important projects and issues during his visit to Kandla Port and inaugurates new facilities.

Shipping Secretary K Mohandas recently inspected the works of vessel traffic service in the Gulf of Kachchh at the Kandla Radar & Master Control Station. The scheme envisages the control of movement of vessels in the Gulf through radar network and ensures efficient movement of vessels, protection of marine environment and minimising of collision risk.

The Directorate-General of Lighthouses and Lightships, under the Ministry of Shipping, in partnership with KPT and Gujarat Maritime Board (GMB) is implementing the project at an estimated cost of Rs 165 crore. The work is being executed by a consortium comprising Telecommunication Consultants India Ltd, Dalmiya & Co Civil Engineering Contractor and HITT, the Netherlands equipment supplier. The scheme is likely to be operational by the year-end.

The scheme involves nine radar stations, apart from a host of sensors of the project. In addition to the Master Control station at Kandla, there will be six port monitor stations at Kandla, Vadinar, Okha, Sikka, Bedi and Navlakhi to control the movement of vessels within the port limits.

Besides, there will also be three monitoring terminals – two for the Coast Guard at Okha and Jakhau and one for the Navy at Okha.

The secretary also inaugurated a covered warehouse and a 66-hectare open stacking area in Kandla Port besides a railway way leading to the stack. He also dedicated two new launches – Anuradha and Swati – to the public. A new policy would soon be announced regarding the land issues related to free residential space within KPT, the secretary added.

Bridging gap

TAMP mooted for private ports



The infrastructure committee, headed by B K Chaturvedi, is likely to suggest that non-major ports be brought under a tariff regulator in order to provide a level-playing field for major ports. The committee was set up to look into the infrastructure sector, including ports, and recommend changes. Many non-major ports are as big as major ports in terms of capacity but without regulations, they stand an advantage over major ports, the committee feels. While there are 200 non-major ports, which are state subjects, the 12 major ports come under the purview of the Union Government.

Non-major and private ports in PCS:

After successful implementation of the electronic data interchange (EDI) at all the major ports with the centralised Port Community System (PCS), the Ministry of Shipping now plans to bring 11 non-major and private ports into the fold of this system. The ports being considered by the ministry are Puducherry, Pipavav, Dahej, Nagapattinam, Magdalla, Jamnagar, Sikka, Bedi, Gangavaram, Kakinada and Mundra. However, no timeline is specified as to when these ports will be linked up.



Restructuring

MPSEZ to become AEL subsidiary

As part of a restructuring effort, shares of seven promoters' entities of Mundra Port and Special Economic Zone Limited (MPSEZL) will be amalgamated with the flagship Adani Enterprises Limited (AEL) with retrospective effect from April 1, 2010. This will increase AEL's market capitalisation from the present Rs 250 billion to Rs 550 billion. Thus, MPSEZL, with a current market capitalisation of Rs 270 billion, will become a subsidiary of AEL in which the promoters' stake will increase from 74.4 per cent now to nearly 84 per cent.

The seven entities are Adani Infrastructure Services, Advance Tradex, Adani Tradelinks, Trident Trade and Investments, Pride Trade and Investments, Radiant Trade and Investments, and Ventura Trade and Investments.



Bulk terminal

Essar starts operations at Hazira

Essar Shipping Ports & Logistics has commenced commercial operations of its 30-million-tonne per annum bulk terminal at Hazira. The terminal became operational with the berthing of the first supramax vessel, M V Malavika.

The Hazira terminal is one of India's largest dry bulk terminals and was set up at a total cost of close to Rs 800 crore. "With this new facility, Hazira will find a pride of place on the global map of terminals. This also firmly establishes Essar Bulk Terminal's credential to build and operate large terminals. The Hazira facility can now become the gateway terminal of Gujarat for deep draught vessels," CEO of Essar Bulk Terminal Ltd., Capt S Das, said.

With the commissioning of this facility, Essar's total cargo-handling capacity between Hazira and Vadinar has now increased to 76 MTPA. The terminal, with a 550-metre-long berth, is capable of accommodating larger vessels alongside the berth throughout the year, resulting in quicker turnarounds and reduced dependence on current lighterage operations, the release said. This terminal facility will also serve as a fully integrated transportation hub that will not only support Essar Steel Hazira's expanded steel-making capacity of 10 MTPA, but will also result in faster services and substantial savings for other trade and terminal users, the release said. -PTI

New plan

Kerala revives port project

The Kerala government has come up with fresh initiatives to revive its port development programme. It has appointed consultants to study and prepare master plans for speedy implementation of three port projects – Beypore, Ponnani and Azhikkal, which had been chosen by the state government for major development through the public-private partnership (PPP) route.

Though these ports were identified for development more than a decade ago and preliminary works had started in the case of Beypore and Azhikkal, they did not make much headway for various reasons. Beypore, the second biggest port in the state after Kochi, handles export mainly of wood products, marine products, steel, rubber, tea, coffee and cashew nuts, while the import cargo consists of petroleum products, fertilisers and cement, among other things. The government has appointed Consulting Engineers Private Limited to prepare a detailed project report (DPR) for the development of the port.

The Ponnani Port is envisaged to be developed into an all-weather port and the consultant, Chennai-based Malabar Ports Limited, has already submitted a master plan to the government. The project will be implemented in three phases with a total outlay of Rs 20 billion, with the first phase likely to cost Rs 7.63 billion. The DPR for the development of Azhikkal Port is being prepared by Deloitte India Ltd. The port has been identified by the Centre as part of NMDP to create a coastal shipping route.

Port development

MoEF to amend regulation

The Ministry of Environment and Forests (MoEF) has proposed amendments to the Coastal Regulation Zone (CRZ) Notification 1991 to speed up the development of ports and harbours without damaging the environment and coastline. The draft policy, circulated by MoEF, has stressed that expansion plans of existing ports, harbours and jetties can be implemented only if the hydrodynamic studies indicate that there will be no significant impact either to the shoreline or the ecologically sensitive areas. The proposed regulations also suggest the need of a comprehensive environment impact assessment (EIA) report, based on data collected over three seasons, actual field measurements and appropriate modelling studies before sites are identified for new projects. The proposed amendments will be finalised after taking into consideration the recommendations of the expert committee.

Tariff to match international ports

The Cochin Port Trust has taken a decision that International Container Transshipment Terminal (ICTT), Vallarpadam shall be competitive with international transshipment ports in the South / South East Asian region, and the Vessel Related Charges at ICTT shall match the tariff at these ports. DP World has also announced to have taken an in-principle decision to match the international transshipment ports in the region on the terminal handling charges for transshipment containers. The terminal enjoying strategic proximity to the international sea routes, and with excellent hinterland connectivity, is set on commissioning in August 2010. The ICTT is India's first container transshipment terminal, and promises to offer huge time and cost savings to India's exim trade.

Vessel related charges for mainline vessels at ICTT

Item	Unit	Rate (US\$)
Port Dues	Per GRT	0.0455
Pilotage	Per GRT	0.0865
Berth Hire	Per GRT per hour	0.0022

GRT - Gross Registered Tonnage of vessel



Addressing a press conference on the same at Cochin Port Trust office, Capt. Anil Singh, Sr. Vice-President and Managing Director, DP World, said that the Cochin Port Trust has taken an exemplary step in the right direction

while aligning the vessel related charges applicable to ICTT with that available to transshipment hubs in the region. "The decision of the Cochin Port Trust has created a wave of excitement among the shipping fraternity. The shipping fraternity, particularly the major shipping lines, have been emphasising that there should be flexibility in operating their fleet at the ICTT and that ICTT should be cost-effective. While Cochin Port Trust has signalled to the trade that the Port will be cost-effective the issue of flexibility of operating the fleet of shipping lines is yet to be resolved by the Shipping Ministry. Unless an early resolution happens on the cabotage issue the good work done by the Cochin Port Trust cannot be leveraged on." He said the progress is satisfactorily especially in view of the completion of 605 M of berth, a substantial part of the stacking yard and the arrival of the Rubber Tyred Gantry Cranes. "The ship-to-shore transfer cranes are expected by the middle of June 2010 and all the equipments will be commissioned within a month," he added.

Secretary reviews work

Shri K Mohandas IAS, Secretary, Ministry of Shipping, Government of India reviewed the progress of construction of Vallarpadam International Container Transshipment Terminal (ICTT) and its connectivity projects at a meeting held at Cochin Port Trust.

The meeting was attended by Shri N Ramachandran, Chairman, Cochin Port Trust, Shri G Krishnakumar, Dy Chairman, Shri CT Abraham, Project Director, NHAI, Capt Anil Singh, Sr Vice President DP World, Shri Suresh Joseph, GM, DP World Cochin, Shri Kesavchandran, Jt GM, RVNL and officers of Cochin Port Trust.

The meeting reviewed the progress made by different agencies in the implementation of the Transshipment Terminal, Rail Connectivity, Road Connectivity and dredging of navigational channel. Secretary Shipping expressed satisfaction in the progress of work in the final phase of the project, which is expected to be completed in the month of June. The Secretary also visited the transshipment terminal site at Vallarpadam and the construction sites of National Highway connectivity (NH-47C) from Kalamassery to Vallarpadam.



Multipurpose berth

CCI nod for Paradip

The Cabinet Committee on Infrastructure (CCI) has approved the development of a multipurpose berth at Paradip Port at a cost of around Rs 14,000 crore. The berth would handle clean cargo, including containers, at the port on a build, operate and transfer (BOT) basis at a cost of Rs 387.31 crore. CCI also gave its nod for the expansion of 12 National Highway (NH) projects.

Some other projects approved by it included the four-laning of the 174-km long Nagpur-Betul section of NH 89 in Madhya Pradesh and Maharashtra at a cost of Rs 2,499 crore.



Asia-Europe route

Box volume up 20 per cent

First quarter shipments rose 3.2 per cent from the previous three-month period, says the European Liner Affairs Association.

Container shipments from Asia to Europe surged 20 per cent in the first quarter from a year ago as the rebound in traffic that started in the final three months of 2009 continued into 2010, as per industry figures.

Growth slowed to 10.5 per cent in March after a 53.5 per cent surge in February that reflected the steep slump in traffic in the opening weeks of 2009. Carriers transported 3.1 million 20-foot equivalent units from Asia to Europe in the first quarter, compared with 2.59 million TEU in the same period in 2009, the Brussels-based industry group said.

The year-over-year growth in traffic on the return leg from Europe to Asia slowed to 9.9 per cent in March from more than 25 per cent in February and more than 34 per cent in January to



total 1.36 million TEU in the first quarter against 1.12 million TEU a year ago.

The previously sluggish North Atlantic trade registered growth in both directions led by shipments to Europe that rose by just over 14 per cent in the first quarter to 687,200 TEU. Westbound traffic out of Europe grew almost 11 per cent to 722,000 TEU.

Best annual report

Mercator Singapore awarded

Mercator Lines (Singapore) Ltd., the Singapore based subsidiary of Mercator Lines Ltd., has won the Singapore Corporate Award Best Annual Report Award (Bronze) for 2009 in the 'US\$ 300 million to less than US\$ 1 billion market capitalisation' category. Managing director and CEO Shalabh Mittal received the award in the presence of senior minister Goh Chok Tong. MLS has also acquired gearless Panamax vessel of 74,483 DWT, built in 2007 at a cost of Rs 175 crore and financed by a mix of debt and internal accruals, the company said in a press release. The vessel has been fixed on a long-term charter contract with a reputed customer to bring in revenues worth Rs 120 crore over the next three years. "The delivery has been taken at a time when asset prices are attractive and freight rates are firming up globally," says Mercator Lines executive chairman H K Mittal.

Management control

BSL to steer GOL

Great Offshore Limited (GOL) has received shareholders' approval to hand control of its day-to-day affairs, management and policy decisions to Bharati Shipyard Limited (BSL) without the need for a fresh open offer, by inducting two nominees of the shipbuilder as executive directors on its board. On the other hand, BSL is also keen on acquiring more shares of GOL. During the last quarter (January-March) of 2009-10, the company acquired 0.14 million shares worth almost 4 per cent of GOL's shares. Currently, BSL holds 49.73 per cent stake in GOL.

Dredging

DCI to buy dredger

The Dredging Corporation of India Limited (DCI) has signed an agreement with Netherlands-based IHC, Dredger B V for supply of two trailer suction hopper dredgers with a capacity of 5,500 cubic metre, each at a cost of around Rs 9 billion. With these vessels, DCI will have 12 trailer suction hopper dredgers and three cutter suction dredgers in its fleet.

Inland waterways

Ministry misses target

The Eleventh Five-Year Plan target of developing six new national inland waterways is unlikely to be met due to delays in approval of the proposals by Planning Commission. The ministry is awaiting a requirement of Rs 5 billion to carry out the work on the development of the waterways.

Collective effort

SCI ascertains volumes

In order to ensure smooth operations, the Shipping Corporation of India is coordinating with all shipping lines and DP World to ascertain the volumes that need to be transhipped via international container transshipment terminal (ICTT) at Vallarpadam in Kerala to various destinations along the coast.

This is necessary so that the additional tonnage, if required, can be acquired to meet the cargo volumes. The ICTT, being developed by DP World, is expected to commence operations in August 2010, as an alternative transshipment hub to Colombo, to cater to the Indian subcontinent's export-import cargo.

Unprecedented sail

Big vessel reaches Kandla

ABG Kandla Container Terminal Limited, the container terminal operated by Mumbai-based ABG Group at Kandla Port since March 2007, has handled the lengthiest container vessel so far in the history of Kandla recently. The vessel mv Felicitas Rickmers under KMX service made its maiden call to ABGKCTL through agents Relay shipping Agency, Gandhidham.

The KMX service is having two vessels namely Sima Sadaf and Felicitas Rickmers. The service port rotation is: Kandla - Mundra - Jebel Ali - Bander abbas - Kandla. The capacity of mv Felicitas Rickmers is 2113 TEU with a DWT of 28,366. The vessel discharged 454 TEU and loaded 536 TEUs with a gross crane rate of 21.47 moves per hour per crane. Traffic manager of Kandla Port H C Venkatesh, branch manager of Relay Shipping Agency Joy were present.



mv Felicitas Rickmers at Kandla.

Vessel buy

Greatship delivers Diya

Greatship (India) Limited, a subsidiary of the Great Eastern Shipping Company Limited, delivered the Platform Supply Vessel Greatship Diya to its buyers. Great Eastern Shipping also signed a contract to sell Jag Palak, a single-hull general purpose product carrier. The 1985-built vessel of about 27,400 deadweight tonnage (DWT) capacity will be delivered to the buyers in the first quarter of 2010-11. The company's current fleet stands at 37 vessels, comprising 31 tankers (11 crude carriers, 19 product tankers, one liquefied petroleum gas carrier) and six dry bulk carriers with an average age of 10.9 years aggregating a capacity of 2.74 million DWT.

Acquires PSV: Greatship Global Offshore Services Private Limited (GGOS), the Singapore-incorporated subsidiary of Greatship (India) Limited (GIL), acquired Greatship Rekha, a platform supply vessel (PSV)/remotely operated vehicle support vessel (ROSV), from Colombo Dockyard PLC, Sri Lanka, and delivered it to the buyers. With this delivery, the currently owned and operated fleet of GIL and its subsidiaries stands at six PSVs, eight anchor handling tug supply vessels (AHTSVs), two jack-up rigs, and one MPSSV. The current order book of GIL and its subsidiaries comprises nine vessels – two MPSSVs in Singapore, two MSVs in India, three ROVSs in Sri Lanka and two 150-tonne bollard pull AHTSVs in Singapore.

Order book

ABG to build 3 cement carriers

ABG Shipyard Limited has bagged an order to build three cement carriers of 20,000-DWT each. The order is valued at Rs 3.85 billion (US\$ 85.5 million) and has been placed by Associated Bulk Carriers Private Limited, which is a joint venture (JV) of Precious Shipping Public Company Limited. The vessels will have to be delivered between July 2011 and November 2013. With this order, ABG's order book position stood at Rs 121 billion.

Davis Tide

Cochin Shipyard delivers PSV

Cochin Shipyard limited (CSL) has delivered Davis Tide, a PSV to Purple Fleet Limited, an affiliate of the US-based Tide Water Marine International. This is the fifteenth PSV built at CSL and the seventh in the Rolls-Royce UT755 LN Series. CSL is constructing 16 offshore support vessels for various foreign and Indian owners.

Offshore vessel

Cochin Shipyard delivers PSV

Cochin Shipyard delivered a Platform Supply Vessel to Vroon Offshore Division recently. This is the 16th PSV being built at CSL and the 8th in the Rolls Royce UT 755 LN series. The protocol documents of the ship named 'VOS PRECIOUS' was signed by Jose Mathew, chief general manager (Shipbuilding), on behalf of Cochin Shipyard and Eric Rikken, technical director of Vroon Group BV on behalf of the owners in the presence of Cmdr K Subramaniam, officiating CMD, V Radhakrishnan, director (Tech) and Ravi Kumar Roddam, director (Finance) CSL.

Cochin Shipyard is presently constructing 14 Offshore Support Vessels for foreign and Indian owners. The yard is also entrusted with the prestigious Indigenous Aircraft Carrier Project for the Indian Navy. VOS (Vroon Offshore Services) is a leading maritime offshore services supplier.



Testing waters

Indian Register enters USA

The Indian Register of Shipping, an independent ship classification society, has entered USA to tap the North American and Canadian markets by making major shipping city Houston its home.

Indian Register of Shipping (IRS), an associate member of the International Association of Classification Societies (IACS), made the announcement at a formal reception organised jointly by Consul General Sanjiv Arora and IRS Chairman, J C Anand on May 18.

The reception saw several local dignitaries including Harris County Commissioner's Court Judge Ed Emmett, Peter Brown, Chairman Mayor's Trade and Development Council Noboro Ueda, Chairman and President of Japan's Nippon Kaiji Kyokai (ClassNK), who has been instrumental in launching the IRS office here, flying in from Tokyo for the opening. -PTI

Capex plan

Essar earmarks Rs 48.75 billion

Essar Shipping Ports & Logistics Limited has earmarked a capital expansion plan of Rs 48.75 billion for the current financial year 2010-11 for strengthening its shipping, drilling and ports businesses. The company has lined up investments in Gujarat and Orissa to set up large ports and logistics parks as well as procure vessels and oil rigs. It plans to spend Rs 10 billion each on acquisition of vessels and expansion of drilling capacity while the remaining Rs 28.75 billion will be spent on ports. As much as 70 per cent of the expansion costs will be funded through debt and the remaining through equity. The company is planning to add 14 additional ships by 2012-13 to its present fleet of 25 vessels. Further, Essar Group is planning to set up its own port overseas and is considering Africa as a possible destination.

Net profit declines: ESPLL has reported a 13.41 per cent decline in net profits at Rs 710 million during the final quarter (January-March) of 2009-10 against Rs 820 million in the corresponding quarter of the previous fiscal. However, the company posted a 19.44 per cent increase in revenue for the quarter at Rs 9.09 billion in 2009-10 (Rs 7.61 billion in 2008-09). While its income from the ports and terminals business fell to Rs 1.05 billion (Rs 1.24 billion in 2008-09) and that from oilfield services declined to Rs 1.01 billion (Rs 1.94 billion in 2008-09), its income from surface and sea logistics rose to Rs 6.45 billion (Rs 3.99 billion in 2008-09). For the fiscal year 2009-10, the company's net profit stood at Rs 940 million (Rs 770 million in 2008-09), registering an increase of 22 per cent while its total income increased to Rs 30.92 billion from Rs 26.77 billion.

Overseas contract: Meanwhile, Essar Oilfields Services Limited (EOSL), a wholly-owned subsidiary of Essar Shipping Ports and Logistics Ltd., has won its first overseas contract valued at US\$ 40 million. The contract from Vietsovpetro JV (VSP), an oil exploration and production company of Vietnam, is to drill a 4,800-metre offshore well. EOSL has deployed its semi-submersible rig, Wildcat, to drill the well.





