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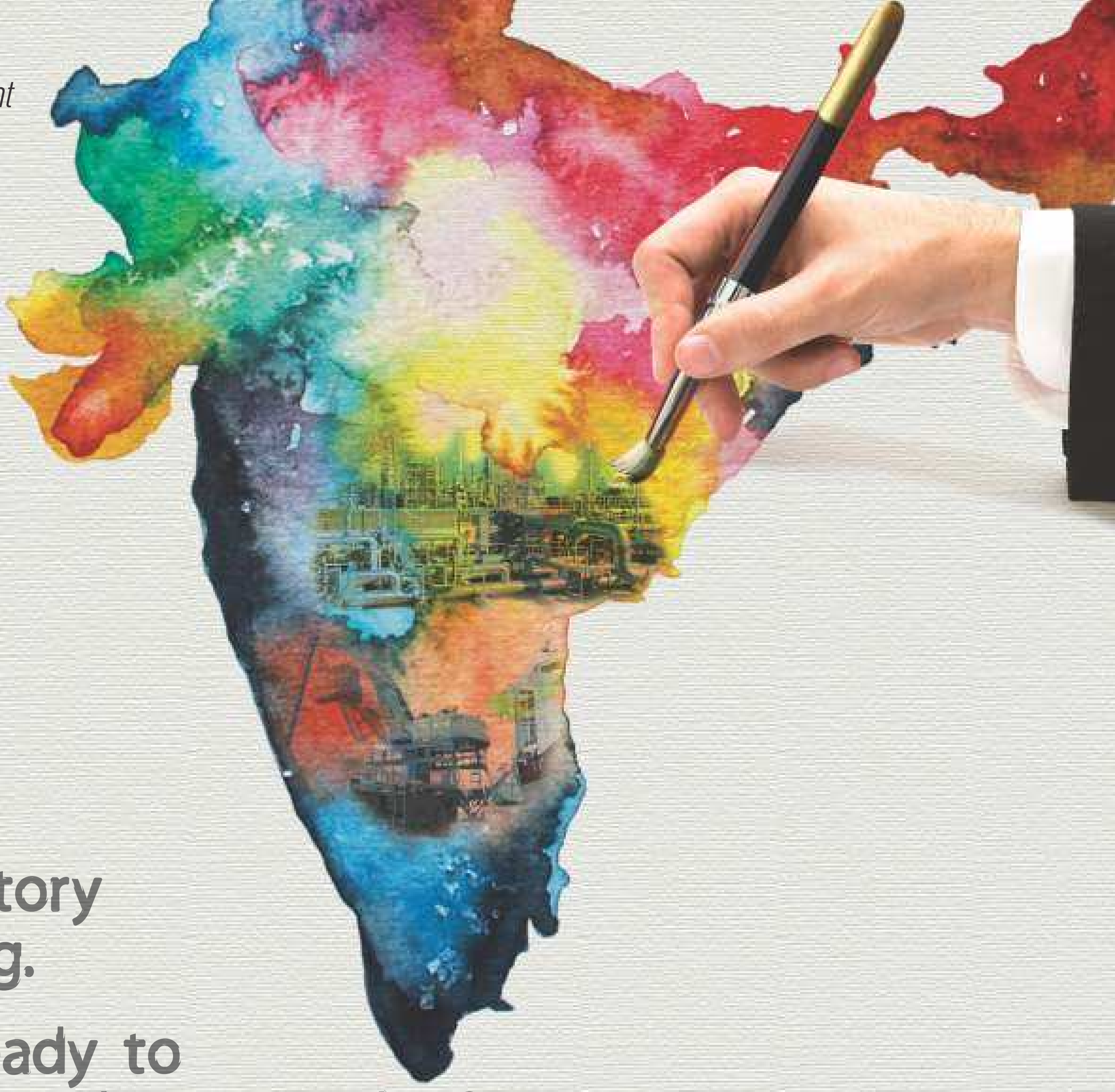
Sustained Efficiency

Chennai Container Terminal stands as a testimony to DP World's operational efficiency and technological expertise

MARITIME BOARDS

PLAN REMAINS A PIPE DREAM

Despite efforts by the Centre, maritime states are yet to wake up to the need for setting up state maritime boards. If materialised, state maritime boards can work as catalyst for development and help ensure efficient completion of infrastructure projects on coastline.