NEWS

VW Polo Cup

TCI is the Official Logistics Sponsor

Transport Corporation of India Ltd. has been appointed the Official Logistics Sponsors of the Polo Cup India 2010, a racing event by Volkswagen India (VW). Polo Cup India 2010, the first of its kind in India by VW started in Pune on May 30, 2010 and the consequent races will take place in Coimbatore and Chennai. In all there will be six races and 20 cars will run on the tracks. VW has selected 20 drivers out of 1200 applicants and two winners will get an opportunity for training in Europe along with a chance to participate in international race competitions.

TCI, being the logistics sponsor, is providing the logistics support for this high-profile event by managing the end-to-end transportation of the polo cars that will be used in the race. TCI is managing the outbound logistics and

is transporting VW Polo cars from Chakan to the three centres where the mega event is being held – Chennai, Coimbatore and Pune. Besides this, TCI is also responsible for transportation of the tool kits.

TCI has been associated with Volkswagen as the logistics solutions provider for the last four years and looks after its inbound and outbound logistics. TCI has a dedicated team of professionals for VW to ensure timely delivery of original equipment parts to their manufacturing unit in Chakan, near Pune and the delivery of VW cars from Chakan to its dealers across India.

Speaking on this association with Volkswagen, Jasjit Sethi, CEO, TCI Supply Chain Solutions said, "We are excited to be the official logistics sponsor for the Polo Cup India 2010."

Green warehouse

YCH group to invest Rs 1,200 crore



The Singapore-based supply chain services provider YCH Group would invest close to Rs 1,200 crore over the next five years for enhancing its presence in India. The company engaged in end-to-end supply chain management for the last 50 years would set up 12 more green warehouse facilities at Rs 1,200 crore, YCH Group Chairman and CEO Robert Yap said at the inauguration of their first greenhouse facility at SIPCOT-SEZ in Sriperumbudur. The green house status to the facility was given by the Indian Green Building Council.

The Chennai facility set up at an investment of Rs 100 crore would predominantly cater to YCH Group's customers like Dell, Motorola, among others, he said. It would also cater to the auto-component industry considering the opportunities available in automotive sector with Chennai being considered as 'Detroit' of Asia.

The Chennai facility spread across 5.25 lakh square feet, has a total installed capacity of 50,000 pallets and the other facilities would also have similar capacities. YCH expects revenue of Rs 500 crore over the next three years from their Indian operations. The facility was formally inaugurated by Singapore Foreign Affairs Minister George Yeo. -PTI



Expansion spree

CONCOR to invest US\$ 670 million

Reports indicate that Container Corp. of India Ltd. may spend about Rs 3000 crore (US\$ 670 million) over five years mainly on terminals to expand its network and ease bottlenecks. "If we are able to provide these facilities, then trade will grow at a much faster rate," said Anil Gupta, Managing Director of CONCOR in an interview to Bloomberg.

"The company may build 25 more rail-container terminals and add 20 to 25 trains annually," he said. CONCOR is expected to invest as much as Rs 12 billion in the two years ending March 2012. Gupta also indicated that further investments might continue at a similar pace in the following three years too.

Going hitech

TranSmart to set up 10 warehouses

Logistics company TranSmart India Pvt Ltd. plans to set up 10 more world-class warehouses in 2010 at an investment of Rs 500 crore. "We will set up 10 more top-end warehouses this year," TranSmart India Pvt Ltd and SCA group of companies Chairman Tushar Jani said. "We have top-end warehouses in six locations. Our aim is to take the total number to 37 by the end of the third year," Jani said. The company will invest Rs 1,500 crore for all the 37 warehouses. Sixty per cent of the debt will be raised from IDFC, he said. -PTI

Iron ore

Railways ups freight

The Railways has raised freight rate of the commodity, based on its use, by Rs 300 per tonne from June 1 to June 30. This is the second hike in the iron ore freight rate by Railways in two months. The freight rate is hiked on iron ore "for other than domestic use for manufacture of iron, steel and cement", Railways stated in a circular issued recently. At the end of April also, the national transporter raised the freight on iron ore by Rs 100 per tonne, making the surcharge Rs 700 per tonne.

Last fiscal, the Railways earned 14.5 per cent of freight earnings from transport of iron ore for exports, steel plants and other domestic use. But the increase is feared to impact exports.

Partnership

Indian JV with Belgian Post

Expressit Logistic Worldwide Ltd., an Indian logistics and distribution solutions company, has entered into a partnership with Belgian Post International (BPI), an international operator in the field of crossborder postal activities. The partnership will bring to market a unique international express mail delivery service across 180 countries, which is being presented to customers under the name of "MailPlus offer". The partnership marks BPI's entry into India's booming express delivery market, which is witnessing 20 per cent year-on-year growth in the recent times. Partnering with BPI will enable Expressit to provide its existing customers with transport services between international locations.

Belgian Post International is the overseas arm of Belgian Post, which is the national postal and logistics service of Belgium. The company is open to acquisitions in India in the near future. "We are ready for acquisitions in India," Belgian Post International (BPI) Managing Director Peter Somers said on the sidelines of the announcement of its joint venture with Expressit. "Our joint venture is the first step... As of now, acquisitions are not on our agenda. But sooner or later, we will go for the next step," he said.



Warehouse facility

DHL to invest FTWZ

DHL announced a US\$ 10 million investment by its freight forwarding division to establish a logistics and warehousing facility in the upcoming Free Trade Warehousing Zone (FTWZ) in Tamil Nadu. DHL Global Forwarding will be the first global logistics company to operate a facility within the FTWZ that offers customers the benefits of a duty free zone with high quality infrastructure.

"By providing sound infrastructure, this Free Trade Warehousing Zone facility will improve quality standards in India," said Amadou Diallo, Chief Executive Officer, South Asia Pacific, DHL Global Forwarding.



Slump Effect

Exports up, value down

India is maintaining a very 'strong positive growth' in exports and hopes to sustain it. The government has set a target of US\$ 200 billion-worth merchandise exports for 2010-11 and wants to double it by 2014, says Commerce Minister Anand Sharma.

India's merchandise exports grew by 54.1 per cent in March to US\$ 19.9 billion, but the value of the outward shipments dipped 4.7 per cent to US\$ 176.5 billion for 2009-10 mainly due to the global meltdown, according to official data released by the government. The exports in March 2009 stood at US\$ 12.9 billion and in 2008-09 at US\$ 185.3 billion, the data showed.

"The fall of 4.7 per cent has been mainly due to the global meltdown, but still we have been able to perform well. The whole world has been affected by the global meltdown. There has been a big slump in traditional markets where we export. Market diversification has actually helped us recover the losses to a great extent," Commerce Minister Anand Sharma said.

The exports were in the red for 13 successive months, starting October 2008. They started turning positive in November 2009. The imports stood at US\$ 27.7 billion in March, a growth of 67.1 per cent over US\$ 16.6 billion in year-ago period. The oil imports during March grew by 85.2 per cent to US\$ 7.7 billion from US\$ 4.2 billion in the same month last year and non-oil imports increased by 61 per cent to US\$ 20 billion from US\$ 12.4 billion,

the data showed. The imports for 2009-10 stood at US\$ 278.7 billion, a fall of 8.2 percent from the previous fiscal's US\$ 303.7 billion. In 2009-10, oil imports declined by 8.7 per cent to US\$ 85.5 billion from US\$ 93.7 billion in previous year and non-oil imports dipped by 8 per cent to US\$ 193.2 billion as against US\$ 210 billion in 2008-2009. The trade deficit declined to US\$ 102.1 billion in 2009-10 from US\$ 118.4 billion in previous fiscal.

On the exports front, the sectors which were in red during 2009-10 include engineering, electronics, handicrafts, carpets and cotton yarn. "Some sectors continue to hurt badly like engineering, electronic goods, handicrafts and carpets. The Directorate General of Foreign Trade along with commerce ministry officials is conducting the sectoral reviews to find out whether more steps are needed to be taken for the sectors that are getting hurt," Sharma said.

Asked whether the government will extend sops for the exporters, he said: "Consultation is a regular exercise done by both commerce and finance ministry officials. We are looking into it." Marine products, iron ore, tea, tobacco, fruits and vegetables and man-made fibres were the sectors which reported growth in 2009-10.

Bumper demand

Garlic exports surge

India's exports of garlic in 2009-10 have registered an unprecedented growth of almost 1,300 per cent over the previous fiscal thanks to the failure of the crop in China.

The China crop washout has led to a marked increase of garlic exports from India to the Southeast Asian countries of Indonesia, Malaysia, the Philippines and Bangladesh. According to the Spices Board, the volume of exports in the last 11 months from April to February rose by 1,257 per cent and the value by 724 per cent from Rs 3.07 crore in 2008-09 to Rs 25.29 crore in 2009-10.

Though China is the largest producer of garlic having a global market share of 60-65 percent, the crop washout has helped India, known for low productivity, to pep up its production and exports.

As per the Spices Board estimates, India's garlic output in 2009-10 touched 850,000 tonne with the Mumbai market selling at Rs 39.50 per kg at the start of this fiscal, down from Rs 41.24 the previous year.

India has in fact been importing 15,000-30,000 tonne of garlic from China since 1998 owing to great demand in India.



US prediction

Coffee output to dip

The US Department of Agriculture (USDA) has pegged India's coffee production marginally down at 2,75,000 tonnes in the 2010-11 marketing year starting October.



"Assuming normal weather through harvest, 2010-11 marketing year (MY) coffee production is forecast at 2,75,000 tonnes," USDA said in its latest report. Production of robusta variety would be 1,75,000 tonnes, while that of arabica at 1,00,000 tonnes, it said, quoting industry sources. In the ongoing MY 2009-10 ending September, India's coffee output is estimated at 2,89,000 tonnes, it said. Coffee cultivation is mainly confined to southern states of Karnataka, Kerala and Tamil Nadu.

Noting that the production outlook for MY 2010-11 presents a mixed picture, USDA said, "Although several coffee growing regions have received good pre-blossom and back up showers, rainfall has been poor in some parts of Coorg and Tamil Nadu." It further said high temperatures in February and March could affect robusta production to some extent, though heavy December 2009 rains left enough moisture in the soil, which may help compensate for the lack of pre-blossom showers.

Fy11 projection

Exim Bank to raise Rs 24k cr

The Export Import Bank of India (Exim Bank) on Friday said it is planning to raise Rs 24,000 crore during the current fiscal. "We plan to borrow Rs 24,000 crore during this fiscal as against the Rs 20,266 crore in the previous fiscal," Exim Bank executive director N Shankar told reporters recently. During the past fiscal, the bank had raised Rs 20,266 crore comprising rupee resources of Rs 13,037 crore and foreign currency resources worth US\$ 1.61 billion. In FY10, the bank received Rs 300 crore from the government taking its paid-up capital to Rs 1,700 crore. The government would be infusing an additional Rs 300 crore into the bank during the current fiscal, he said.

Shankar said net profit jumped by 8 per cent to Rs 513 crore against Rs 477 crore the previous fiscal. During the year, the bank made a net provision of Rs 259 crore towards income tax as against Rs 133 crore in Fy09.

April boom

Car, bike exports zoom

Exports of passenger cars from India rose 27.88 per cent in April, while that of motorcycles zoomed by 95.71 per cent as the country's automakers continued to cash in on the recovery in the global automotive market.

According to the Society of India Automobile Manufacturers (SIAM), India exported 37,479 cars in April against 29,307 units in the corresponding month last year. Motorcycles exports during the month jumped by 95.71 per cent at 1,27,336 units, against 65,064 units in the same month last year.

During the month, the overall export of vehicles across all categories increased by 87.61 per cent at 2,01,543 units as against 1,07,424 units in the same month last year, SIAM said. As per the latest data issued by it, the overseas sales of the country's largest car maker Maruti Suzuki India jumped 89 per cent. -PTI

SPEEDING UP

Auto Sales have been robust in April, which is traditionally a lean month.



Current fiscal

India to export 100 MT of iron ore

India is expected to export around 100 million tonnes of iron ore in the current fiscal, a senior government official said. "India's iron ore exports in 2010-11 are expected to be about 100 million tonnes," MMTC CMD Sanjeev Batra told reporters. The country exported about 105.67 million tonnes of iron ore in 2008-09, and it is expected in the similar range in the last fiscal, Federations of Indian Mineral Industries Secretary General R K Sharma said.

However, Sharma added that the recent increase in export duty on iron ore lumps to 15 per cent from previous 10 per cent may reduce its outward shipments by 50 per cent. The country exported around 5 million tonnes of iron ore during 2008-09.

1,000-acre facility

Brandix apparel park in India

Sri Lanka's leading textile and apparel exporter Brandix formally inaugurated the Brandix India Apparel City (BIAC), a 1,000-acre apparel park at Visakhapatnam conceptualised and managed by Brandix.

BIAC forges a strong link between the apparel and related ancillary manufacturing capabilities of Sri Lanka and India, and builds a vast pool of synergies that will add infinite capacity and depth to the South Asian region at a time when economies of scale are critical to growth. The park is designed and constructed exclusively to accommodate top notch international apparel sector manufacturers. It is one of the largest textile industry-specific special economic zones in the world, and the only one of its scale and concept in South Asia. Ashroff Omar, Group CEO, Brandix, said, "we want to be a sourcing hub in line with our overall objective of being a global competitor equipped with vertical and geographical spread."

A vertically-integrated manufacturing zone geared to support large-scale knitting, garment manufacture, finishing, printing and embellishments with common facilities, BIAC when fully occupied, will accommodate up to 20 apparel manufacturing plants, three fabric mills, eight accessories manufacturers and a finishing plant. Ancillary service providers including a centralised logistics facility are supported by the full gamut of infrastructure of power supply, water, communications, roads and worker facilities. It will link global brands, manufacturing operations and service providers in a synergistic convergence that will consolidate the South Asian region's strength as a major apparel hub.

Telecom equipment

India to test, allow Chinese gear

In a crucial decision, India has agreed to allow import of Chinese telecom gear that are certified by international security audit firms. This is move taken by the government, which included PM's office, home ministry, telecom ministry and intelligence bureau, to rescue the mobile phone operators in avoiding possible delays.

The government has been restricting the imports of telecom equipment produced by Chinese companies like ZTE Corp and Huawei Technologies due to security concerns. The stop-gap solution arrived at by the government would be in place for the next one year and would ensure that Indian telecom companies do not face project delays as India sets up equipment testing laboratory.

Used tyres

Plea for more import duty

The Indian Rubber Growers Association (IRGA) has submitted a memorandum to the Union minister Commerce to increase the import duty on used tyres to 20 per cent on par with that of natural rubber. The current import duty on used tyres is 10 per cent.

The association also demanded that the present import duty on NR should be maintained. Futures trading in rubber should not be banned and in order to bail out the struggling small and medium rubber-based units, import duty on cycle tyres must be raised.

Sibi J Monippally, general secretary, IRGA said export of tyres from India had shown a growth of 30 per cent this year. Annual results of all tyre companies disclose an overall growth of 25 per cent in their profits during the last financial year. He cited the example of Apollo Tyres, whose net profit increased to Rs 653 crore.

Used tyre imports from China have increased during these years, adversely affecting the domestic tyre industry. The additional import of 45,000 tonnes of used tyre has also adversely affected rubber growers. There is no rationale in the consuming industry's demand to reduce import duty of natural rubber and ban futures trading, he said.

Kerala produces 92 per cent of the total 900,000 tonnes of rubber produced in India. Moreover, 1 million people are directly involved in rubber farming and about 6 million people are indirectly associated with this business. Kerala's economy actually revolves around rubber industry. It is the spiralling rubber price which has significantly contributed to the recent 10 per cent overall growth of Kerala's economy, the memorandum adds.



gateway

KNOWLEDGE FORUM

Idea Exchange for Business Innovation



a unique platform that brings together the industry, trade and the government to debate and deliberate on the most pressing issues

brings to you

India Bulk & Project Cargo Summit

Bulk Handling | Coastal Shipping | IWT | ODC

August 20, 2010 | Taj Bengal | Kolkata

WANT TO MOVE
MASS WITH EASE?
LET'S WEIGH UP
THE MATTER HERE.



India Bulk & Project Cargo Summit is a highly focused event on bulk and project cargo. The event highlights all the issues involved in the movement and handling of bulk and project cargo in India. It also attempts to bring together all the stakeholders like port operators, transporters, transport authorities and users onto a single platform to express their views and build efficient business relationships.

Structure : It will have four sessions focused panel discussions with specific themes.

Session I : Business Track

Theme : Bulk Cargo: Opportunities and Challenges

Session II : Transportation Track

Theme : Coastal Shipping and IWT: Can we make them viable?

Session III: Project Cargo Track

Theme : Keeping Pace with Demand

Session IV: Technology Track

Theme : Bulk handling: Operational Efficiency through Technology

Powered by

gateway



Inland Waterways
Authority of India



Association of Shipping
Interests in Calcutta



ESTD. 1904



CALCUTTA CUSTOMS HOUSE
AGENTS' ASSOCIATION

CFBA

CALCUTTA FREIGHT
BROKERS ASSOCIATION



Eastern India
Shippers Association



Federation of Freight
Forwarders Association
in India

INDIAN BARGEOWNERS'
ASSOCIATION

gateway

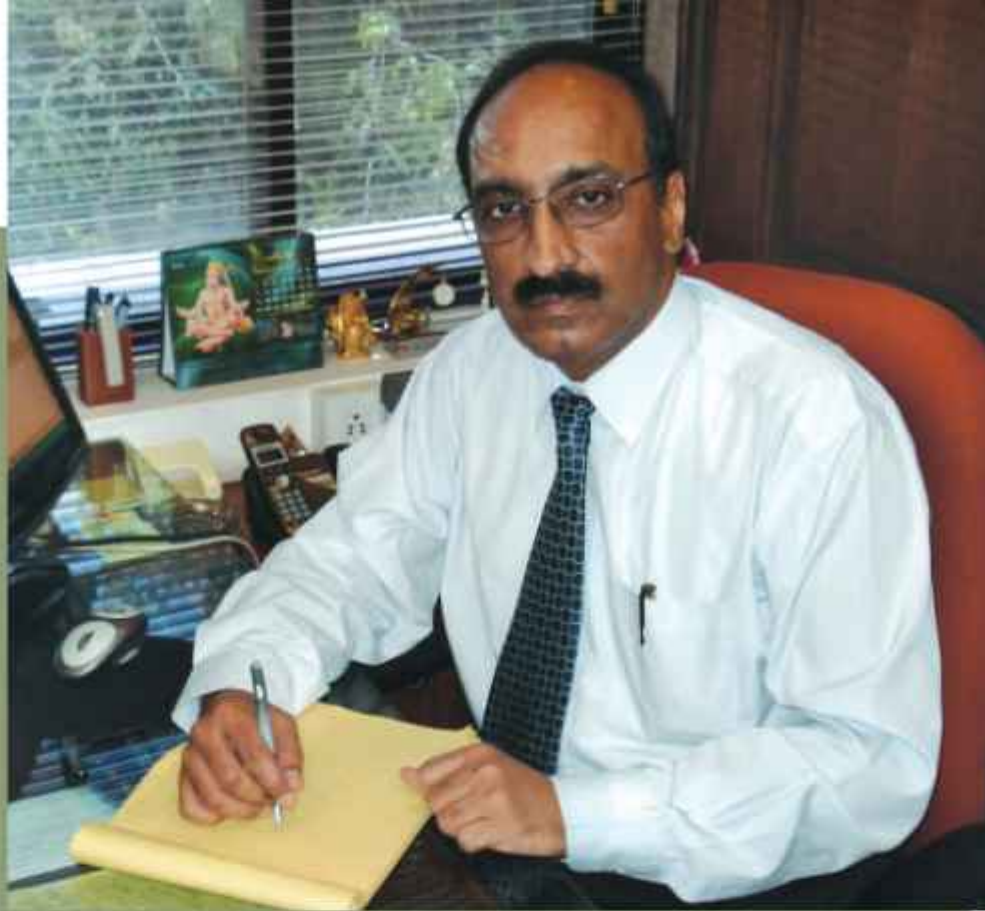
#407, Fifth Floor, Pavani Plaza, Khairatabad, Hyderabad - 500 004

Tel : + 91 40 2330 0061, 2330 0626 Fax: + 91 40 2330 0665 www.gatewaymedia.in

www.maritimegateway.com

Established in 1997, Pennon Shipping is primarily a ship agency with focus on forwarding containers and breakbulk activities for shipowners and shipping companies, both nationally and internationally. With offices at all the east coast ports, the company is into ship handling, container handling and provides other related shipping services. Pennon is also an agent for PACC Container Lines, which is a subsidiary of Pacific Container Lines.

PACC runs feeder services from Kolkata to Singapore and Port Klang. Pennon is one of those umpteen companies whose business operations are affected by the poor performance of Haldia and Kolkata docks. **Ashok Janakiram**, Director, Pennon Shipping, shares his thoughts with **Ramprasad** on their current stalemate at Haldia and the probable solution.



Rough Sailing

Q What is the current focus of Pennon?

Our thrust is more into developing our freight forwarding activities along with the shipping activities. Lately, we have planned to enter into barge operations for anchorage operations. As the Kolkata and Haldia docks face severe draft issues, we move cargo through barges between the anchorage and the port. These barges can carry both bulk and container cargo and will take delivery in the month of May and commence operations.

We are also trying to set up more contacts in the Indian ports and have our offices as well. We are into ship surveying as well. This is basically a Japanese company, where we have a shareholding. Therefore, we offer a single window kind of services in shipping and shipping related activities to our customers.

We are looking at setting up a CFS at Haldia, where there is good demand

but has only one CFS operating right now. We have a large bit of land very close to the port which we intend to use for the CFS. We expect to get the approval from the Ministry of Commerce in two to three months. If that is up, maybe we can provide a little extra service to our customers, whose costs are rising owing to constraints at the port.

Q You mentioned that there are a lot of constraints that the customers are facing. Could you elaborate on them?

The biggest constraint is the draft. The port is unable to maintain a reasonable draft owing to sedimentation. Poor and inadequate dredging has only added to the problems. So, this makes it unviable for the customers like shipowners and the overall running costs have increased. Even if a ship comes to the lighterage point, it again has an additional handling cost that shipowner has to pay.

Another major problem that we have observed over the years is that the port, as such, has not invested in the infrastructure. The port management has not only failed to equip themselves with proper cargo-handling equipment, but also has not provided a level-playing field for the private entrepreneurs to come and invest in this infrastructure. This port has always tried to control things, without providing a congenial environment for the private players to operate. Add to this the political restlessness in the state and the result is that people today are not willing to invest in the port. All these factors resulted in non-performance of the port, which again resulted in cargo shying away from the port and increase of costs. Ironically, this port is the lifeline to a vast hinterland covering the entire eastern and northeastern regions as well as Nepal and Bhutan. In spite of the huge potential, high-handedness and negligence of the port administration has resulted in the current status. For example, the imports of project cargo have been on the rise in the last two years in spite of the limitations that this port has. But the cost to the users is only increasing.

Q Do you see any alternative to this situation?

The alternative I see is that the port has to allow private participation in a more open way. The port has to restrict itself to providing river facilities and storage facilities to the trade. All the other logistics operations need to be privatised. Only then efficiency of the port will

increase. Under the present Major Port Trusts Act, accountability is lacking. When there is no accountability, the port user will be left with insecurity every time he transacts with the port. Therefore, by privatising, accountability will increase and hence, the efficiency.

Q What is the status of the container market today?

As I see, the imports are looking steady, at least to the east coast ports. There had been a good movement of containers even during the recession. Exports too, of late, have picked up. I wouldn't say a big increase, but a marginal increase is visible now. Speaking in rate terms, the fall was steep at 60-65 per cent during recession. But the increase is happening only at 5-10 per cent. So there is an indication of increase in rates.

Q But there is a complaint that the rates are frequently hiked. What is your comment on this?

As far as exports are concerned, I feel that the trade is enjoying the best possible rates today. It isn't very much – compared to the fall, it is only about 10 per cent, like I said earlier. If the business is there and is growing, I don't think that the trade should feel out of competition. Ultimately, I feel that it is the mutual existence / co-existence of the shipping lines and the trade. Unless the shipping is also able to survive the present situation, the equation will not be balanced.

Q As a feeder operator, what is your take on the coastal movement of container cargo?

Coastal movement of cargo has been restricted a lot due to the Cabotage Law of the government. There is a lot of foreign tonnage available, but we are not in a position to make use of it. The Cabotage Law does not permit foreign vessels to operate in coastal shipping. On the other hand, the Indian shipowners are not able to provide the necessary tonnage due to lack of capacity. So there is a huge imbalance in the movement of cargo in the coastal shipping. If the government could allow foreign vessels, it will cut costs as well as be able to position the empties. So, I don't think the government should really be concerned in any way about moving containers on a foreign flag vessel along the coast.

Q What are the top three issues that you would like the government to act upon?

As far as the port services are concerned, I would like more private participation to be opened up for logistics support and allow private people to set up and manage their own terminals. Secondly, bring in more foreign dredging companies to dredge this river so that the angle of accountability can be brought in. Presently the Dredging Corporation of India is the only authorised dredging company to do the task. But there is neither accountability nor any efficiency that is noticeable. Third is the land policy of the Kolkata Port, which dates back to 1962. There is a lot of land around the port lying vacant and not being utilised. The port has a policy of leasing the land only for 15 years and collecting a premium of 4 years rent in advance, which is non-refundable. The successful bidder, who develops and runs the property will have to hand it over back to the port after 15 years, which is too less a time. Therefore, nobody is coming forward to utilise the land. This is something which the Ministry of Shipping should really look into. 

GST will act as a positive step towards the organised piece of the market growing bigger. However, the unorganised players will not suffer or be wiped out because the organised players will use them as partners.

TURNING BILLS INTO TOOLS

Using warehousing receipts as negotiable instruments

For a developing economy like India, the establishment of credit flows is crucial to the success of the financial system. Warehouse receipts provide a marketing tool to the emerging private sector by reducing the role of government agencies in agricultural commercialisation and contributing to the creation of cash and forward markets.

by Radhika Rani G

India is emerging as an important player in global trade. As consumption levels increase and commodity trading picks up pace, there is a dire need to meet the growing demand for an efficient supply chain capacity. Though the warehousing space in India is 1,800 million square feet, the share of organised warehousing is only 144 million square feet or just 8 per cent of the total.

At a juncture when Indian imports and exports gear up to meet the retail and utilisation demands the world over and when India requires a host of logistics hubs for its farm sector, it is time to evaluate the existing system. It is also time, as experts point out, for the industry to brace up for more capital flow in this key segment of supply chain management. "We need radical thinking to transform this sector and generate Rs 1,00,000 crore of investment as the warehousing sector requires such a capital," exerts Capt Sanjeev Rishi, advisor to ICD Loni.

Also, as agri-logistics is yet to get its due in a farm-based economy such as India despite the government giving a fillip, it calls for more capital allocation from service providers. Private participation, says B B Pattanaik, CMD of Central Warehousing Corporation, is the need of the hour in building infrastructure and developing logistics hubs, more specifically storage capacities.

However, the farm sector is hardly aware of the changing dynamics in the commodities supply management. At best, they are familiar with godowns of the Food Corporation of India to stock their produce because Indian warehousing per se lacks quality, penetration and the much required spread. If more warehouses are needed as part of the penetration drive, more financing of warehouse receipts is required for transparency and buoyancy in trade. This initiative could well serve as a boon not just to farmers but also supply chain players, say experts.

TRADE BOON

Warehouse receipt, a seemingly familiar mechanism around the globe, simply implies bills used in futures markets to guarantee the quantity and quality of a particular commodity being stored within an approved facility. As per trade, they stand as a proof that settle expiring contracts and are often used when settling futures contracts of precious commodities. In short, they are a method of collateralising crops and lowering the risk to the lender, thereby lowering financing charges to the borrower.

In the light of the difficulties faced by farmers in obtaining finance for agriculture, warehouse receipt finance has emerged as an attractive alternative for farmers and processors in the developed world, say Nachiket Mor of ICICI Foundation and Dr Kshama Fernandes, researchers in the field. "Being negotiable instruments, these receipts can be traded, sold,

swapped, used as collateral to support borrowing, or accepted for delivery against a derivative instrument such as a futures contract," they explain.

Warehouse receipt financing, they say, has become a fairly mainstream method of financing in most industrialised countries and there is evidence that the overall efficiency of markets, particularly in the agribusiness sector, is greatly enhanced when producers and commercial entities can convert inventories of farm raw materials or finished products into a readily tradable device.

It may be noted that warehouse receipts in the United States are deemed to enhance the presence of performance guarantees thereby improving the integrity of the warehouse system. They have been serving as negotiable instruments in managing and liquidating the huge grain inventories.



COMMERCIAL EDGE

As there are many corporates in the business of procuring agri-commodities on a large scale, the receipts can be of help to them, as the commodities stacked in the warehouses can be taken as collateral. By doing so, corporate companies can free themselves of blocking their capital during the time of procurement. The risk of loss of value of the collateral, say experts, can also be reduced by monitoring movement in the market value and using price risk management instruments.

As for farmers, the bills help them meet their immediate credit requirements. Also, the uncertainty of a reasonable remunerative price can be overcome as the rural producers can reap the advantage of their goods or a good crop stacked well in storage houses and also the benefits of higher price. The receipts can therefore lower the access barriers.

The system, say bankers, will help formalise trade transactions as a

track record on farm activities can be put in place and genuine borrowers can be effectively screened without much delay. More importantly, the receipts enable banks to capitalise rural trade by reducing their monitoring costs and pepping up commercial lending to the farm sector.

And for companies trading in the futures market, a tripartite agreement reached by them with the bank and the farmer can help in buying commodities at a future price. In other words, the company can cover its risk by using commodity futures. Because conventionally, the corporates purchase raw materials upfront from farmers at the time of harvest and then place the stock in the warehouse. But following an understanding with the parties concerned, the bank can extend higher finance to the farmer against the warehouse receipt and eventually, the company's payment is adjusted against the farmer's loan and the surplus is credited to his savings account.



“Agri logistics is one area neglected by the service providers as the returns are low. The government is offering attractive incentives for service providers and so it makes business sense for the industry to grab the offer and enter agri logistics actively. More so, trading of warehouse receipts should be allowed for bringing in transparency and boost the farmer community.”

- B B Pattanaik

CMD, Central Warehousing Corporation

What is a Warehouse Receipt?

It is a receipt used in futures markets to guarantee the quantity and quality of a particular commodity being stored within an approved facility. Rather than delivering the actual commodity, warehouse receipts are used to settle expiring futures contracts, says Investopedia. Also referred to as a vault receipt, they are most often used when settling futures contracts that have precious metals as their underlying commodities.

Preconditions for viability

The legal system must support warehouse receipts as secure collateral. The pertinent legislation must meet several conditions:

- Warehouse receipts must be functionally equivalent to stored commodities
- The rights, liabilities, and duties of each party to a warehouse receipt (a farmer, a bank, or a warehouseman) must be clearly defined
- Warehouse receipts must be freely transferable by delivery and endorsement
- The holder of a warehouse receipt must be first in line to receive the stored goods or their fungible equivalent on liquidation or default of the warehouse; and
- The prospective recipient of a warehouse receipt should be able to determine, before acceptance, if there is a competing claim on the collateral underlying the receipt.

Operational conditions must be conducive to the creation of a warehouse receipt system and include the following:

- Reliable warehouse certification, guaranteeing basic physical and financial standards
- The existence of independent determination and verification of the quantity and the quality of stored commodities; based on a national grading system; and
- The availability of property and casualty insurance.

INDIA INFANCY

However, warehouse receipts are yet to become a popular method of financing in India and the concern among trade pertains to a few institutional and structural shortcomings. Economists Richard Lacroix and Panos Varangis, who have been observing transition economies, point out three main inadequacies:

- Lack of incentives for development of a private storage industry owing to government intervention in agricultural markets – usually by setting support prices that take insufficient account of price variations over time or in different regions to allow for profitable storage;
- Lack of an appropriate legal, regulatory, and institutional environment to support a system of warehouse receipts; and
- Limited, if any, familiarity of the country's commercial, including its banking, community with warehouse receipts.

These receipts are yet to be deemed as bankable assets by all financial institutions although three large public sector banks and one private sector bank have so far extended finance against them. And for the commodities market, identifying warehouses and creating infrastructure is a task in hand.

Although India has three electronic commodity exchanges – the National



Warehousing receipts should be bankable assets and banks should be able to finance against them. The government should allow trading of receipts at national level with guaranteed payments.

- Capt Sanjeev Rishi
Advisor to ICD Loni

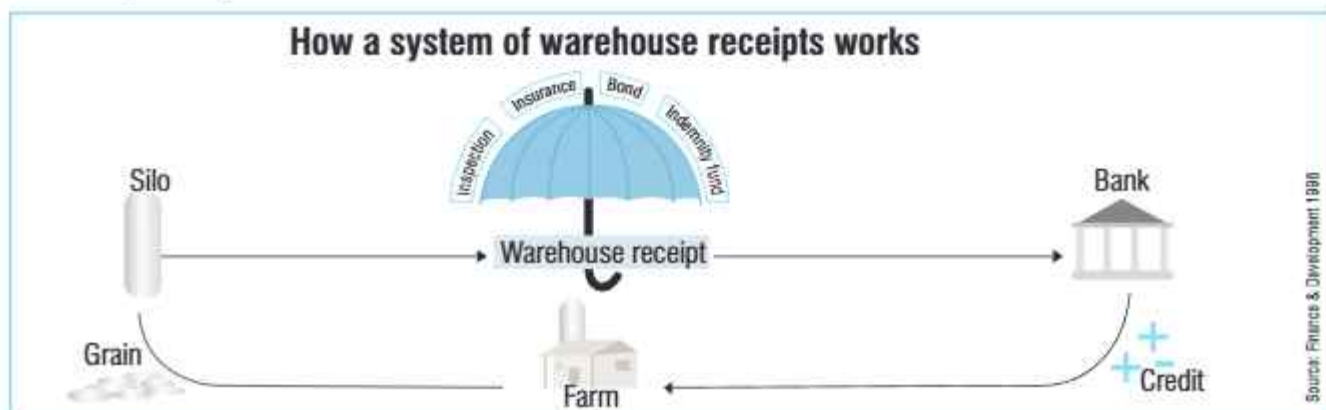
Commodities and Derivatives Exchange Ltd. (NCDEX), the Multi-Commodity Exchange Ltd. (MCX), Mumbai and the National Multi-Commodity Exchange Ltd. (NMCE), Ahmedabad, there is no specific platform for spot-trading thanks to the limited opportunity in disposing of physical commodities. Despite efforts being put by these exchanges in developing a physical infrastructure with the help of the Central Warehousing Corporation, a pronounced development of the commodities market can be ensured if the limitation of warehouses in a physical form can be overcome.

For instance, Shree Shubham Logistics has entered into a tie-up with the Union Bank of India for warehouse receipt financing solutions through which farmers can have access to credit without difficulty. According to the tie-up, Shubham will offer end-to-end

solutions to the commodity stakeholders in farm and non-farm segment across India. The company will also be the service provider.

More recently, the State Bank of India extended its concessional interest loan offer to farmers till June 30 this year. As per the scheme, farmers can avail loans up to Rs 10 lakh against warehouse and cold storage receipts at a fixed interest rate of 8 per cent for the first 12 months in respect of loans sanctioned and disbursed till the end of June. In the second and third years, the interest will be 9 per cent and the rates will go back to floating from the fourth year, the bank says. Similarly, HDFC Bank too launched a dual rate scheme, under which it offers a fixed rate of 8.25 per cent up to March 2011, then 9 per cent for the next one year and the prevailing floating rate for the remainder of the loan tenure.

How a system of warehouse receipts works



LEGAL ANGLE

If there are any drawbacks, they pertain to the legal framework in which the warehouse receipts system works. According to the Reserve Bank of India's Working Group report, warehouse receipts, to work efficiently, require a recognised foundation in law ensuring that the ownership established by the receipts is not challenged. The receipts must therefore be functionally equivalent to stored commodities with well-defined rights, liabilities, and duties of each party, for example, a farmer, a bank, or a warehouseman.

The receipts, the report notes, must be freely transferable by delivery and endorsement and the receipt holder must be the first in line to receive the stored goods or their fungible equivalent on liquidation or default of the warehouse. A robust legal framework is a prerequisite to warehouse receipts being treated as secure collateral, the report adds.

Key suggestions from/for trade

- Need for a guarantee of return and a recurring income or assured business to the warehouse
- Warehousing receipts need to be traded at the national level with guaranteed payments
- Banks should be able to finance against warehousing receipts
- Warehousing receipts should be bankable assets
- All buyers and sellers to be nominated a particular warehouse in the designated area for giving and taking delivery, to help in providing recurring business to warehouses
- Spot exchanges to hire warehouses on a monthly rental which can assure monthly income for the latter
- Land prices for warehouses to be subsidised with waiver on stamp duty thereby reducing capital costs
- Easy loans with subsidised interest rates for setting up warehouses.



Also essential is a warehouse infrastructure, grading and collateral management system that provides guarantees on quality, quantity and storage of commodities, thus assuring that the quantities of goods stored match those specified by the warehouse receipt and also their quality is the same as stated on the receipt. This, says Nachiket Mor, will give farmers the confidence to store their produce and banks the comfort to accept warehouse receipts as secure collateral for financing agricultural inventories.

In addition, a special warehouse-receipt act could complete the legal foundation for an effective system of warehouse receipts, according to Richard Lacroix and Panos Varangis.

"In order to work well, warehouse receipts need a recognised basis in law, so that the ownership established by the receipt is not challenged. Equally important are provisions for performance guarantees and the establishment of systems for warehouse inspection and crop-quality determination," they add.

The need of the hour for farm-rich India is therefore to improve the efficiency of its agribusiness sector by helping producers and commercial entities to convert inventories into bankable devices. As reiterated, to sell, swap and serve should be the bottom line of these negotiable instruments. **MC**

Wondering which port to choose for your business?



As India braces up to be a global player in the maritime sector focussing on the state-of-the-art port infrastructure, sophisticated greenfield ports and competitive trade practices, it's time for a reality check. Maritime Gateway presents to you the first ever comprehensive and the most up-to-date survey on the Indian ports – The Indian Ports Survey. The survey offers a holistic and in-depth analysis of the quality of services at ports and features a Customer Satisfaction Index.

20 Indian Ports
700 Users

Report



Presented by

maritime
gateway

Market Research & Analysis by



Supported by



gateway
M E D I A

Gateway Media Pvt. Ltd.

407, Fifth Floor, Pavani Plaza, Khairatabad, Hyderabad - 500 004

Tel : +91 40 2330 0061, 2330 0626 Fax : +91 40 2330 0665

Coal Imports Inevitable

India is one of those nations that has committed to huge reductions in carbon emissions over the next decade. Ironically, the country is also looking at increasing its coal imports over the years to meet the widening gap between its energy demands and supply of domestic coal.

by *Sreekumar Raghavan*



India is in a delicate situation due to the massive power shortage it is experiencing. Last year, the country faced a 16.6 per cent shortfall during hours of peak consumption and a 9.9 per cent gap for energy generation. At the same time, being the fourth largest carbon emitter, it has committed to carbon reduction of 20-25 per cent by 2020, from the present levels by investing in renewable energy.

With coal being the major fuel used in power generation, the country is increasing its reliance on this fuel for the capacities under development. Though massive coal resources are spread across the country, much of it lies trapped in conservation forests and inaccessible land. Therefore, shortfall in domestic coal is being easily met by imports.

To add to this equation, there are also lesser polluting alternatives competing with coal like natural gas that can be used as fuel in thermal power generation plants.