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Editor-in-Chief and Publisher Ramprasad
ramprasad@gatewaymedia.in

Sr Assistant Editor Sreekala G
sreekala@gatewaymedia.in

Assistant Editor Deepika Amirapu
deepika@gatewaymedia.in

Special Correspondent Ritu Gupta
ritugup@gmail.com

Special Correspondent Bhagyashri Kamat
Bhagyashri@gatewaymedia.in

Sr Designers Vijay Masa, Lakshmi Dandamudi

Designer Nagaraju N S

Marketing & Sales

Mumbai Dr Shibu John Asst Vice President – S&M
shibu@gatewaymedia.in – 098676 82002

Kolkata Nikhil Doshi GM – Sales
nikhil@gatewaymedia.in – 098369 96293

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A battle worth fighting

India is fighting a battle against global insurance firms for redrawing the piracy risk map. The government feels that a redrawn map will help prevent major shipping traffic from getting uncomfortably closer to the country's exclusive economic zone that adversely affects Indian fishermen.

It is not an easy battle considering the kind of high premium money involved. And, the powerful global insurance industry will fight tooth and nail against such a move. But, India should not give in as valuable lives of Indian citizens are at stake here.

In fact, on May 1, at the plenary session of the multinational forum Contact Group on Piracy off the Coast of Somalia (CGPCS), India along with Egypt and Oman, reiterated their demand to review the High Risk Area. India had raised similar demand in earlier sessions also.

At the meeting, the Indian government officials pointed out that there had been no incidents reported east of 65 degree since March 2012. And even that incident was 450 nautical miles from the Indian coast.

In December 2010, the Lloyd's Market Association's Joint War Committee, had increased the scope of the piracy-infested region till 65 degree east longitude. The increased area was defined in the 'Best Management Practices (BMP)' industry document, which is strongly endorsed by CGPCS.

As per the BMP, all ships transiting through the high risk area must buy the war risk insurance. They can also purchase an additional kidnap and ransom insurance, which covers ransom payment as well as other costs like hostage negotiations.

India should not give in as valuable lives of Indian citizens are at stake here

Certainly this is a lucrative deal for insurers and they would not like to let it go. But for India, a redrawn piracy risk map will help avoid incidents like *Enrica Lexie*, in which two Indian fishermen were killed when two Italian marines mistook them for pirates.

Though India did not receive much support from other groups and global industry bodies, the May meeting had agreed for another ad-hoc meeting later this year to consider threat assessments by naval forces.

This is an encouraging development though the battle is far from over. India should continue to assert its demand as it is necessary to protect the interest of the Indian fishermen, whose livelihood gets hit by large cargo ships navigating these waters close to the Indian coast. Besides, it will also bring down the premium cost for vessel operators sailing through the Arabian Sea. India has also suggested a possible compromise of shrinking the piracy map till 65 degree longitude by keeping a provision for reporting of incidents till 78 degree.

We hope India will be able to garner support from other countries for such an effort, which will in turn benefit the cargo vessels operators and shipping industry.

Ramprasad
Editor-in-Chief and Publisher
ramprasad@gatewaymedia.in

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OTHERS

Ningbo-Zhoushan Port now accessible to world's biggest 18,000-TEUers

The 150,000-tonne navigational channel project in Meishan port area at eastern China's Ningbo-Zhoushan port has opened to world's largest containerships of 18,000 teu, or 150,000 tonnes, to sail on the channel to the port after its completion in the early half next year. With five berths in operation, the port will have enough capacity to accommodate containerships of 150,000 tonnes. Berths 6-10 are now built to handle these ships.

BHEL Tiruchi derives logistics advantage from Karaikal Port

Bharat Heavy Electricals Limited (BHEL), Tiruchi, has been able to save substantially on freight and wharf charges by exporting equipment through the Karaikal Port. The port is closer at a distance of 132 km compared to the Chennai Port, 350 km away. Karaikal Port first despatched BHEL's shipment of boiler components for two 135-MW Circulating Fluidised Bed Combustion boilers to New Caledonia, a French colony near Australia, during January 2010. BHEL despatched 14,000 tonnes of components for each of the two boilers to New Caledonia.