At present, more than 70 per cent of the power plants in India are coal-fired as that is a cheaper fuel source. The country plans to add 78.7 GW of power generation during the five years ending March 2012 and about half of this capacity will use coal. During the year 2008-09, total import of coal is estimated to be around 59.0 million tonnes comprising of 24.00 million tonnes of coking coal and 35.00 million tonnes of non-coking coal.

Domestic production

Currently, India has 10 per cent of the world's coal reserves, the biggest after the United States, Russia and China. Geological Survey of India (GSI) survey shows a cumulative total of 267.21 billion tonnes of geological resources of coal as in April 2009, which include resources beneath barren land and forest cover area as well. Sriprakash Jaiswal, Minister of State for Coal pointed out recently that the country needs to augment domestic production from all the available resources for meeting the projected demand for energy.

Coal demand has reached a level of about 550 million tonnes in 2008-09. It is expected to rise to over 2 billion tonnes by 2031-32. While the public sector is leading in production, the Government has increased the number of players by allotting the number of captive blocks to augment the production within the existing legislative framework.

The all-India coal production had improved to 492.95 million tonnes in 2008-09 from 457.08 million tonnes in 2007-08, thus up by 7.8 per cent over the previous year. According to the Provisional Coal Statistics, out of about 36 million tonnes increase in production, Coal India Ltd. (CIL) and Singareni Coal Company Ltd. (SCCL) contributed 24 million tonnes and 4 million tonnes respectively, rest 8 million tonnes from captive blocks.

Indian coal is traditionally of high ash and low calorific value. Imported coking coal, mostly from Australia, was mainly used in steel sector on quality consideration. On the other hand, non-coking coal, mostly imported from Indonesia and South Africa, is used in power and cement sectors also mainly on cost/ quality consideration.

Therefore, the Coal Ministry is now more concerned about strengthening the infrastructure for coal movement and coal handling and port infrastructure for facilitating large-scale imports. By conservative



“The Coal Ministry is now more concerned about strengthening the infrastructure for coal movement and coal handling and port infrastructure for facilitating large-scale imports.”

estimates, India would need to import 60-100 million tonnes of coal annually over the next decade which could affect sea-borne trade in coal and lead to swing in global prices, according to energy analysts.

Clean coal

If India were to use more of coal, it needs to invest in carbon capture and storage and carbon sequestration technologies which are quite costly and at implementation stages in various countries and it remains

doubtful how far our power utilities and consuming industries could invest in such technologies to cut greenhouse gas emissions.

Jaiswal said power sector has to adopt technologies for improving the efficiency of energy utilisation from coal in order to reduce emission levels of greenhouse gases. He has also aptly underlined the need to have innovations at the mining stage itself. To promote research in clean coal technology and subsequent development and deployment, more detailed countermeasures are required to ensure the reliability and economy of commercial-scale utilisation of clean coal technologies.

There is urgent need for adoption of clean coal technologies including coal washing, coal bed methane, coal mine methane, underground coal gasification and coal liquefaction as these are also important in improving the coal usage in an environment-friendly manner,” he said at a recent global summit in Delhi. He said coal sector must adopt best practices and state-of-the-art technologies for improving production, productivity and safety to be competitive in the market.



Energy sector and coal import

Power utilities would import 48 million tonnes of coal from Australia, Indonesia and South Africa next financial year (2010-11) to ensure regular fuel supply to the generating plants, Power Secretary H S Brahma said recently. "Power utilities (public and private) would import 48 million tonnes of coal next fiscal (2010-11)." Coal would be sourced from Australia, Indonesia and South Africa. "Both public and private power companies would import the coal from Australia, Indonesia and South Africa," Brahma said. The companies have already imported 19 million tonnes of coal from the targeted 28 million tonnes during the current fiscal (2009-10).

Fitch Ratings anticipates that only 30 per cent of the new energy capacity planned during the Eleventh Five-year Plan (2007-2012) will be completed in the first three years to end-March 2010. Demand for power remains robust despite the slowdown in GDP growth to 6.4 per cent in 2009 (2003-2007: 8.8 per cent). Fitch's 7 per cent forecast in GDP growth for 2010, and 8 per cent for 2011, is likely lead to power demand growth increasing again. Fitch expects that domestic coal will

continue to be the fuel of choice, with coal imports providing a back-up source of supply.

Coal will provide more than half of the country's energy needs at least until 2030, the government's Integrated Energy Policy report reveals. Coal consumption is projected to increase by at least 400 per cent during that time, *The New York Times* reported. At that rate, India could emit between 4 billion and 6 billion tonnes of carbon dioxide each year, approaching the current emission levels of the United States, the report shows. "While others are worrying about global warming, India's energy elite fret mainly about how to secure enough coal," David Victor, a professor at the School of International Relations and Pacific Studies at the University of California, San Diego, recently wrote in the *Boston Review*.

Global coal prices

Global coal prices are affected by demand from power utilities and from competing fuel, natural gas. Higher coal prices force utilities to switch to natural gas. Growth in sea borne demand for coal could push prices up to US\$ 50 per tonne or even US\$ 70 per tonne as the size of the market is only 500 million

tonnes. However, stricter carbon emission control regimes in European Union can shrink the sea-borne trade to below 400 million tonnes and hence the prices could be very volatile in the medium to long term, analysts said.

Pragmatic policy

India has company when it comes to promoting coal – large producers Australia, South Africa and Indonesia. The recent visit of an Australian delegation led by Martin Ferguson, Minister for Resources, Energy and Tourism, in New Delhi has opened up bilateral cooperation in the field of coal mining with Indian mining companies being invited to start joint ventures in Australia.

Ferguson said large investments are planned to upgrade the rail, road and port infrastructure over the next four to five years in Australia, which will facilitate greater exports of coal and other resources. Therefore, Australia would continue to remain a reliable long-term source of coal supply to India.

India needs to take a pragmatic policy to maintain a balance between its energy security and carbon emissions. On the one hand, it has committed to huge investments in solar and wind energy in private and public sector, but on the other hand, it badly needs more coal to meet its energy shortfall and to address critical shortages in cement, steel and iron industry. The need to control carbon emissions calls for massive investments in carbon capture systems and technologies for which even indigenous research has to be given a boost. How well it manages to balance it all, amidst rising coal demand is going to be eagerly watched globally in the coming two decades. 



Sree Kumar Raghavan, a senior business journalist is Managing Editor, *Commodity Online*, India's largest vertical on commodities headquartered in Cochin, Kerala.

Indian Railways has held Coal India Limited (CIL) responsible for piling up of coal at its mineheads during recent months. A recent statement by the Ministry of Railways has mentioned that despite CIL's claim of inadequate availability of rakes, leading to the pile-up, there has never been any shortage of rakes from the railways. CIL is yet to provide clarification to the railways' claim.

The statement by the railways has noted that it achieved a coal loading of approximately 179 rakes per day in March 2010 itself for CIL. The railways pointed out that this has been achieved despite inclement foggy weather conditions during January 2010 in north India and deteriorating law and order situation in the eastern states which hampered railways operations substantially.

According to the railways, despite the availability of rakes for loading, CIL could only load 153.6 rakes per day (First Quarter), 145 rakes per day (Q2) and 162 rakes per day (Q3). As a result, the requirement of rakes in the Fourth Quarter accumulated to more than 200 rakes per day as against the original requirement of 180 rakes, leading to stock accumulation. IR achieved a loading of approximately 179 rakes per day in March, 2010.

Now as per the railways, transportation capacities lost in the first six months cannot be made good in a bunched manner in the last period. This is when the railways had also to evacuate approximately 21-23 million tonnes of imported coal for thermal power stations through its available rakes from the Indian ports that arrived in the Fourth Quarter. There has been an increase of approximately 7 million tonnes of imported coal over last year.

This spurt in imports, officials allege, is due to CIL's failure in providing adequate coal to its customers. Additional rakes therefore had to be deployed for the evacuation of imported coal from the ports.



The Coal Chaos

Contention over wagon loading brews between the Indian Railways and the Coal India Limited, even as the power and steel sectors continue to face coal shortage. A **Maritime Gateway** report.

Although CIL has projected a sharp increase in stocks, it did not take necessary steps to increase the speed of loading. According to railway sources, approximately 30 rakes per day were idling due to CIL's inability to load to full potential in the first week of April 2010. As against a projected requirement of 190 rakes per day, the loading has been done at the rate of 160-162 rakes per day. With deficient coal loading by CIL, the situation is likely to get repeated in the present year as well. According to the Railway Ministry, the issue has been brought to the notice of Ministry of Coal. However, no necessary measures have been taken to speed up the evacuation process.

But what lies behind this vicious cycle that has been occurring every year? When CIL shifted from a

linkage regime to a Fuel Supply Agreement (FSA) regime, it had been decided by an Inter-Ministerial group that all FSAs will be routed through the Ministry of Railways for taking into account logistics issues. This was however not complied with by CIL, thereby affecting all the plans that railways had made for the smooth flow of cargo.

Shortage of BOX-N wagons

The railways claims that there is adequate rake availability. However, according to coal consumers there is persisting shortage of BOX-N wagons for hauling coal. Surprisingly, even the railways own record seems to corroborate this. The railways had 61,543 BOX-N wagons during the year 2009 down from 62,979 units during 2008.

Wagon shortages lead to stockpiling at mine heads. It also slows down coal loading. As per Shyam Sunder Beriwal, chairman, Shyam Steel Industry, "on many occasion, owing to shortage of BOX-N wagons, the railways continue to provide covered BCN/A and BCX (mainly for food grains and cement) wagons to CIL. This slows down loading and unloading, because loading and unloading functions have to be done manually". Shyam Steel is a secondary steel producer and CIL's customer. Similar views are endorsed by Mr. Bikash Roychowdhury, CEO, Adhunik Corporation Limited, another major secondary steel producer and CIL's customer.

Shortage of BOX-N wagons has continued to create pressure on wagon loading. According to CIL sources, it had made a highest ever wagon loading at a level of 22,900 four-wheeled wagons (FWW) per day during the year 2008-09, surpassing the previous highest of 22,417 FWW during the previous year. Wagon demand has been firm owing to higher volumes of coal requirement from power and steel producers. Loading has been high even during economic recession.

As per CIL sources, wagon loading targets by all of its subsidiaries had been at 97.50 per cent in the year

The Railways has begun to decongest its main arterial routes. An appropriate coal evacuation plan needs to be developed to minimise wagon detention.

2003-04. While for certain subsidiaries of CIL, wagon loading has been more than 100 per cent. Similar high loading trend has prevailed during recent years as well.

Route bottlenecks

Shortage of rake is coupled with ongoing serious route congestion. The line occupancy ratio is more than 120 per cent on Eastern, South Eastern and East Coast railway routes, which come under the prime coal loading zone for Coal India.

K L Bhowmick, Chief (Port Operations) TM International Logistics Limited, attributes the high line occupancy ratio to growing freight movement of coal traffic for secondary steel producers and sponge iron units. TM international is the coal berth operator at Haldia Port. Added to movement of coal traffic, transportation of coal cargo is also high on the route for power plants, located in the belt.

To enhance the wagon availability for coal loading, the railways have recently adopted the CC+ 8 tonnes formula. Under the the CC+ formula, an excess 8 tonnes of coal or iron ore above the existing capacity of 24 tonnes will be loaded into each of BOX-N wagons. Further, wagon leasing schemes and terminal development have been initiated to bridge the gap. However, according to Rinkesh Roy, director Traffic & Transport, Ministry of Railways,

"attention has to be given by CIL on extended wagon detentions at mine heads and terminals. Role of intermediaries in mines leading to anomalies in loading of wagons hindered dispatch or tardy off take has to be equally addressed by CIL." A fact agreed by a good number of CIL customers.

However, it would be important to create infrastructure. According to P N Shukla, director (Operations & Business Development) Dedicated Freight Corridor Corporation of India, "the answer to logistics constraints faced by railways and CIL for transporting coal lies in creating the Eastern and Western Railway corridor on the Golden Quadrilateral link. However, de-bottlenecking the existing railway arterial link, connecting the corridor has to be addressed much before."

CIL's vital customer base, comprising power and steel producing utilities in east, west and north India are served through the saturated GQ link supported by the railway's arterial routes. The arterial links originate from CIL's loading points.

IR has begun to decongest its main arterial routes. This has been through making advancements in signalling and telecommunications, increasing speed of freight trains, enhancing axle loads and doubling lines etc. However, given the large-scale expansion plans by the coal consumers in the coming years, the measures would require sustained and quicker execution. Also, an appropriate coal evacuation plan needs to be developed to minimise wagon detention.

CIL has drawn up an ambitious target to produce 520.5 million tonnes of coal by the end of the Eleventh Plan period (2011-2012). This is primarily on account of burgeoning projected coal demand from the power sector during the Eleventh Plan (2007-2012), which is estimated to reach 70,000 MW – bulk of which would be generated through thermal power utilities. 

COAL INDIA LTD.

(Million Tonnes) (Provisional)

Sector	Target Offtake	Actual Offtake Target	Supply % against
Power	327.10	320.54	97.82%
Steel	13.43	10.98	81.8%
Loco	0	0	0
Cement	8.78	9.06	103.1%
Fertilizer	2.54	2.48	97.6%
Others	41.53	48.62	117.1%
Colly.Cons.	0.74	0.74	100%
Total	404.97	401.41	99.12%

Source: CIL

NOTE: The actual coal offtake during 2008-09 indicates the shortfall in coal offtake by CIL customers. The major reason is attributed to logistics constraints.

The Report Card

Nazery Khalid, Senior Fellow at Maritime Institute of Malaysia, looks at the current trends in global shipbuilding and the impacts of the recession and financial crisis on the industry, and projects its near-term direction.

by **Nazery Khalid**

"It's tough to make predictions, especially about the future" (Yogi Berra)

Shipbuilding: A strategic industry

Shipbuilding is a crucial activity that provides equilibrium between the demand and supply in the merchant shipping sector. When demand for a particular type of cargo is high, the demand for the ship carrying that cargo also rises. So to meet the

demand, owners and operators of vessels in that trade place orders at shipyards specialising in building that type of ship, and shipyards respond to the orders by cranking up the production to build those ships.

The global shipbuilding industry was estimated to value an astonishing US\$ 100 billion, according to a

Bloomberg report dated December 2006. This should not come as a surprise considering that an estimated 80 per cent of the world's trade (by volume) is carried in whole or in part by seaborne transport (UNCTAD, 2009), and numerous vessels of all kinds ply the world's waterways to undertake and



facilitate a stunning array of activities. These include the transportation of cargos, dredging, search and rescue, environmental clean-up, oil and gas exploration and production, cable and pipe laying, scientific research, fisheries, project construction, naval warfare and patrols, among many others. Rising raw materials such as steel that makes up much of a ship's structure also contributes to the price of ships and hence astounding value of the industry.

Given the demand-derived nature of shipping, it can be said that it presents a fair representation of the state of health of global economy and trade. On the same account, the shipbuilding industry also provides a similarly reliable testimony to the global economic and trade performance. There is indeed a strong and direct correlation between the performance of shipbuilding and the global economy and trade. Shipbuilding activities rise when global trade and economy is on the rise, and when the financial sector is awash with liquidity and riding on investors' confidence. On the other hand, shipbuilding will be among the first activities to be adversely affected when trade slumps, the economy coughs and the financial markets sneeze. This puts shipbuilding at the forefront of one

of the world's strategic and most important economic activities.

On the same token, ship repairing, which is often carried out at shipyards where shipbuilding activities also take place, also assumes a critical role in facilitating seaborne transport. Ships need to be serviced regularly and undergo repair and maintenance to recover from the wear and tear of going on long voyages across great distances and in challenging conditions. To ensure optimal performance, ships have to be subjected to periodical repairing and scheduled maintenance works. Undertaking these activities provide a good source of revenues for shipyards, in addition to building vessels. As seaborne trade volumes grow and more ships are deployed to carry all types of cargos and undertake various activities, the demand for ship repairing services also increases in tandem.

Trends in shipbuilding

Prior to the emergence of Korean and Japanese shipbuilding sector on the world stage after World War II, European yards dominated the world shipbuilding industry. While shipbuilding still thrives in Europe, they are focussing more on the so-called 'Lexus class' vessels such as in the chemical tanker trade, offshore support vessels (OSV), seismic

vessels and naval ships. For example, BAE in England specialises on building naval ships, while Aker Yards in Norway focusses on building cruise and ice-class ships plus a variety of OSVs. During the height of the newbuilding frenzy prior to the global economic downturn, there was an upsurge in demand for berths in European yards which had lost out to Asian yards. This was a result of the spillover from Asian yards which could not cope with tremendous demand. They have long conceded that they could not compete with the low labour and land costs and economies of scale that yards in Asia enjoy.

A noticeable trend in global shipbuilding in the last two decades are so is the emergence of yards in developing nations. China has emerged as a serious player in certain sectors such as in bulk, gas and container. Emerging yards in India, Vietnam and Malaysia focussing on small and medium-sized vessels and even catering for the export markets has also been noticeable. They enjoy healthy orderbooks and even produce for export markets, as yards in Korea and Japan struggle to cope with tremendous global demand. Some yards in these developing countries have even benefited from alliances with more established yards who offer technologies and processes that have improved their productivity, efficiency and product and services offerings.

As a result of the shipbuilding boom in these countries, investments from established foreign yards poured in. Aker Yards of Norway for example has invested significantly in its yards in Malaysia, Indonesia and Vietnam, which provides testimony to the growing attraction of developing nations to established international shipyards due to their lower cost of production and growing demand for shipping services.

Another unmistakable trend is the increased order for bigger and more sophisticated vessels. The pursuit of



economies of scale has driven owners to order bigger ships to capitalise on booming global seaborne trade. In the container sector, ships with larger capacity are being built. Several 11,000 plus TEU vessels are already in operation, while orders have been placed for 14,000 TEU vessels. A 16,000-TEU behemoth is already on the design board at Samsung, one of Korea's and the world's top yards. Shipping analysts have even visualised the construction of an ultra large container vessel with an astounding capacity of 22,000 TEU as technically possible. In the tanker trade, the biggest ULCC is a whopping 550,000 DWT behemoth. These giant vessels amazingly require only a small number of crew to man. A typical gas tanker in the Aframax class (oil tanker smaller than 120,000 DWT and with a breadth above 32.3 m) requires a mere crew of 15 to sail, thanks to its advanced ship features and sophisticated onboard electronics and equipment.

In the passenger ship category, the construction of giant cruise ships that can carry passengers has been planned. Royal Caribbean International has ordered from Aker Yards a passenger ship that can accommodate 6,400 passengers, the largest in the world to date. If that is not impressive enough, another giant cruise ship, *Princess Kaguya*, that can carry 8,400 passengers has been conceptualised by Japan Contents Network Inc.

New generation of OSVs powered by gas and equipped with Dynamic Positioning capabilities and tremendous bollard pull have been delivered to be deployed at harsh deepwater sites. Remotely Operated Vehicles (ROV) with the state-of-the-art technologies have also being built to assist in offshore oil and gas exploration and production. Then there are also floating storage offloading (FSO) vessels, floating production storage offloading (FPSO) vessels and floating liquefied natural gas (FLNG) vessels that

“There is a growing trend to build eco-friendly ships in line with rising awareness to reduce greenhouse gas emissions from vessels. Shipyards are also giving focus on ‘green logistics’ to reduce wastage and pollution along the supply chain.”

require tremendous design and engineering skills to cram many features onto limited space to get the job done in challenging conditions. In addition to vessels, yards are also building all types of offshore structures including rigs, platforms, topsides, jackets and drills to be deployed in offshore sites.

There is also a growing trend to build eco-friendly ships in line with rising awareness to reduce greenhouse gas emissions from vessels. Shipyards are also giving greater focus on ‘green logistics’ to reduce wastage and pollution along their supply chain. Their conduct will increasingly be informed and shaped by various national regulations and conventions introduced by the International Maritime Organization (IMO) governing activities such as ship design, ship operations and recycling and scrapping of vessels to ensure shipping activities are conducted in an environmentally friendly manner.

Another notable trend is the rising integration seen in the industry. More shipping companies are buying into shipyards to control their supply chain better and to create synergy.

One such example is MISC Bhd's purchase of MMHE, Malaysia's biggest yard, to align the energy carrier's business with the yards' capacity in building offshore structures and vessels to serve the offshore oil and gas industry. This underscores the importance of supply chain management among industry players to create differentiation and gain competitive edge in this very competitive field.

Impact of the global recession and financial crisis on shipyards

Given its role at the forefront of global seaborne trade and economic growth, it was not surprising that shipbuilding was one of the hardest hit of economic activities when global recession struck. At the first sign of the economic downturn that began in 2007 which was triggered by the financial crisis on Wall Street, demand for raw materials and manufactured goods collapsed. This resulted in dramatic decline in newbuilding orders at shipyards worldwide. From the 2006 peaks when yards enjoyed more orders than they could handle, they suddenly found themselves reeling from cancellation of orders, requests for delayed delivery by clients who have commissioned newbuildings and a near complete halt of fresh orders.

At the height of the newbuilding frenzy just prior to the financial crisis, builders and owners came under tremendous pressure from higher production and raw material costs. High prices of steel and aluminum plates and oil combined to push up prices of vessels. Delays in the delivery of engines and onboard marine equipment also contributed to high prices of newbuildings.

Despite many yards enjoying full orderbooks during the peak of the shipping boom prior to the global recession, some of them were ‘stuck’ with cheap contracts clinched years ago. This stemmed from the fact that ships take considerable amount of

time to build. In the case of huge, sophisticated vessels like chemical tankers and crude carriers, the entire process from construction to completion may take up to three years. The time lag could work against shipyards if they did not get the right balance between taking up orders and the pricing of orders.

It is foreseen that in reaction to the hard hitting impact of the economic crisis, yards maintain high prices and keep supply tight to hedge against fluctuations in the near future. They are expected to hold back berths to mitigate late deliveries of key equipment such as main engines as manufacturers scale back production due to lower demand. In turn, shipowners will be cautious to commission newbuildings at high prices to mitigate the oversupply situation prevailing in many shipping trades and the perception of persistent recession in the immediate future. As certain shipping trades such as bulk and tanker recover, more conversion work of vessels to serve those trades is expected to be commissioned. Amid the uncertainty of a full-scale recovery, and a tight credit market, converting vessels presents a more viable option to shipowners and operators as opposed to commissioning newbuildings.

The availability of financing is crucial to yard prosperity. One of the significant factors that contributed to the explosion in shipbuilding prior to the economic downturn was the availability of an abundant and relatively cheap financing. Financial institutions and investors were scrambling to lend and invest in



shipping at the height of its performance. This helped fuel shipbuilding to levels almost unsurpassed in the history of modern merchant shipping.

As financiers and shipowners tighten their purses and stay sidelined amid tentative recovery in the global economy, the impact will be significantly felt by shipyards. While some semblance of confidence is slowly back in the shipping industry after the huge blow delivered by the recession, there is still the specter of capacity overhang in certain shipping trades such as container. The entrance of new tonnage into these trades looks to cause an oversupply in the shipping market and that will take some time to correct. Despite

signs that China's economy is set to grow at a high rate and the global economy is poised to grow, thanks to massive stimulus packages introduced by many governments, it is not foreseen that a complete recovery is at hand. Shipyards look set to continue to come under pressure from cancelled orders, credit crunch, sidelined shipowners and a tentative recovery of the global economy.

Amid the cautious mood, shipyards will have to exercise extra caution in marketing their berths and not over-commit to new projects. Even the

noticeable pick-up in orders for certain types of vessels should not be seen as a sign that the shipping industry has made a full recovery. It would pay for them to exercise guarded optimism amid the improving sentiment in the industry. Economic and geo-political events, among others, can easily set back the fragile global economic recovery and the improving performance in the shipping and shipbuilding industry. Financiers and investors may pull back funding and investment in capital-intensive sectors such as shipbuilding again, and slam the brakes on its fragile recovery. The anxiety reverberating from the Greek debt crisis is evidenced of a jittery world economy which is quick to react negatively to such bad news.

Outlook for shipbuilding: The horizon ahead

With freight rates of certain shipping trades still depressed, one can expect demolition or scrapping activities on vessels servicing those trades carried out at yards. The container trade especially has seen more scrapping activities than other trades as it has been hit badly by the economic downturn. Shipowners of vessels

“One of the significant factors that contributed to the explosion in shipbuilding prior to the downturn was the availability of an abundant and relatively cheap financing. Institutions and investors were scrambling to lend and invest in shipping at the height of its performance.”

whose demand has faltered, like in the container trade, would try to salvage the situation by sending their vessels, especially ageing ones, to be scrapped to earn a bit of revenues rather than hanging on to them and not have any cargos to carry.

Many ships in various trades have also been laid up as they could not find work owing to poor global economy. However, even laid-up ships incur costs to shipowners as they need to maintain the engines and a minimal crew on board, in addition to paying fees to operators of laid-up anchorages. With certain trades showing signs of recovery, for example in the dry bulk sector, more laid-up tonnage will be brought out of their stupor to meet growing demand for their services.

While the trend of 'big getting bigger' in shipbuilding reflects the growing capacity of leading shipyards, manufacturers and ancillary service providers to design, build, equip, deliver, deploy and maintain ever growing size and sophistication of ships, it will also exert tremendous demand for the players along the shipbuilding supply chain. In terms of shipbuilding, yards will have to grapple with the challenge of accommodating the construction of vessels of tremendous size and scale. Designers will face issues such as torsion strength, vibrations, shaft alignment, load bearing, hull design and many others to ensure the supsize ships are safe and can perform optimally. Steel manufacturers have to overcome the challenge of welding thick plates to withstand forces of the hull. Manufacturers will be confronted with the task of designing engines, propulsion and other equipment that can match the size of the vessels.

The growing influence of China, which is set to emerge as the world's second largest economy, on the shipbuilding industry has been telling. Several developments in China have exerted their impact rather significantly on the global

“Manufacturers will be confronted with the task of designing engines, propulsion and other equipment that can match the size of the vessels.”

shipbuilding scenario and the demand and supply of vessels. The announcement by China to halt the development of new shipyards in that country for the next three years, in reaction to the glut in global shipping capacity and the lack of confidence in a full-blown economic recovery, has resulted in an increase on scrapping activities. This is a direct consequence of the anticipation that demand for shipping services will remain lukewarm amid the entrance of new tonnage into the shipping markets. This provides the impetus for shipowners to reduce capacity by sending their vessels to the demolition yards to earn a bit of revenue rather than incurring cost by hanging on to vessels that cannot find cargos to carry amid the persistent recession and gloomy world economic outlook.

The decision by China to stop construction of new yards has to be seen in the context of the breakneck growth that its shipbuilding industry has gone through in the last decade or so. Prior to the recession, business at its yards was booming on the back of huge demand for all kinds of ships to fuel the country's amazing trade and economic growth. As result of the sky-high demand for shipping services in China and beyond, competition among its yards was intense, and yards were tripping over themselves to offer products at very competitive prices. This, and the glut of berths, puts pressure on newbuilding prices.

The issue of unfair competition in the shipbuilding industry has been raised at the international arena. EU has lodged a complaint to WTO against South Korea for providing what EU deemed as unfair incentives in favour of Korean yards. Japan has also expressed its unhappiness over Korean yards getting soft loans, tax breaks and subsidies from the Korean government. Tokyo has been reported to have the intention to resurrect talks via OECD for shipbuilding agreement to maintain a fair competition and a level-playing field in the industry.

The pressure of delivering cleaner ships will also test the ingenuity, inventiveness and mettle of shipyards. While much progress has been made to create eco-friendly ships, more R&D is required to deliver vessels that can make significant difference in carbon emissions from shipping while not compromising on practicality, performance and pricing. There is indeed much room for technological improvement by shipbuilders and equipment manufacturer to optimise energy utilisation of vessels. Advances such as in the areas of ship design, propulsion and engine manufacturing, surface treatment and coating and heat recovery systems can contribute to improve the environmental performance of vessels.

As shipbuilding is an industry with tremendous multiplier effects and linkages to numerous industries and economic activities, it presents an arguably reliable barometer to the performance of the economy as a whole. It will be interesting to gauge its performance in the near future and take cues from the industry in forecasting the direction of the global economy as it attempts to rebound from the hard-hitting impacts of the recession and financial crisis. 



Nazery Khalid
(nazery@mima.gov.my) is
Senior Fellow at Maritime
Institute of Malaysia.

Major Port Terminals

Private Players Brace Up

Public private participation in the port sector has seen a big leap in the last two decades in India – port sector alone has called for about 85 per cent of the total PPP agreements. It has helped not only in meeting investment requirements but also in achieving significant improvement in terms of economic development and operational efficiencies. Issues like tariff setting and revenue sharing, however, need to be looked at from a fresh perspective.

by *Vijay Sarma*

The development of the port sector in India until the economic liberalisation during the 1990s had been the near-exclusive responsibility of the Central government and over the years had grown into a natural public monopoly of sorts. The port sector saw a dramatic rise during the first four decades of post-independence with active government support under the centralised planned development policy. Almost two-thirds of the port cargo-handling capacity and majority of the shipping tonnage was established during this time. The economic policy perspective at that had more emphasis on self-reliance and import-substituting development strategies and the overall trade and technology-driven growth of the economy remained constricted with essentially an inward-looking economic policy with public sector dominance.

The erstwhile policy had successfully enabled the major ports to build up capacity and handle dominant share of the cargo. However, increasingly, challenges in efficiency and productivity were a cause of concern. Infrastructure bottlenecks, lack of



berths, obsolete navigational aids, downtime of handling equipment, shallow draught, other legacy issues including surplus manpower, high union activity, low productivity, tariffs, organisation structure, documentation process etc. affected their performance. Their performance was below acceptable benchmarks on all key efficiency parameters such as turnaround time, pre-berthing time and output per ship-berth-day.

Economic liberalisation initiated in the 1990s brought about a paradigm shift in economic policy. The government recognised the need for private investment and knowledge. A liberalised regime was designed to incentivise the private sector direct participation in capacity buildup and

Port	MGT as per agreement	TEU as per international benchmark	Actual handling	Achievement above global benchmark (%)
ChPT	500,000	880,000	1128,000	128
NSICT	550,000	660,000	1508,056	228
GTICT	350,000	783,200	1290,862	165

operations. Ports began to assume a more proactive role as facilitators of trade with a range of value-added service offerings in terms of cargo-handling efficiency and actively seeking to benchmark their performance with international ports. Many foreign and domestic private players entered the arena including international container shipping giants such as Maersk and P&O (now DP World).

The private NSICT terminal at Nhava Sheva managed by DP world provided the necessary impetus to herald a virtual revolution in the privatisation of terminals and containerisation in India. The spectacular high growth rate in traffic with dramatically improved operational efficiencies had a cascading effect on the port sector starting from the nearby Jawaharlal Nehru Port Trust (JNPT) controlled terminal JNPCTL.

New policy initiatives contemplated private companies setting up captive cargo-handling berths at major ports which was hitherto restricted only to government-owned companies. The Model Concession Agreement in January 2008 was a major step in expediting PPP processes.

The private terminals have proved to be efficient and productive. The average daily output at private terminals of JNPT during the year 2007-08 was higher than the port-operated terminal by 11 per cent, indicating faster handling at the private terminals. Similarly, it was noticed that the output per ship berth day was significantly higher at Chennai, JNPT and Tuticorin, where terminals were being operated by private operators.

Buoyed by the success of the PPP policy, a number of private terminals have been taken up on BOT basis all over the country. These included container terminals, liquid bulk berths and dry bulk berths. Soon the terminals were handling significant share of cargo in the major ports – almost 70 per cent of total container traffic was being handled at the private terminals. Private terminals at Kandla, for instance, were



handling more than 31 per cent of the liquid bulk at the port (2007-08).

The Government of India in 2006 formulated the National Maritime Development Programme (NMDP) to facilitate enhanced private investment, improve service quality and promote competitiveness amongst the ports. A total of 276 schemes and projects, with investment of Rs 558.04 billion up to 2011-12, were identified under the NMDP with focus on the following:

- Deepening of channels/ berths
- Berth construction
- Procurement of equipment
- Connectivity projects
- Others

The scale and magnitude of the investment required was an important driver for the private sector participation on the port sector. As on 30 June 2009, 43 projects worth Rs 45.29 billion have been completed. During the current fiscal 2009-10, 28 projects envisaging an investment of Rs 200 billion are planned to be awarded to the private players in the PPP mode.

Issues in Privatisation of terminals

Minimum Guaranteed Throughput

The contract agreements with BOT operators provided for a Minimum Guaranteed Throughput (MGT) which prescribes minimum expected levels of traffic. This was a critical exercise to incentivise high volumes ensuring long-term revenue flow for the port.

However, fixing MGT is a critical exercise and needs to be fixed at an optimal level. Fixing it too high could penalise the operator in case he is unable to meet the levels for reasons beyond his control. This is

particularly true for terminals under the jurisdiction of 2005 TAMP guidelines whose tariffs will be downward sloping and could reach near zero levels during the later years of the project. Such projects would be adversely affected where "minimum guaranteed cargo" has been committed for the payment of royalty/revenue particularly in years when the actual cargo is lower than the guaranteed cargo. The impact would be double – lower revenues due to reduced traffic and high payouts due to revenue share.

The scale and magnitude of the investment required was an important driver for the private sector participation in the port sector.



Tariff setting

Tamp has come out with three sets of guidelines in 1998, 2005 and 2008. The 2008 guidelines are applicable only to new PPP projects even as the existing operators are under the 2005 guidelines. Under the 2008 guidelines upfront tariff cap is fixed for bulk/ container terminals using broad norms which are specified on the basis of capital costs, operating costs and optimal terminal capacity including quay and stack capacity. Further, the 2008 guidelines provide for 60 per cent escalation year on year linked to WPI. Revenue share quoted is not a pass through item.

There are key improvements in the 2008 guidelines – the most significant is that it is indexed to inflation and will not decline with



time (as in the case of 2005). Further, 2008 guidelines use normative estimates for optimum capacity, capital cost and the associated operating costs for fixing tariff caps. Five sets of norms have been provided which are applicable for container terminal, coal, liquid and multipurpose berths with provision for necessary adjustments to the norms based on justification by the concerned port trust. Allowance of permissible "operating costs" and "capital costs" are ad hoc in nature and the approval process is also time-consuming.

However, the normative approach may not take into account port-specific issues in all cases. For instance, growth in the container industry will lead to the development of a hierarchy of transshipment

The high levels of revenue share will significantly affect the operator particularly during lean periods. Further, revenue share has a direct bearing on the pricing of services.

ports. The investments in terminal equipment are strategic and could be radically different with widely varying operational characteristics. Hence, the allowable capital expenditure and operating cost, based on a normative estimate of terminal, may be significantly off the mark in such cases.

Revenue share quoted for BOT projects

Terminal operators bid on revenue share which is a key determinant of the profitability of the port. This has direct influence on the pricing of services at the ports. The revenue share being quoted by the developers to operate terminals on BOT basis has exceeded 50 per cent in the recent past, whereas it was only in the region 10-20 per cent in the initial years.

In the recent bidding to upgrade and mechanise a general cargo berth, the winning bid quoted a revenue share of 38.1 per cent. The other bid quotes were also competitive: Mundra Port quoted 32.09 per cent, the consortium of IL&FS and ABG Ports Ltd. quoted a revenue share of 31.97 per cent.

The high levels of revenue share will significantly affect the operator particularly during lean periods. Further, revenue share has a direct bearing on the pricing of services. This issue is particularly sensitive for the container terminals which can easily see a shift of traffic away from the port due to competitive pressures. For instance, APM Terminals which has acquired Gujarat-Pipavav Port has agreed to pay a revenue share of 5 per cent (currently it is around 2.2 per cent,

but will be increased by 20 per cent every three years until it reaches 5 per cent). But, Gateway Terminal, located 152 nautical miles south of Pipavav (less than 10 hours steaming time), pays a royalty of 35.5 per cent to JNPT, thereby losing competitive edge over other ports. The tariff advantage that minor ports have over major ones can be significant as they are free from the influence of TAMP. Further, the concession terms in non-major ports can be designed to be more responsive to the changing strategic landscape with considerable flexibility in responding to investment demands of increasing ships sizes.

The process of private operations in major ports has made significant progress and has helped in meeting investment requirements and enhancing operational efficiencies. The government has ambitious plans for further increasing the number and size of projects which would be driven by private investments. The fourth container terminal at JNPT, the Ennore Container Terminal and the Chennai Mega Container Terminal are among the large projects on the anvil. However, there are a number of significant issues that need to be addressed for sustaining private sector interest in the sector. These relate to Minimum Guaranteed Throughput and Tariff Setting. With a new Major Port Regulator having been proposed, it is hoped that these issues will be speedily resolved. [MC](#)



Vijay Sarma is an Associate Director at PricewaterhouseCoopers, Mumbai.

Shell buys US company East Resources

Royal Dutch Shell PLC says it has agreed to buy East Resources Inc., a major owner of shale gas holdings in the United States, for \$4.7 billion from private investors. Shell says it will pay cash for the company, which is capable of producing the equivalent of 10,000 barrels of oil per day in Marcellus Shale, which extends over large parts of the northeastern United States. The company is being bought from East Resources itself, from Kohlberg Kravis Roberts & Co., and from Jefferies & Company.

United States

BIMCO releases guide on US Vessel General Permit

BIMCO has released a guide to help raise awareness amongst its members on avoiding problems during vessel calls at ports in the US. The guide has been produced with the US Chamber of Shipping regarding the US Vessel General Permit (VGP). It provides guidelines on avoiding unnecessary problems in relation to VGP when calling at ports in the US or entering US waters.

Israel faces mounting condemnation

Israel is attracting sharp criticism from across the world, especially Europe and the Islamic nations. Nearly 20 people were killed and 36 wounded when Israel attacked a flotilla of ships carrying humanitarian aid bound for Gaza. Israel also claimed it would release more than 600 people from the aid ships it has detained.

Argentina tells UK it has right to stop ships

Argentina told Britain it has a right under international maritime law to stop ships between its mainland and the Falkland Islands, as a dispute over Britain's oil prospecting in the archipelago grew. Britain had recently complained the restrictions on shipping between Argentina and the South Atlantic islands imposed were illegal. The Argentine Foreign Ministry, in a note to British Ambassador Shan Morgan, said the new "norms regulate coastal shipping between Argentine ports, and as such, comply with maritime law." Argentina claims rightful sovereignty over the Falkland Islands.

Argentina

China Cosco wins target container-rate rise

China Cosco Holdings Co., China's largest container line, said it had won a targeted increase in transpacific rates, bolstering industry-wide efforts to end losses. The company has signed almost all of its annual contracts and customers have agreed to pay \$800 more for shipping a forty-foot box to the US west coast from Asia, executive vice president Sun Jialang said in Shanghai. China Cosco will also levy peak-season surcharges of about \$400 from July 15. Cosco has so far accepted 11 new container ships this year with another four to come. The vessels have a combined capacity of 80,000 boxes.

MMM faces uncertain future

Malaysian Merchant Marine (MMM), who has gone insolvent, has claimed that it probably will not rebuild its business following huge losses. MMM reported an unaudited net loss of US\$33.3 million, with revenues of only US\$375,000 million for the first quarter of 2010. The company claimed it was at a standstill, with the future of the company looking untenable.

Yemen exports LNG in full

Prime Minister Ali Mujawar announced recently that Yemeni LNG will see optimal exports to reach 6.7 million tons per year after completion of the second production train of the Yemeni LNG Project in Balhaf, Shabwah. The \$4.5 billion project is already the largest in Yemen's history and has demonstrated good partnership between the government and international investors. The first production train is operating at 99 per cent of its production capacity and the second train at 91 per cent of its production capacity.