Ore-ship rates decline

Charter rates for Capesize ships, the biggest carriers of iron ore, fell the most in almost six weeks amid speculation of slowing imports to China, the world's biggest buyer of the commodity. Daily hire costs for Capesizes declined 3.1 per cent to $5,725, figures from the London-based Baltic Exchange showed. That's the biggest drop since April 3. Chinese demand for iron ore has become "uncertain" as buying of the steel-making raw material has slowed.

Cochin entity to become first govt shipyard to get listed

With business for Cochin Shipyard looking up, the government is likely to divest a 10 per cent stake in the company. This would be the first disinvestment in the sector. The company is expected to take a decision at its next board meeting, to be held in June. In 2011, the government had planned to go for divestment, but did not go ahead, pending expansion of the shipyard. The government plans to raise ₹54,000 crore through divestment this year, nearly doubling the FY13 target of ₹30,000 crore.

Cochin Shipyards currently has 28 ships on order consisting of 6 offshore support vessels for domestic and international owners, 20 fast patrol vessels for the Indian coast guard and the prestigious aircraft carrier for the Indian Navy.

India willing to invest in Iran's port development projects

Tehran and New Delhi are in talks over the latter's investment in Iran's port development projects, Iranian Deputy Minister of Road and Urbanization Seyed Ataollah Sadr said recently. Sadr, who is also managing-director of Iran's Ports and Maritime Organization, said Indian investors are interested to partner in development projects in Iran's Southeastern port city of Chabahar.

"Negotiations have been held in this regard for Indians' involvement in the development of phase 2 of Chabahar's Shaheed Beheshti Port and construction of Chabahar-Sarakhs railway," Sadr stated. India and Iran have been holding discussions at regular intervals on issues related to economic cooperation under the joint commission mechanism, which was established in July 1983.

Adani Ports net profit up 66 per cent

Adani Ports and Special Economic Zone said that the company's consolidated net profit for the January-March quarter rose by 66 per cent to ₹710.31 crore as against ₹239.46 crore in the corresponding period last year. The growth during the quarter was largely due to 38 per cent rise in the cargo during the quarter. Adani Port had recently stated that the company was looking to utilise more than $235 million (₹1,300 crore) that the company received from divesting its stake in Abbot Point Coal terminal in Australia to the promoters of the company to fund its expansion plans in the country's east coast.

Gati sells 40% stake in its shipping subsidiary

Transportation company Gati Ltd on Friday sold a 40 per cent stake in its shipping subsidiary, Gati Ship Pvt. Ltd, to a strategic partner. The strategic partner "will help drive profitability" of the shipping business, the company said in a statement announcing its quarterly results. It did not divulge the name of the investor. Hyderabad-based Riba Constructions Pvt. Ltd bought the stake. Gati reported ₹7.5 crore net profit for the quarter ended March 31, against a net loss of ₹.3.5 crore for the corresponding quarter last year. Gati Ship recently signed an agreement with Dubai-based International Shipping and Logistics FZE to jointly launch a container service operating from Gujarat to Kerala. The service is slated to start by the end of this month.

India to import 1 million tonnes of iron ore each month

India is likely to import 1.0 million metric tonnes of iron ore each month this fiscal year, despite its long-held status as the third-largest exporter. Domestic output has declined and prices have risen because of investigations into illegal mining, and also because of an increase in export tax to 30 per cent from 20 per cent about 18 months ago, H C Daga, president of the Federation of Indian Mineral Industries, told *The Wall Street Journal*. India was once the primary source of spot-market iron ore for China, the world's largest consumer. But its share started to decline 18 months ago after the Supreme Court halted production at mines in the southern state of Karnataka because of illegal mining.

Wheat procurement down 32%

Wheat procurement in Haryana has dropped by as much as 32 per cent to 58.63 lakh tonnes (LT) in the ongoing rabi marketing season due to low yield.

"The wheat procurement will be over 25 LT less than what it was procured in last season as the arrivals were hit due to adverse impact on crop caused by inclement weather conditions (in the month of March)," an FCI official said. Haryana had recorded wheat purchase of 87.16 LT last year. Ahead of the start of current season, Haryana has set a target to achieve wheat procurement of 87 LT. With arrivals trickling down, crop procurement is unlikely to cross 60 LT, he said.