Reforms to decongest Port Botany

Major reforms were announced by New South Wales government in Australia aimed at reducing congestion at Port Botany. Under the new Port Botany Landside Improvement Strategy (PBLIS) - truck carriers will receive a penalty payment if stevedores fail to meet the regulated standards.

Cashing in on Air Crisis

As Europe economies struggle to wriggle out of the financial crisis, the volcano has thrown a spanner in their rebuilding efforts and activities, especially air transport. But to make hay while the ash billows seems simple business sense for cargo carriers.



While the recent Icelandic volcanic eruption has sent the air transport industry into a tizzy costing airlines more than US\$ 200 million a day, the emergency rates imposed during the crisis on air cargo seem to continue. As per industry sources, air carriers are still reaping benefits out of the interim increase in cargo rates. While the Hong Kong Shippers' Council maintains that some airlines are still demanding US\$ 13 per kg of shipment, the spot rates from Shanghai to Europe for a three-to four-day service seem to hover between US\$ 4.40 per kg and US\$ 10 per kg.

With airlines and forwarders refusing to take note of capacity allocation contracts, shippers are forced to go for the highest bidder, says the European Shippers' Council. Some shippers are learnt to be shelling out three times of their usual freight rates to get goods from Asia to Europe.

Industry observers point out that the trend could continue in the short



According to the European Union, the airlines lost more than US\$ 3 billion when ash crippled air travel across Europe for nearly a week in April, grounding more than 100,000 flights and stranding nearly 10 million passengers.

term owing to the growing supply-demand equation and the mounting losses from unforeseen disruptions. They say the industry, already reeling under recession, cannot afford to do anything other than push the rates up. Already, the top five US passenger airlines with European operations are losing US\$ 35.8 million in revenue per day. Their estimated operating losses are US\$ 21.9 million and are only growing by the day.

Plume persists

While the ash clouds linger over southwest Europe, freight operators fear more disruptions in air services and in turn additional pressure on freight rates. According to Paul Furlonger, sales director of Ruslan International, the volcano is continuing to erupt so the situation will continue to change on a daily basis. "Not all airports in Europe are open," he says.

Spain and Portugal have shut down their airports as the ash cloud filled with abrasive, silica-based material threatens to clog plane's engines,

“The greatest impact is on European airlines. Even before the crisis, we expected airlines to lose US\$ 2.8 billion. Of this global total, the largest losses were expected from European carriers – US\$ 2.2 billion based on Europe’s sluggish economy. This crisis is hitting while the industry is weak and at its weakest point. Once it is over, we will revise our financial outlook at the AGM in June.”

Giovanni Bisignani,
Director General & CEO
of the International Air
Transport Association



scar windscreens and disable speed sensors. Seven Spanish airports are reported closed when reports last came in, grounding 282 flights. According to a Reuters, shares in Lufthansa, British Airways, Air Berlin, Air France-KLM, Iberia, Ryanair and SAS fell between 2 and 4 per cent.

As customers want to be kept in the loop, communication has become vital in these times, says the chief of an American airlines cargo. Shippers are also looking at alternative modes of transport to clear backlogs and so land and sea cargo numbers are going up.

Taking stock of the situation, the International Air Transport Association has called for ways to ease the impact, especially from governments in Europe. “Dubai and London Heathrow are waiving parking fees for stranded aircraft and not charging for repositioning flights. All airports should follow this best practice,” informs Giovanni Bisignani, director general & CEO of IATA and asks industry partners to look for ways to provide cost relief.

India freight

The Europe crisis has had a cascading effect on India freight movement. Since Europe accounts for nearly 38.34 per cent of India air freight share, the rise in freight costs has impacted airlines and exporters sharply. The month of May has witnessed the highest ever prices in the last few years, say freight forwarders. Cargo airlines which normally charge Rs 80-120 per kg have now jacked up the costs to Rs 250 per kg.

While the export business to the US, Europe and Canada was picking up momentum during the last three months, the ash effect has watered down the hopes of exporters. Nearly 1,500 exporters in Delhi who trade in garments, sports goods, jewellery and handicrafts say they are forced to shell out extra rupees to remain competitive in the tough times. 

South Korea fines 19 cargo airlines for price fixing

South Korean regulator Fair Trade Commission has warned Air India and Scandinavian Airlines against indulging in unfair trade practices, and slapped a fine of nearly US\$ 100 million on 19 other international carriers. The Korean probe follows similar investigations in the US, Europe and Australia into how cargo carriers set fuel surcharges.



“The Commission found that the 21 airlines had conspired to introduce fuel surcharges and continue to raise surcharge rates for air cargo to-and-from Korea between 1999 and 2007,” the regulator said in a statement today.

FTC has imposed a total fine of 119,544 million won (nearly US\$ 100 million) on 19 airlines and told two others, including Air India, for violating the Monopoly Regulation and Fair Trade Act. Korean Air Lines, Air France, Air France-KLM, Air Hong Kong, Singapore Airlines, All Nippon Airways, Asiana Airlines, British Airways, Cathay Pacific Airways, KLM and Japan Airlines International, were among the 19 airlines fined by the FTC.

The Korean Air in August 2007 agreed to plead guilty and pay a US\$ 300 million fine in the US over the justice department findings that it colluded with other carriers on prices. The Australian competition and consumer commission earlier this month said it filed a lawsuit against Japan Airlines Corp over alleged price fixing on fuel and security surcharges between 2002 and 2006.

The Australian agency has also filed civil suits against Cathay Pacific Airways, Korean Air, Air New Zealand and five other airlines, it said at the time. /PTI

Empowering Ecosystems



The fundamental objectives of supply chain management are to ensure efficient and effective flow of four critical elements throughout the ecosystem: goods, services, funds and information and to balance the optimisation of speed, cost and quality.



by Mark Millar

With the financial rollercoaster of 2009 behind us, the signs of economic recovery are welcome by all, albeit with a healthy amount of caution. Whilst the last 18 months have seen substantially reduced volumes of cargo moving throughout global supply chains, the globalisation of trade continues to expand – fuelled by the ever changing dynamics of production locations mixed with the vibrant economics of various different consumption markets – together with the continuing proliferation of multilateral trade agreements.

Global supply chains have consequently become more and more complex, whilst also becoming increasingly volatile. This is why, Sense & Response capabilities are becoming a progressively more critical attribute of effective supply chain management.

Back to basics

Amongst all the complexity and volatility, let's remind ourselves of the fundamental objectives of supply chain management – to manage the efficient and effective flow of four critical elements throughout the ecosystem: Goods, Services, Funds and Information.



And whilst managing these flows of goods, services, funds and information, we are continually striving to balance the optimisation of three key performance metrics: Speed, Cost and Quality.

All sounds rather straight-forward, however in reality the combination of complexity and volatility make global supply chain management both exciting and challenging, but never boring.

As we continually try to juggle speed, cost and quality we realise that all three elements cannot be optimised simultaneously!

One of the three will always have to be compromised to some extent – in order to optimise the other two elements. For example, if the solution is fast and cheap, then we will likely have to compromise on the quality. Likewise, if we require top quality

“To execute a supply chain efficiently, the participants need to work together. This requires open information sharing between all the partners throughout the chain – something that most participants are reluctant to do.”

and high speed, then it is unlikely to be the lowest cost solution.

Hence, there is perpetual challenge of supply chain optimisation – finding the right balance between speed, cost and quality that is appropriate for the circumstances of any particular supply chain scenario, which of course will vary frequently and on an irregular basis.

Sense & Response capabilities come into play when external dynamics impact the supply chain ecosystem. For example, the urgent need for retail shelves in the USA to be restocked during the holiday season, resulted in toys being air-freighted from Hong Kong to USA – compromising cost, in order to maximise speed. Another example is the current practice of Slow Steaming adopted by the shipping lines – unwelcomed by the shippers – which compromises speed, in order to optimise costs.

Collaboration

Let's explore another of the factors empowering global supply chain ecosystems – Collaboration, something that almost everyone is talking about, but that very few are doing successfully.

The findings of a recent survey conducted by the Confederation of British Industry (CBI) suggest that one of the impacts of the financial crisis will be a greater need for, and interest in, collaboration. In its report "The Shape of Business – The Next 10 Years", the CBI predicts that companies will have to reorganise and re-examine their approach to working with their suppliers in order

to increase efficiencies as well as avoid supply chain collapse.

Complex globalised supply chains involve numerous suppliers, manufacturers and service providers, such that whatever impacts one "link" can affect the whole supply chain ecosystem. To execute a supply chain efficiently, the participants need to work together and that usually requires open information sharing between all the partners throughout the supply chain – something that most participants are reluctant to do.

As modern supply chains begin to resemble more of a complex ecosystem rather than a linear chain, suppliers, manufacturers and service providers that work together for one client's supply chain, may in fact be competing against each other for another client's business.

Indeed, whilst each company has their own supply chain ecosystem over which they have control, that same company will be a participant in another company's supply chain ecosystem and likely will be a component of several other supply chain ecosystems.

Companies have a natural reluctance to discuss their business and reveal information to any outsiders, but economic reality may force companies to collaborate in order to win business because the end customer demands it. Many of the world's Fortune 500 companies – particularly in high tech electronics and consumer retail sectors – insist on the collaborative approach throughout their supply base.



Transport Intelligence (Ti) of the UK, recently reported that a number of logistics service providers have stated that they would consider collaborating with a competitor "but only if this is managed by a neutral third party", with strict confidentiality policies in place.

The findings of the Transport Intelligence survey, reported at the Multi Modal exhibition in April, concluded that there are four types of collaboration in the transportation and logistics sector:

- 1. Partnership Collaboration**
between logistics companies in order to extend geographical coverage and leverage operational synergies
- 2. Customer Collaboration**
between two or more buyers, specifically to leverage economies of scale for purchasing of products or services
- 3. Competitor Collaboration**
between competing manufacturers, to seek efficiency gains and leverage operational synergies to secure cost reductions
- 4. Supplier-Customer Collaboration**
described by Ti as 'normal business relationship', whereby both parties participate in open sharing of information

Whatever the type of collaboration, our 'new normal' of complexity and volatility will require more of it – in

order for companies to become better positioned to effectively deal with the challenges ahead and to be able to sense and respond to ever changing supply chain dynamics.

One of the many challenges for today's supply chain professionals is to learn the art and science of practical collaboration, further empowering global supply chain ecosystems. Typically, this involves yet another balancing act – that of leveraging partners for economies of scale and combined competitive advantage, whilst protecting organisational assets, including human capital, tribal knowledge and proprietary customer intelligence. 

Mark Millar, the managing director of M Power Associates – a specialist provider of industry-specific marketing, education and advisory services – can be contacted at mark@markmillar.com



Subscribe Now

Fill the form & mail it today

We have just started making waves. Yes, with Maritime Gateway, a one-of-its-kind trade magazine in the country that aspires to be a vital source of information for all ports, shipping and logistics players in the maritime industry. This Magazine addresses key issues and provides insights through analytical articles, comments and features. News, Port Scan, Interviews, Regional Update on the maritime scenario in the Middle East, Singapore and China, Technology, Policy, Equipment, Education are some of the regular incisive sections. People, Executive Diary, Markets and Global Happenings are other interesting features.

Join us as we cruise through the maritime industry!



TARIFF

THREE YEARS SUBSCRIPTION
36 ISSUES • Rs. 2,520/- • you save Rs. 1,080/-
@ 30% DISCOUNT

TWO YEARS SUBSCRIPTION
24 ISSUES • Rs. 1,920/- • you save Rs. 480/-
@ 20% DISCOUNT

ONE YEAR SUBSCRIPTION
12 ISSUES • Rs. 1,080/- • you save Rs. 120/-
@ 10% DISCOUNT

☐ payment enclosed ☐ send invoice ☐ 1 ☐ 2 ☐ 3 years (please tick your choice of subscription)

Name _____

Address _____

City _____ PIN / ZIP _____ State _____

Country _____ Tel _____ Fax _____

e-mail _____

I am enclosing a Cheque/DD No. _____ (drawn on _____) (specify bank) dated _____

Tavouring Gateway Media Pvt. Ltd. (payable at Hyderabad) for Rs. _____ amount in words _____ only

add Rs. 50/- for outstation charges.

Strategy Integrated

It was in late 2007 that JSW announced a Rs 40,000-crore mega expansion plan to increase the steel and cement output by the group companies. This also included a plan for developing a slew of seaports, airports and shipyards in various parts of India.

JSW's plans to expand is part of its strategy to support the group's steel, cement, power and other downstream projects and provide a logistics backbone for smooth flow of material and goods. This is a grand strategy that the conglomerate has devised in order to integrate its core businesses with that of upstream and downstream activities for long-term benefits.

JSW's plan included presence in almost all the waterfront states. It would either be a captive port or a tie-up with an existing port. It also had huge plans to set up shipbuilding and repair facilities in Maharashtra.

But economic turmoil in the global markets had changed some of the equations. The booming shipping industry went into slump within a short time. Suddenly, there was no end-product demand from the world's biggest consumer markets. This has left the global shipping industry with excess capacity and the freight rates made a nosedive into the oblivion.

Perceiving the risks of excess ship tonnage already present in the market, JSW shelved the idea of setting up world-class shipyard and repairing facilities. However, the group is keen on looking at opportunities for setting up greenfield ports in India. This is in view of the increasing imports of coal by the domestic energy sector. Government's thrust to ensure self-sufficiency in the power sector has

led to several new power plants being set up across the country. The coal imports are expected to touch 120 million annually by 2017.

As part of the grand plan, JSW Infrastructure Limited, the infrastructure arm of JSW Group, has now announced to invest Rs 10,000 crore to develop five to six ports in India in the next 10 years.

"We have prepared a road map to develop five to six ports in India and will invest Rs 10,000 crore for this in the next 10 years," JSWIL's joint managing director and chief executive officer BVJK Sharma said. "Our aim is to increase the total cargo-handling capacity to 180 million tonne," he said.

While the company said it is in the process of identifying locations for the proposed ports, it is most likely that they will come up in the states of Orissa, Karnataka and Tamil Nadu. It will raise 75 per cent of the total investment through debt, Sharma said. JSW currently operates the Jaigarh Port in Maharashtra through JSWIL. Jaigarh has a capacity to handle 20 million tonnes of cargo, which can be expanded up to 50 million tonnes, Sharma said, who is also the vice-chairman of JSW Jaigarh Port. JSW also operates another port in Goa with 7.5 million tonnes.

JSW Jaigarh Port is the second-largest in Maharashtra in terms of draught and has been designed to handle mega Capesize vessels and



can accommodate seven ships. It will mainly cater to the coal requirements of JSW Energy's 1,200-mw power plant. Apart from coal, it plans to handle fertilisers, bauxite and raw sugar as well. "The total capex is Rs 2,500 crore," Sharma said.

JSW buys coal mines in US

JSW steel, in line with the group's grand expansion plans, has recently bought coking coal mines in the United States for about US\$ 100 million. "The coking coal mines in the west Virginia area of the United States have total reserves of 123 million tonnes. One of the mines is operational and we plan to ship 1 million tonnes of coking coal from this mine in the first year. The others will be ready in 24 months," said Seshagiri Rao, joint managing director and group CFO, JSW Steel, while speaking to DNA, a daily newspaper. Not disclosing the number of mines purchased, Rao said that the production in the mines will be raised to 3 million tonnes in three years. 



The government decision to introduce a single national permit fee for trucks comes as the good news for the transportation and logistics industries that have long been awaiting such a uniform system across the country.

National Vehicle Permit Nod to Single System

The Union Government has given the final go ahead for fixing the National Permit fee of Rs 15,000 a year for a truck with effect from May 1 following a resolution passed by the state transport ministers at a meeting of the Transport Development Council in New Delhi recently.

The new single national permit system, to be implemented for goods carriers, will allow trucks to ply across the country by paying the annual composite fee per vehicle, Road and Highways Minister Kamal Nath informed the press.

In the current national permit

scheme, truck operators are required to pay a fee of Rs 5,000 for each state a year. For instance, if a truck is plying on one of the longest trunk routes passing six states between Punjab and Tamil Nadu, it has to pay a total permit fee of Rs 30,000 a year.

However, under the new permit system, the trucker will be required to pay Rs 15,000 annually at the rate of Rs 1,250 a month for each truck. The fee will be divided proportionately among all the states; and the Highways Ministry is creating a National Permit account with the State Bank of India for the payment.

"The national composite fee accounts for about 1.84 per cent of total operating cost of a truck plying on trunk routes. With the new fee, this will reduce to about 1.5 per cent. But whether this move reduces the truck rentals resulting in benefit to customers, or lower turnaround time, remains to be seen," says S P Singh, Fellow, Indian Foundation of Transport Research and Training (IFTRT).

The move is hailed by the powers that be in the trucking business. Ashok Goyal, managing director of BLR India Pvt. Ltd. has been mooted such a single payment system for a long time. "The system can bring down the demand-supply gap and vehicles can be mobilised from other states where they are not available," he tells *Maritime Gateway*. "As a trucking company we calculate profits on the basis on number of kilometres travelled and not on the basis of trip-to-trip," he adds.

The Transport Development Council that took a decision comprised State transport ministers and transport commissioners with representatives from the Ministry of Heavy Industries and Public Enterprises, and the Ministry of Road Transport.

According to official sources, the National Informatics Centre will develop a system to enable Web-based replies to SMS queries relating to the fee payment. National permits issued earlier will continue to be valid till the date of their expiry and no new National Permits will be given under the old system. The new permits can be obtained by surrendering the old ones and by paying Rs 15,000 more as consolidated fee.

"We have accepted the recommendation of the empowered committee of the state transport ministers to implement the new composite fee regime of Rs 15,000 per annum per truck for a national permit, authorising the permit holder to operate throughout the country," the agreement said.

At present, truckers pay Rs 5,000 to the home state for a licence permit and another Rs 15,000 for operating in three other states, which results in a total permit fee of Rs 20,000 per annum for every vehicle.

Implementation of the new permit system was one of the major demands of the All-India Motor Transport Congress (AIMTC), which had proceeded on strike twice last year for non-fulfillment of the demand.

The Centre had signed an agreement with the AIMTC on February 23, 2009 for implementing the new national permit scheme before January 1, 2010 but despite the

Payment Particulars

Under the new system, truck owners have to pay Rs 15,000 in addition to the permit fee a year for the home State where the vehicle is registered through a challan in designated branches of the State Bank of India. By this, they could operate in any state from Kashmir to Kanyakumari.

Under the old system, an operator paid the home state fee and also Rs 5,000 each, annually, to transport goods in three more states. The vehicle could only travel in the states apart from where it was registered and additional permit fee of Rs 5,000 was charged if the vehicle had to move in each state.

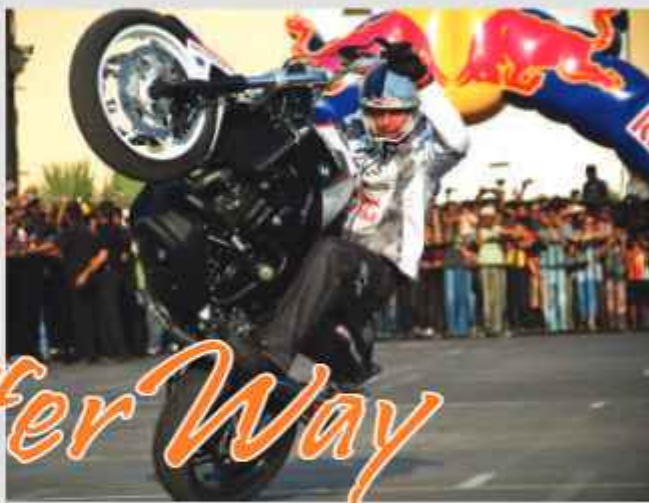
Union minister's assurance, the government could not notify it following which the AIMTC had threatened to take 75 lakh trucks off road.