Imported coal more viable for power companies in coastal areas: Experts

Recent drop in international prices will benefit importers in coastal areas and those buying fuel from Coal India's mines under a special contract. Imported thermal coal has become a much more viable proposition for domestic power generators in coastal areas, erasing the 30-40% price differential with state-run Coal India's produce of the same variety.

Experts say the recent drop in international prices will benefit importers in coastal areas and those buying the fuel from Coal India's underground mines under a special contract. Power producers in India use a blend of the premium quality imported coal and Coal India's produce.

India to ratify two more IMO conventions

Moving towards a more sustainable future, both environmentally and socially, the Indian shipping industry is set to endorse two more conventions of International Maritime Organisation (IMO): Anti-fouling systems convention and Maritime labour convention. The anti-fouling systems convention which came into force on September 17, 2008 prohibits the use of harmful paints on ships and the maritime labour convention of 2006, mooted by International Labour Organisation, assures better work environment for the seafarers.

The shipping ministry has got the cabinet nod to ratify both the conventions. They will be adopted after amending the Merchant Shipping Act bill.

Cabinet nod for IOC's LNG storage plant at Ennore

Ennore Port now can lease land of 5.2 lakh square metres to a joint venture led by IOC for 30 years, where IOC will set up a LNG storage and regassification plant with a capacity of 5 million tonnes per annum. This follows a Cabinet approval to the proposal.

EXPANSION OF COLOMBO PORT TO MAKE SRI LANKA THE BIGGEST TRANSSHIPMENT HUB IN THE REGION

A major infrastructure project currently in progress to expand Sri Lanka's main port of Colombo will make the island the biggest transshipment hub in the region, According to the Asian Development Bank.

The new 5.14 km long breakwater has a depth of 18 metres to facilitate the docking of bigger cargo ships that require deeper docking berths. The Asian Development Bank (ADB) and the Sri Lanka Ports Authority (SLPA) jointly financed the $500 million project with $300 million from the ADB. Once the project is completed by 2015, the Port will be able to handle 8.1 million teu. With the completion of two 400-metre-long terminals by July 2013 in the next stage, the Port will be able to accommodate the latest generation of mega-container ships, which carry 18,000 or more containers.

VOICES

"The present day capacity of the Major Ports is only 696.53 MT and the annual capacity addition ratio is mere 6.65 per cent. The Committee is of the view that even the 12th Five Year Plan target of 1,229.24 MT by the year 2017 appears to be a distant dream."

- Sitaram Yechury
Member of Parliament,
CPI-M, speaking on behalf of Parliamentary Panel

"We are hoping for at least 10 per cent export growth. US has already started improving. So, that is good news. We also believe that Europe has also stabilised."

- S R Rao
Commerce Secretary

"I am not satisfied with the performance of SAIL on the whole. The company to take corrective measures immediately. He expressed I am concerned with the progress of modernisation and expansion and directed the PSU to bring synergy in various activities of expansion so that integrated commissioning of facilities is achieved quickly."

- Shri Beni Prasad Verma
Union Minister for Steel

"All PPP, PRIs and urban & local bodies, societies, etc should be brought under the CAG."

- Vinod Rai
Comptroller and Auditor General

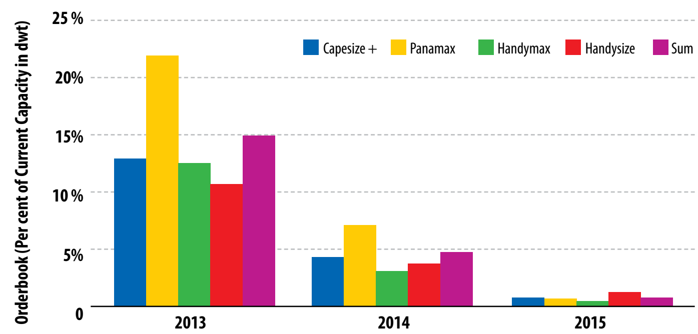
NUMBERS

Tankers

15-year and up age category of the worldwide fleet

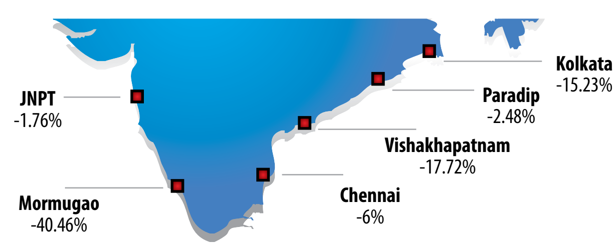
VLCC	Suezmaxes	Aframaxes
16 per cent	15 per cent	22 per cent