Earlier, a committee under the chairmanship of the transport secretary was constituted to look into

the issue relating to the national permit system and rationalisation of motor vehicle taxes. The committee prepared a draft report recommending collection of Rs 15,000 as composite fee per vehicle, which could be then redistributed amongst the states on the basis of an agreed formula. [M](#)



Moving Bikes, the Pfeiffer Way



Chris Pfeiffer, the self-proclaimed streetbike freestyle rider, lives his dream of 'stuntwars' by performing tricks and rides on his BMW F800s. Following a growing craze for his innovative shows among youth, Pfeiffer has been going around the world holding shows on his big street bikes. But transporting a specialised bike with unique fittings can be quite a task that requires professionals with expertise.

Having being in the field of managing end-to-end logistics for sports gear, DHL was chosen by Chris to ferry his bikes from one city to another during his recent road shows across the country. The bikes were air transported from Germany to Delhi in specially designed containers in an ATA Carnet. They were cleared through customs by DGF and sent to a packed house at DLF Saket, where Pfeiffer performed his first show. Later, the bikes were air lifted by Blue Dart to Mumbai and then sent by road in a customised truck to Hyderabad, Bengaluru and Chennai in South India. After the road show in Chennai, they were again sent back to Delhi by road, and onward to Germany by air. "We ensured that the bikes were delivered in time to each destination

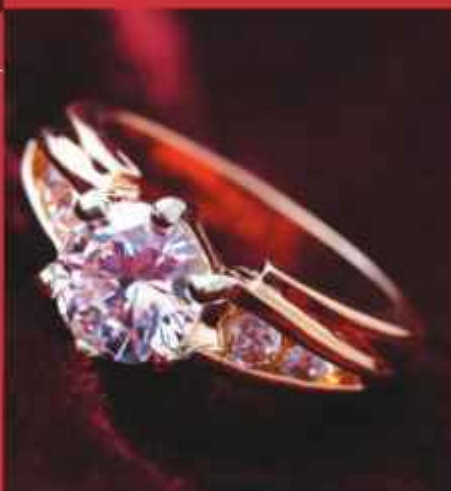
and that the excitement of the fans was not watered down," says the carrier. As the packaging needs to be secure, Chris had customised wooden crates to hold the bikes. He also made a special provision for lashing and choking bikes within the crate. For safe air transportation, the Dangerous Goods Regulations (DGR) set by IATA were followed. "It called for three main requirements – a completely drained fuel tank, no engine oil and disconnected battery connection," informs Christoph Remund, CEO of DHL Lemuir Logistics Pvt. Ltd. [M](#)



by Jagadeesh Napa

Glitter ring Exports

The gems and jewellery consumption centres are reviving. As the recession clouds have passed away, global markets have come back as thirsty as ever for buying the glitter. Indian exporters are getting ready to meet the surging wave of demand and, at the same time, gearing up to venture into new and emerging markets to test their fortunes.



An Ahmedabad jewellery maker and exporter Forever Precious Jewellery and Diamonds Ltd. has lined up big expansion plans in the order of Rs 150 crore in the current fiscal. Three diamond manufacturers and exporters – Rosy Blue, Diamond India and Ratilal Becharlal and Sons – recently signed deals with Russia's largest diamond mining company, Alrosa, for the supply of rough diamonds for a period of three years totalling US\$ 490 million.

These examples are only indications of the developments that are taking

place in the gems and jewellery industry. These indications are only the tip of the iceberg and Indian gems & jewellery industry as a whole is on the threshold of a quantum leap. Buoyed by the post-recession rise in demand for gold and diamond jewellery from the western countries, this industry is all set to take off. Considered as the diamond polishing hub of the world, there is a lot in store for this highly valuable industry. India has already gained prominence as an international destination for sourcing high-quality cut and polished diamonds and diamond-studded jewellery.

Indian industry

The global jewellery market is dominated by just 3-4 players – Italy, Hong Kong (China), Thailand and United States. However, increasing competition, changing customer preferences and technological developments have brought an ongoing transformation in this market. Besides, emergence of newer

gold alloys, newer manufacturing techniques and strict requirements of hallmarking have allowed emerging economies like India to gain prominence in this high-value market.

Today, the gems and jewellery industry is one of the fastest growing industries in the country and a leading foreign exchange earner for the economy. While gold jewellery comprises nearly 80 per cent of this industry, diamond-studded and gemstone-studded jewellery make up for the rest. India being a large consumer of gold jewellery, a major portion of this segment is consumed domestically. In case of diamonds, major portion of cut and polished diamonds are exported as finished diamond jewellery or just polished diamonds. Even though only a small portion of the diamonds is consumed by the domestic market, India is the third largest consumer of polished diamonds after US and Japan.

Akin to other manufacturing industries, lower cost of production and availability of skilled labour have earned India competitive advantage over other countries. According to RNCOS, a global research firm, the cost per carat for cutting and polishing diamond is US\$ 10 in India as compared to US\$ 17 in China and US\$ 150 in Belgium. For these very reasons, India has become the largest centre for cutting and polishing of diamonds in the world. Today, India accounts for 60 per cent of total global value, 82 per cent in terms of carats and 95 per cent in terms of number of pieces.

On the export front, this industry registered a robust growth of 16 per cent year on year in 2009-10. The exports in this fiscal clocked at US\$ 28.4 billion as compared to US\$ 24.5 billion in 2008-09. The sector contributed 13 per cent to the country's total merchandise export of about US\$ 186 billion in the last financial year. Export of cut and polished diamonds were pegged 582.78 lakh carats as compared to 457.54 lakh carats, growing at 27.4

“India has become the largest centre for cutting and polishing of diamonds in the world. Today, India accounts for 60 per cent of total global value, 82 per cent in terms of carats and 95 per cent in terms of number of pieces.”



per cent. Gold jewellery exports grew at 12.71 per cent from US\$ 8.6 billion in 2008-09 to US\$ 9.4 billion in 2009-10. Of the different global markets, UAE is the biggest consumer market for Indian exports garnering a share of 31 per cent. This is followed by Hong Kong at 20 per cent and the US at 20 per cent. But the US and EU together account for about 70 per cent of India's total gems and jewellery exports. "The revival in demand as well as recycling of diamonds helped the Indian gems and jewellery market grow at 5 per cent annually," said Vasant Mehta, chairman, Gems and Jewellery Export Promotion Council on the sidelines of Indo-Euro Jewellery Summit.

GJEPC

Set up under the aegis of the Ministry of Commerce, Gems & Jewellery Export Promotion Council (GJEPC) is the trade facilitator in bringing together the individual exporters under one roof and promoting the India gems and jewellery industry in global markets. The council is primarily involved in introducing the Indian gem & jewellery products to the international markets and promoting their exports.

The Council undertakes direct promotional activities like organising joint participation in international jewellery shows, sending and hosting trade delegations, and sustained image building exercises. It also invites countries to explore areas of cooperation in supply of rough diamonds and rough coloured stones as well as offers cooperation in jewellery manufacturing. The Council communicates on regular basis with Indian embassies, trade bodies and associations in various countries for the promotion of India exports. And finally, GJEPC also organises seminars, buyer-seller meets, symposiums.

The Council has been a driving force in the export of these high valued products and is constantly on toes to find new markets for the Indian exporters of gems and jewellery. The Council is now focussing more on the emerging markets including BRIC, African and Asian nations.

Its commitment for the cause is illustrated in the way it helps Indian exporters participate in several global events. The Council helps the exporters to participate in these fairs either through joint participation or individual participation. If joint participation involves five or more exporters participating in the event, Council organises an "India Pavilion" at the event. In case the number of exporters participating is less than five, the Council assists them in different aspects of participation. It is only a matter of time for this industry to grow multifold and transform India into the largest exporting hub of the world. 

The Slow Sail *Goes On*



The economy slump has had an adverse effect on sea transport capacities, newbuilding tonnage and energy carriers. Yet, the optimism seems intact going by industry reports.

More than a year post-recession, market leaders say it is still difficult to assess the long-term consequences of the economic and financial crisis. With regard to shipbuilding, they admit that the order level is unlikely to improve in the near future.

Setting out with such an industry outlook, Germanischer Lloyd, the world-class provider of technological services, however hopes that the stimulus programmes initiated by industrialised countries will contribute to a stabilisation of the individual national economies in the course of the current year.

"Optimism prevails," says the certification, consultancy and classification enterprise, in its annual report. As for its own growth, GL

says the "downturn in the global economy is affecting the company in several ways." However, given the market demand for technical advisory services, GL could leverage on its maritime solutions offering consulting and engineering, training, certification and software.

The major part of new contracts went to Asian shipbuilding industry.



Oil & Gas

The consultancy major sees the oil and gas industry rebound with new investments and opportunities. "Rising energy prices and tighter emission standards are increasing the consultation needs of shipping companies and newbuilding yards," affirms Dr Hermann J Klein, chairman of the executive board.

Though the worldwide investment in development and extraction, as estimated by the International Energy Agency, has dropped from 20 to 15 per cent, Klein says the "direction the oil and gas business takes will largely depend on the investment activity of the industry." Ever since its acquisition of the British-based offshore engineering and marine consultancy Nobel Denton, GL's oil and gas business segment spread wide. "The aim of GL Nobel Denton is to be a trusted and independent advisor to the upstream, midstream and downstream sectors," Klein adds.

Renewables

The merger of British renewables consultant Garrad Hassan and GL's renewable business is aimed at covering the lifecycle of wind, solar and marine power plans and other power generation technologies relying on renewable energy. All measurements for wind turbines, it says, will have to be based on the relevant standards and performed by test laboratories accredited as per the ISO 17025 standard. As for marine energy, the industry needs certainty about the overall costs involved in the potential returns on investment, it adds.

Classification

In response to market overcapacities, ship lay-ups were an important component of GL's services. "Through the assessment of lay-up plans and

SULPHUR

New Limits

To maintain engine and boiler safety and availability when using Low Sulphur Distillate Oils (LSDO), vessel owners and operators should be familiar with the sulphur control guidelines for international shipping

1. SULPHUR CONTROL FOR INTERNATIONAL SHIPPING

1.1 Revised IMO MARPOL Annex VI - 2008

The sulphur content of any fuel oil used globally shall not exceed:

- 4.50% m/m S prior to 1 January 2012
- 3.50% m/m S on and after 1 January 2012
- 0.50% m/m S on and after 1 January 2020

The sulphur content of any fuel oil used in designated Emission Control Areas (ECA) shall not exceed:

- 1.50% m/m S prior to 1 July 2010
- 1.00% m/m S on and after 1 July 2010
- 0.10% m/m S on and after 1 January 2015

1.2 California Air Resources Board (CARB)

Fuel requirements for oceangoing vessel main (propulsion) diesel engines, auxiliary diesel engines (including diesel-electric), and auxiliary boilers

The sulphur content of marine gas oil (DMA) shall not exceed:

- 1.50% after 1 July 2009
- 0.10% after 1 January 2012

The sulphur content of diesel oil (DMB) shall not exceed:

- 0.50% after 1 July 2009
- 0.10% after 1 January 2012

1.3 European Union

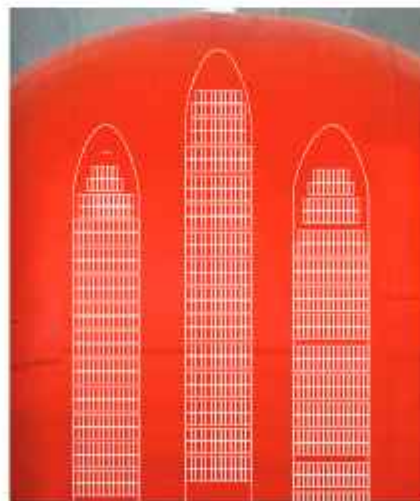
As from 1 January 2010, ships at berth for longer than 2 hours in ports within the European Union are required to switch to 0.1 % sulphur marine fuel oil under Article 4b of Directive 2005/33/EC.

inspections on board, we provided assistance in the course of the year to a number of shipping company customers, helping them make an economically optimised decision with regard to the berth and period of lay-up." Until the end of 2009, GL's gross tonnage increased to 84.5 million GT comprising 6,900 ships, growing from just 15 million GT in 2007.

LNG as alternative

Gas as a ship fuel is re-emerging as an environmentally and economically attractive option thanks to the emission control regulations. Natural gas has two key advantages: high efficiency and a lower environmental impact. Increasing number of new LNG carriers are equipped with high-efficiency dual fuel engines. An economic analysis has shown a significant cost advantage of a gas-fuelled feeder vessel over a conventional vessel of the same type using low-sulphur fuel (MGO) from 2015 onwards.

Factors boosting the cost advantage of gas-fuelled feeder are CO₂ emission costs, the HNO_x limitations for conventional vessels to take effect in 2016, fuelling auxiliary engines with gas while in port and harnessing scale effects in gas tank production.



The wider Baby Post-Panamax (right) has roughly the same length as a conventional Panamax vessel (left). Yet, owing to its greater width, it can accommodate nearly as many containers as much longer ship types (middle).

The worldwide order backlog was nearly **318** million gross tonnage. Of this,

bulk carriers account for	oil and product tankers	and container ships
46	26	17
per cent	per cent	per cent

Future box ships

The widening of the Panama Canal locks, stricter environmental regulations, higher fuel prices and a large number of newbuildings of 4,250-TEU vessels in the orderbooks of shipyards prompted GL to start a study to gain the most profitable ship for the shipowner and a major selling point for the yards. The result of the examinations was the Baby Post-Panamax (BPP) vessel. Post-Panamax because it is at present broader than the Panama Canal locks, and Baby because it is only a little wider than the canal locks.

The BPP design involves a ship length of 246 metres, is two container rows wider at 37.3 metres, and a nominal container capacity of 4,620 TEU. The operating costs are much lower and the stowage capacity is similar to today's 5,100-TEU class. It is economical since it can accommodate 3,778 TEU of 10 tonnes each. On the east Asia-Europe route, the BPP design speed can offer savings of about 18 knots – operating more efficiently because it is wider and slower. "Both the ship's breadth and speed are effective factors in stepping up the profitability," GL says, and "it is possible to shave off more than 30 per cent of the operating costs." **MC**

Nine firms shortlisted for TPT berth



The Tuticorin Port Trust (TPT) has shortlisted nine companies out of the 22 firms that responded to the request for qualification (RfQ) invited for the construction of a seven million tonne per annum (mtpa) capacity dry bulk cargo berth – North Cargo Berth 2. The shortlisted firms include Sterlite, Sical Logistics, Chettinad Logistics, and ABG. The berth will be developed under the public-private partnership (PPP) mode. Estimated to cost Rs 3.12 billion, the berth will handle copper concentrate for Sterlite and industrial coal. The names of the shortlisted companies have been sent to the Ministry of Shipping (MoS) for security clearance, following which request for proposals (RFPs) will be invited. The concession agreement is expected to be signed by July 2010. According to the port authorities, in the current financial year 2010-11, the Tuticorin port will handle 25.4 million tonne (mt) of cargo, as against 23.6 mt in 2009-10.

Transloading facility near Haldia

The SCI-SAIL joint venture, formed recently, will create a transloading facility in the Bay of Bengal to handle dry bulk cargo. This has been agreed to, in principle, at a meeting of both the companies. The sandheads at the mouth of the Hooghly River have been identified as the ideal location to start operations as early as possible. An alternative location at Kanika Sands, an island off the Orissa coast, may be considered at a later stage. For the cargo inducement, SAIL will provide about six mt of coking coal imports annually at the proposed facility once it is in place. Currently, SAIL imports about four mt of coal through Haldia.

Iron ore terminal at Ennore to commence operations

State-owned MMTC Limited is expected to commence commercial operations of Phase I of its iron-ore berth at the Ennore Port by July 2010. The berth being developed in joint venture (JV) with Sical and Larsen and Toubro (L&T) Infrastructure is estimated to cost Rs 4 billion. The capacity of the iron-ore berth in phase-I is 8 mt.

L&T readies funds for shipyard at Ennore

L&T has arranged funds for setting up the first phase of a shipyard-cum port complex at Kattupalli near Ennore in Tamil Nadu. The estimated cost of the project is Rs 33.75 billion. Of this, the debt portion is Rs 25.31 billion. L&T Infrastructure Finance Company Limited – a subsidiary of L&T – has arranged debt for the project through a consortium of banks. L&T will contribute Rs 8.44 billion equity for the project. The project has received approval from the Union Government.



RMPs at all gateways

Government of India has decided to install radiation monitor portals (RMPs) at all ports and entry points in the country. This has been prompted by the recent radiation leak incident in West Delhi, which was believed to be caused by scrap brought in from abroad. The decision to purchase the RMPs was taken at a high-level

meeting held recently in Mumbai which was called to discuss standard operating procedures (SOPs) for scanning and disposing of junk materials carrying radioactive waste.



SCI to buy second-hand vessels

Expecting a global economic recovery and swelling export-import (exim) trade, Shipping Corporation of India (SCI) has put out a tender inviting quotations to enable it to buy second-hand container vessels. The last date for receiving offers has been fixed for April 29, 2010. SCI is planning for three vessels initially and it may look for two more later. Further, the company is considering five-year-old ships of about 6,500 TEU each and vessels that are available for immediate delivery or are already under construction at reputed shipyards.

Cuddalore port to be revived

The under-utilised Cuddalore port in Tamil Nadu will be developed by the private sector under the PPP mode. The minor port, located about 200 km south of Chennai, has infrastructure such as breakwater, administrative buildings and barge loading/unloading berths and about 100 acre under the control of the Tamil Nadu Maritime Board (TNMB). Due to fund limitation, the board wants to develop the infrastructure on develop, operate, maintain, share and transfer (DOMST) basis on a 30-year concession period. Indian Institute of Technology (IIT), Chennai has suggested a three-phase development with an investment of Rs 1.25 billion. The port was reasonably active in the past (still less than 0.1 mtpa of cargo traffic), but with growing well-protected facilities at Chennai, Ennore and Tuticorin, there has been erosion of traffic at Cuddalore port. Currently, there is no significant cargo handling at the port.



NMPT on expansion mode

The New Mangalore Port Trust (NMPT) is planning to cross 50 mt capacity by 2012-13

by adding 12 mt in the next three years. Currently, it has a capacity to handle 44.2 mt of cargo.

Udupi Power Corporation Limited, which signed a concession agreement with NMPT for the development of coal handling facility, is likely to add three mt. This is expected to be commissioned in another three months. Construction of a petroleum-oil-lubricants (POL) berth with a capacity of seven mt will start in another three months. Further, a concession agreement has been signed with Sical Logistics Limited for setting up mechanised iron-ore handling facilities at the deep-draught berth. This facility is expected to commence in 2011. The port will also develop a mechanised container terminal on a build-operate-transfer (BOT) basis.



Vallarpadam crosses two milestones

The International Container Transshipment Terminal (ICTT) Project at

Vallarpadam in Kerala has crossed two major milestones on May 15, the first being the arrival of six rubber-tyred gantry cranes (RTGs) and the other, the completion of all the 11 bridges on the new highway connectivity. The six cranes form the first consignment of the fleet of 15 units which would be deployed at Vallarpadam. These have been manufactured by TGPC of Abu Dhabi at a cost of US\$ 1.7 million a piece and transported in fully assembled condition. According to sources, the current container handling operations at the Rajiv Gandhi Terminal are likely to be shifted to the Vallarpadam terminal site in July 2010.



The road connectivity project, being executed by the NHAI at a revised cost of Rs 8.72 billion, links Vallarpadam to Kalamassery on NH-47 over 17.2 km of difficult terrain. The two-lane connectivity is scheduled for commissioning by June 2010, as the physical progress of the work is 86 per cent as on April 30. The capital dredging work is likely to be completed by July to attain 14.5 metre draft as the physical progress of the work was 76 per cent on April 30. The construction of the Phase I was 92 per cent with 600 metre berth for a contract value of about US\$ 150 million.