Bulk Orderbook By Ship Class



Source: Pareto February 2013

Major Ports Negative Growth



Soft landing for the shipyard industry

Orders as per March 2013

	Numbers	Million CGT
Bulk Carriers	1,431	26,841,384
Tankers	1,012	22,532,945
Dry Cargo passenger (incl Containerships)	1,266	28,801,148
Offshore	972	10,553,347
Research/Towing-Pushing/Dredging	864	2,339,024

Source: BIMCO, IHS Fairplay

World's Biggest Box Ship

COSCO ordered the world's biggest container ship capable of carrying **18,400** 20-foot containers taking over the title from A.P. Moeller-Maersk


Benchmarking
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Wan Hai Lines chooses ClassNK-NAPA GREEN

Leading classification society ClassNK and maritime software company NAPA have announced that Taiwan-based Wan Hai Lines Ltd has chosen ClassNK-NAPA GREEN ship efficiency software for use on WAN HAI 516, a 4,680-teu vessel delivered by CSBC in April 2013. This marks the first time that the operational optimisation and SEEMP (Ship Energy Efficiency Management Plan) solution will be installed commercially on an existing vessel. The ClassNK-NAPA GREEN system is a new comprehensive software system developed by NAPA and ClassNK to help owners and operators reduce fuel costs and CO_2 emissions and smoothly comply with new IMO SEEMP requirements which entered into force at the beginning of 2013. While the new software is already in use as part of verification testing on a container vessel operated by Japan's Shoei Kisen, this agreement with Wan Hai Lines marks the first commercial success for the system.

Shell signs port services pact for floating terminal in AP

Royal Dutch Shell has signed a port services agreement for setting up a floating LNG import terminal at Kakinada in Andhra Pradesh. Also, a draft environmental impact assessment report has been submitted, which along with the Port Services Agreement was described by Shell as "two important milestones". Shell had on May 31 last year announced the setting up of a floating facility to import 5 million tonnes a year of liquefied natural gas (LNG) at Kakinada. Kakinada is the same site for which state-owned gas utility GAIL India had roped in French utility GDF Suez and signed pact with Andhra Pradesh government for a 3.5-million tonne Floating and Storage Regasification Unit (FSRU) facility.

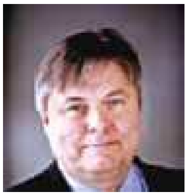
The terminal will start with a capacity of up to 5 million tonnes per annum and is designed for easy expandability to 10 million tonnes to meet the surging demand for gas in the region, it said. However, it did not mention the date of commissioning the project.

India awaits LNG exports from Freeport facility

The US Department of Energy's conditional approval to a Texas liquefied natural gas terminal to export to nations that do not have a free trade agreement with the United States, is seen as a potential boost for India's energy security. The Freeport LNG on Quintana Island in Texas is conditionally authorized to export as much as 1.4 billion cubic feet of natural gas a day for 20 years.

The approval is seen as a significant indication of how the US government could decide on up to 20 other applications to export LNG. While India is not likely to benefit immediately from the approval – as China, Japan and Britain already have a stake in the Freeport facility – it opens the door for Indian companies to seek similar licenses to import huge quantities of the much-needed gas from the United States as new terminals are approved, Press Trust of India reports.

Strong performace by DNV



DNV's continued focus on safety and service quality and the ability to provide leading-edge technology advice and solutions contributed to the company's strong market and financial performance in 2012. Revenues increased by 27 per cent compared to 2011 and DNV strengthened its global position in all its key areas: maritime, oil & gas, energy & sustainability and business assurance.