One Year Time Charter Rates for the week ended May 12, 2010

Tankers

Vessel Type	This Week	Last Week	2010 Low	2010 High
VLCC (modern)	43,000	43,000	32,500	43,000
Suezmax (modern)	26,000	27,500	23,000	29,000
Aframax (modern)	18,500	18,500	17,500	18,500
Lr2 105,000	18,250			18,250
LR1 80,000	16,000	16,000	16,000	16,750
MR 47,000	12,000	12,250	11,500	12,250

Dry Bulk

Vessel Type	This Week	Last Week	2010 Low	2010 High
Capesize 150,000 dwt	33,000	30,000	27,000	33,000
Capesize 170,000 dwt	36,000	33,000	30,000	39,000
Panamax 75,000 dwt	28,000	27,000	23,500	27,500
Handysize 53,000 dwt	26,000	22,000	15,000	24,000

Source: Fearnresearch

Charter Rate Trend

Size	Mar-09 \$/day	Apr-10 \$/day	Change %	Trend
4,000 teu	10,000	15,000	50%	↗
2,500 teu	5,500	6,000	9%	↗
1,700 teu	4,700	4,900	4%	→
1,000 teu	4,300	4,400	2%	→
500 teu	4,300	4,300	0%	→

Note: Rates based on 6-12 month fixtures

Source: Alphaliner

Quick Take

Of the total value of the world's seaborne trade, container shipping accounts for 52 per cent, tankers make up 22 per cent, general cargo 20 per cent and dry-bulk commodities 6 per cent.

Newbuilding Prices for the week ended May 12, 2010

It was reported as an active week with 18 orders for larger vessels including bulk carriers and tankers. Of this, 16 orders were placed at Korean yards. According to Fearnresearch, this active run will continue and the prices of newbuildings are firming up in the larger tanker segments where yards are reporting high enquiry activity. The average prices prevailing at the yards in the Far East are listed as below:

Vessel Type	This Week	Last Week	2010 Low	2010 High
VLCC 300,000 dwt	100.0	97.5	95.0	97.5
Suezmax 150,000 dwt	65.0	64.0	61.0	64.0
Aframax 110,000 dwt	52.0	51.0	50.0	51.0
Product 47,000 dwt	35.5	35.5	34.5	35.5
Capesize 180,000 dwt	57.0	56.0	55.0	56.0
Panamax 76,000 dwt	37.0	36.0	35.0	36.0
Handymax 56,000 dwt	31.0	30.0	30.0	30.0

Baltic Dry Index



Charter Rate Trend (US\$ / day)

Size	Mar-09	Apr-10	Change (%)
4,000 teu	10,000	15,000	50%
2,500 teu	5,500	6,000	9%
1,700 teu	4,700	4,900	4%
1,000 teu	4,300	4,400	2%
500 teu	4,300	4,300	0%

Newbuilding Contracts

Type	No.	Size	Yard	Owner	Delivery	Price (US\$ million)
BC	2	81500 dwt	HHI	Daebo	2012	
BC	2	81500 dwt	HHI	Tolani Shipping	2012	
BC	3	82000 dwt	Sungdong	Efshipping	2011-12	
BC	2	82000 dwt	Sungdong	Irika Shipping	2012	
BC	2	180000 dwt	Hanjin Subic	Henghou Industries	2011	
BC	2	180000 dwt	Hanjin Subic	Star Bulk	2011	
BC	1	180000 dwt	Sungdong	Newfront Shipping	2011	
MT	2	160000 dwt	Hanjin Subic	Tanker pacific	2012	
MT	2	320000 dwt	Bohai	PetroChina	2012	
BC	2	37200 dwt	Ouhua Shipbuilding	Paragon Shipping	2012	
BC	2	56100 dwt	HMD	ESL	2012	43.2
BC	3	57000 dwt	Xingang	Hong Da	2011/2012	30.5
BC	2	82000 dwt	Ouhua Shipbuilding	Paragon Shipping	2012	
BC	1	82000 dwt	HHI	Tolani	2012	
BC	2	82000 dwt	Longxue	Qinfa	2012	34.5
BC	1	179000 dwt	HHI	Glovis	2012	
MT	2	318000 dwt	Hyundai	Samho Samco	2012	108
CC	2	6500 cars	HHI	Glovis	2012	
LS	2	24000 dwt	STX	Siba	2012	85
BC	10	76000 dwt	Rongsheng	Minsheng Leasing	2011-2012	36.8
BC	4	76000 dwt	Jiangnan	Shanghai Time Shipping	2012	35
BC	2	82000 dwt	DSME	KC Maritime	2011-2012	37
BC	2	82000 dwt	Jiangsu	Eastern Wilmar Int.	2011	
BC	8	205000 dwt	Hanjin	Philippines Rio Tinto	2012-2014	62.5

BC - Bulk Carrier; MT - Marine Tanker; CC - Car Carrier; LS - Livestock Carrier

Source: Fearnresearch

Global Container Fleet

No. of active liner ships	5,905
Total capacity (teu)	13.99 Mteu
% increase from 1 Jan 2010	2.6%
No. of cellular ships	4,762
Total capacity (cellular teu)	13.42 Mteu
% increase from 1 Jan 2010	2.8%
Of which chartered	52.3%
Cellular fleet as % of liner total	95.9%
% of cellular fleet idle	6.8%
Orderbook	4.16 Mteu
Orderbook %	31.0%

Sixty cellular ships accounting for 100,000 TEU have been removed from the fleet since the beginning of the year, far fewer than the 208 vessels of 380,000 TEU scrapped last year.

"The rate of deletions is diminishing due to improved employment prospects and as the fleet has been purged of most over-aged units which are the prime candidates for scrapping," says Paris-based Alphaliner.

"The scrapping rate will likely fall in coming months as the summer peak season boosts demand for tonnage, in spite an influx of expected new capacity. This contrasts with last year's situation, when scrapping peaked in July 2009 in what should have been the traditional peak season," it says.

According to Alphaliner records, the idle fleet has declined to a 15-month-low with 5.3 per cent of the fleet idle, down from a high of 11.7 per cent recorded in December 2009.

Source: Alphaliner

Shipping down by 44 per cent

While the overall financial performance of India Inc. has been resplendent with the average net profit rising by 40 per cent in the fourth quarter, the shipping industry, on the contrary, registered a negative growth of 44.62 per cent. Weak global markets and excessive tonnage have been the major reasons for the weak performance. The average net profit of the Indian shipping industry for the fourth quarter was Rs 399.51 crore as compared to Rs 721.38 crore. Here are the figures of a few shipping companies that have announced their results.

Shipping Corporation of India

During the year 2009-10, Shipping Corporation of India Limited's (SCI) net profit declined by 59.94 per cent to Rs 3.77 billion compared to Rs 9.41 billion in 2008-09. The total income of the company decreased to Rs 39.03 billion during 2009-10 from Rs 45.62 billion in the previous year.

SCI has reported a 32.34-per cent fall in its consolidated net profit during the final quarter (January-March) of 2009-10 at Rs 1.36 billion, compared to Rs 2.01 billion in the corresponding quarter of 2008-'09. The total income of the company has decreased to Rs 10.06 billion during the quarter from Rs 10.99 billion in the same quarter of the previous fiscal.

Mercator Lines Limited

Mercator Lines has registered a decline of 85.9 per cent in its net profit at Rs 0.53 billion in 2009-10, compared to Rs 3.76 billion in 2008-'09. The total income of the company also declined by 16.28 per cent to Rs 18.20 billion in 2009-10 compared to Rs 21.74 billion in the previous fiscal. The Board of Directors has recommended a dividend of Rs 0.2 (20 per cent) per equity share of Re 1 each fully paid up for the year ended March 31, 2010.

Great Eastern Shipping

Great Eastern Shipping Company has reported a consolidated net profit of Rs 156 million for the quarter ended March 31, 2010. Its consolidated net sales for the quarter stood at Rs 7,783.9 million. However, on standalone basis the company's net profit declined by 81 per cent and stood at Rs 974 million for the quarter as against Rs 250 million in the same quarter previous year. Net sales for the current quarter stood at Rs 513 million against Rs 534 million in the same quarter previous year, registering a marginal decline of 3.94 per cent.

Essar Shipping Ports & Logistics Limited

ESPLL has reported a 10.93 per cent dip in net profit at Rs 71 crore for the quarter ended March 31, 2010. Net profit for the same quarter a year ago was Rs 82 crore. Ship operators were hit during the last few quarters by the economic slowdown, which hurt global trade and led to an almost 90 per cent decline in freight rates. However, long term contracts in the shipping business have helped the company post a 19 per cent increase in revenues for the quarter. Total income stood at Rs 909 crore.

Shreyas Shipping and Logistics Limited

Shreyas Shipping has registered a loss of Rs 157.05 million in 2009-10, compared to a net profit of Rs 55.86 million in the previous fiscal. During the same period, the total income fell to Rs 1.5 billion compared to Rs 3.18 billion, registering a decline of 52.83 per cent.

ABG Shipyard Limited

ABG has reported a growth of 27.44 per cent in its profit at Rs 2,181.2 million in 2009-10, as against Rs 1,711.5 million in 2008-09. During the same period, total income of the company also increased to Rs 18.27 billion compared to Rs 14.2 billion, registering a growth of 28.66 per cent.

Pipavav Shipyard Limited

PSL has reported a consolidated net loss of Rs 460.66 million for the fiscal year 2009-10. Total income of the shipyard stood at Rs 5.9 billion in 2009-10. Reportedly, there were delays in commissioning of certain equipments/facilities on changes in work permit rules applicable to foreign technicians that have impacted the performance of the shipyard.

Siwertell loading and unloading systems are the best alternatives for a clean and greener handling of dirty dry bulk cargo like coal and cement. Not only are they more efficient compared to the conventional cranes, but also help in reducing pollution at port. They are eco-friendly and provide no scope for spillage or dust during cargo handling. Their capacities vary from 1,000 to 3,000 tonnes per hour.

The pictures show screw type Siwertell ship unloaders manufactured by Cargotec.



Picture courtesy Cargotec

GREEN SOLUTION FOR BULK HANDLING



Bengal seminar

Hooghly solutions discussed

The Shipping Committee of Bengal Chamber of Commerce organised an interactive seminar on 'Hooghly River – New Challenges' in the Chamber premises in Kolkata recently. Rear Admiral K C Sekhar, Chairman & Managing Director, Garden Reach Shipbuilders & Engineers Ltd delivered the inaugural address and A Majumdar, IAS, Chairman of Kolkata Port Trust delivered the special address. G N Nayak, Professor & Head, Department of Marine Sciences, Goa University delivered the keynote address.

The issues of river Hooghly and their impact on the development and trade in the region were discussed. The speakers called for studying similar river systems of the world for arriving at solutions for the bogging problems associated with the Hooghly. Speakers included B Choudhuri, Chief Hydraulic Engineer, Kolkata Port Trust; Capt K M Choudhury, DGM(OPS), Dredging Corporation of India; Anil Singh, Managing Director, DP World, Indian Subcontinent and Sanjay Gupta, Director Commercial, Gangavaram Port.



Delegates exchange views during the interactive seminar on 'Hooghly River – New Challenges' at the Bengal Chamber of Commerce in Kolkata.



Puthuvypeen SEZ

Officials inspect LNG terminal



Officials going around the Puthuvypeen Port-based SEZ at Cochin Port.



T K A Nair, Principal Secretary to the Prime Minister, recently visited the Puthuvypeen Port Based Special Economic Zone of Cochin Port where the construction of an LNG terminal is in progress. He was accompanied by Brajeshwar Singh, Chairman, NHAI, N Ramachandran, Chairman, Cochin Port Trust, G Krishnakumar, Deputy Chairman, Dr C Unnikrishnan Nair, Joint Director, Port-Based Spl Economic Zone, P Dasgupta, CMD of Petronet LNG, Tom Jose, Principal Secretary, PWD, GoK and Dr M Beena, District Collector.

gateway

KNOWLEDGE FORUM

Idea Exchange for Business Innovation



People are your Power.
Here's the Propulsion for Progress.



India Maritime Human Resources Summit

Ports | Shipping | Logistics

September 3, 2010 | Taj Coromandel | Chennai

This conference will focus and deliberate on the global demand-supply outlook for skilled workforce for the coming decade, need for quality control of education, to understand seafarers' issues and recommend actions for industry, institutions and the government to drive the cause forward.

- Structure** : It will have three presentation sessions on specific themes followed by a panel discussion.
- Session I** : **Go to Sea**
Theme : The dire need to promote shipping as a career
- Session II** : **Maritime Education in India and abroad**
Theme : The educational career avenues in India and abroad
- Session III** : **Quality of Education**
Theme : Quality of education in maritime institutes
- Panel Discussion** : **Building Human Resources for Maritime Sector**
Theme : The professional demands and needs of maritime industry

initiated by
maritime
gateway



gateway

#407, Fifth Floor, Pavani Plaza, Khairatabad, Hyderabad - 500 004
Tel : +91 40 2330 0061, 2330 0626 Fax: +91 40 2330 0665
www.gatewaymedia.in www.maritimewaymedia.com

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



4th FLNG Asia Pacific Summit Singapore

June 8-9

The event provides first-hand case studies from leading field operators and owners on transforming FLNG concepts to an actual operating FLNG vessel, the latest progress of FLNG projects and ways to mitigate risk of FLNG technology.

www.flngsummit.com

Sustainable Ocean Summit Belfast, UK

June 15-17

The World Ocean Council brings together leaders from industries dependent on ocean space and resources to catalyse ocean business community leadership and collaboration in addressing ocean sustainability and stewardship and advancing corporate ocean responsibility.

www.oceancouncil.org

International Defence Logistics 2010 Hotel Le Plaza, Brussels, Belgium

June 29-July 2

Europe's leading global logistics forum for the international defence community, the event will provide an opportunity for professionals to network with and learn from senior representatives from allied defence organisations and industry partners on critical strategic, operational and tactical challenges.

www.defencelog.com



India Bulk & Project Cargo Summit Taj Bengal, Kolkata, India

August 20

The event highlights all the issues involved in the transportation of bulk and project cargoes and looks at bringing together all the stakeholders like port terminals, transporters, transport authorities and users on to a single platform to express their views and build efficient business relationships.

www.maritimegateway.com

India Maritime HR Summit Taj Coromandel, Chennai, India

September 3

The conference attempts to spread the IMO message of 'Go to Sea' and raise awareness of seafaring as an exciting and rewarding career. Industry players, both national and international, experts and government representatives will share their working knowledge and information.

www.maritimegateway.com

SMM Shipbuilding, Machinery & Marine Technology Hamburg, Germany

September 7-10

The trade fair offers nearly 2,000 exhibitors from all continents and 50,000 visitors a platform to present and view the latest technology and product developments for the maritime sector. It serves as a trend show and a focal point for knowhow transfer worldwide.

www.hamburg-messe.de

India Shipping Summit Mumbai, India

September 24-25

The conference and exhibition bring together 500 senior decision-makers for a powerful networking besides serving as a forum to address the most topical issues affecting India's shipping industry, such as port infrastructure challenges, reduced money



9th International Oil and Gas Events and Conference New Delhi, India

Oct 31-Nov 3

It is a biennial platform for global hydrocarbon industry to deliberate and exchange ideas on petroleum economics, security, sustainability and environmental concerns, emerging technologies, processes and chart new directions for the industry.

www.petrotech.in

flow, charter party failures, container market vulnerability, management models and technological advances.

www.indiashippingsummit.com

Wista 2010 Greece

September 29-Oct 1

Women's International Shipping and Trading Association will facilitate first-hand information and exchange of ideas with decision makers and key leaders in the shipping industry worldwide.

www.wistaconference.org



**KRISHNAPATNAM PORT
COMPANY LTD.**

**We are your breakthrough in providing
Superior Infrastructure, State-of-the-art Facilities & Exquisite Services.**

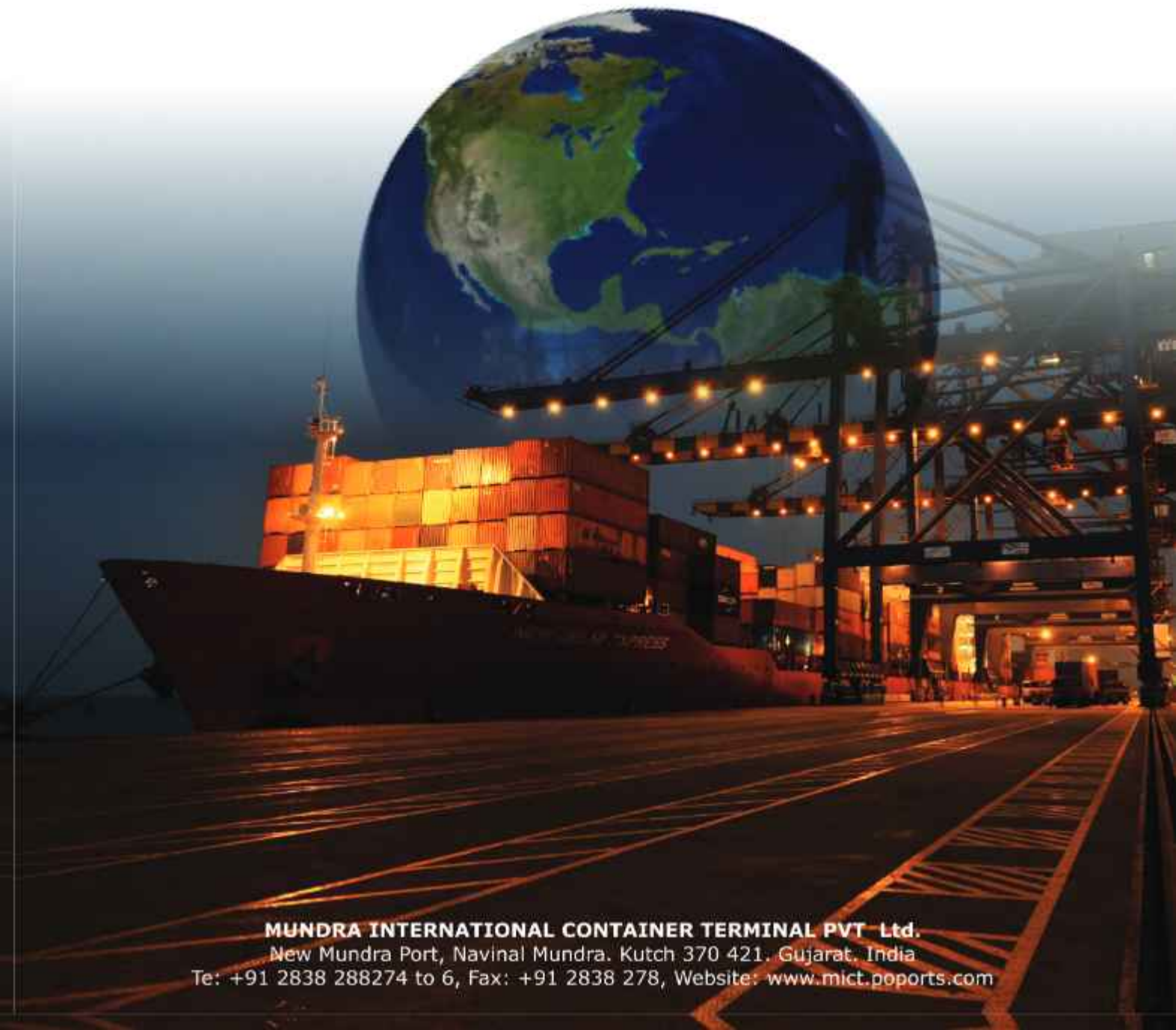
We have the skill of building and operating the port in a very high standard. Our belief is to innovate, improve and adapt to your needs which is our success formula in making us India's biggest multipurpose port of international caliber.



Visit us at www.krishnapatnamport.com to know more about us or
e-mail us at customerservice@krishnapatnamport.com

Think GLOBAL

SOLUTIONS CONNECTIONS CUSTOMERS



MUNDRA INTERNATIONAL CONTAINER TERMINAL PVT. Ltd.

New Mundra Port, Navinal Mundra, Kutch 370 421, Gujarat, India

Te: +91 2838 288274 to 6, Fax: +91 2838 278, Website: www.mict.poports.com