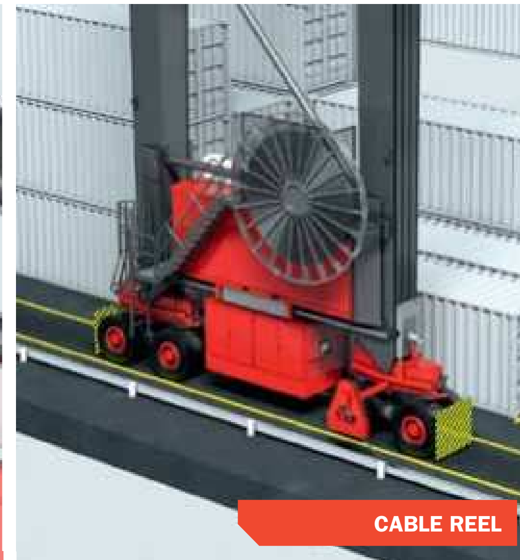
"The need to manage technical, societal and business risks is more urgent than ever," says Henrik O Madsen, DNV Group Chief Executive Officer. "We will continue our focus on safety, service quality and the ability to provide leading-edge technology advice and solutions to help position us for the future and better serve our customers."

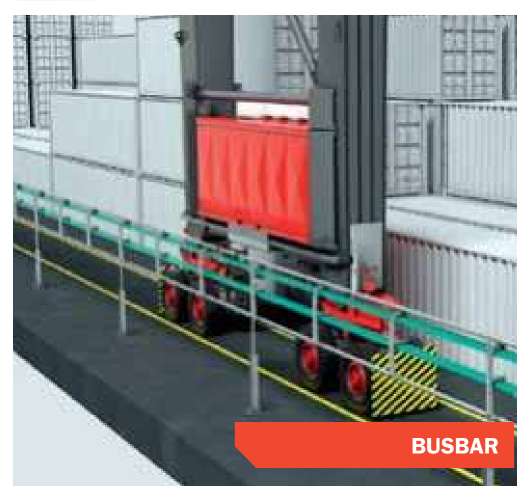
In 2012 DNV secured 316 new-building classification contracts for ships and mobile offshore units, corresponding to 8.8 million gross tonnes. This gives an estimated share of 17 per cent of new building classification in numbers and 22.5 per cent in gross tonnes. The total DNV-classed fleet of ships and mobile offshore units fell from 6,134 at the end of 2011 to 6,115 at the end of 2012, mainly due to a high level of scrapping. This gives DNV a 9 per cent share of the classed world fleet in number of ships/units and a 14.5 per cent share in gross tonnage.

LPG ship rates jump to seven-month high

Earnings for the largest ships hauling liquefied petroleum gases such as propane rose to the highest in seven months as the US expands exports and European manufacturers switch to the cheaper feedstock.

Rates for very large gas carriers jumped 25 per cent this month to $59.88 a metric tonne. Chemical makers in Europe are using propane instead of more expensive naphtha, spurring imports from the US and Middle East.





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Cargo service to set sail by May-end

With the 205-km Kollam-Kottapuram National Waterway III expected to be commissioned in November, efforts are on to ensure connectivity between coastal and inland waterways in the State.

The two waterways are interdependent, though stakeholders in the sector had been viewing them as different till recently. Aimed at encouraging coastal shipping, the State government will begin operating a chartered vessel between Kollam and Kochi by May end. Efforts are being made to ensure a depth of 10 metres in minor ports to make them nodal points for cargo movement.

Meat stranded at Chinese ports

Hundreds of tonnes of frozen mutton, lamb and beef from New Zealand have been stranded on Chinese docks after China halted imports from the country due to a certification dispute. China is New Zealand's largest export market and its largest consumer of sheep meat.

China has blocked all New Zealand beef and sheep meat that has arrived there in the past two or three weeks, said Dan Coup, trade and economic manager for the Meat Industry Association of New Zealand.

The meat sitting in freezers at the docks is worth tens of millions of dollars. Because it is frozen, it will last months, Coup said.

Everstone nets ₹1.3k cr for warehouses

Everstone Capital, one of the largest India-focused private equity firms, has raised $250 million (over ₹1,350 crore) from global investors to build industrial warehousing in the country.

Everstone is developing a network of warehousing centres through IndoSpace Logistics Parks, a joint venture with US-based Realterm Global, which manages industrial real estate assets worldwide. IndoSpace is currently building 11 large-scale parks with 15 million sq ft under construction across five metros catering to global clients like L'Oreal, Volkswagen, Nissan and Levi's.

DFCCIL to award ₹7K cr contract on Western Corridor

Dedicated Freight Corridor Corporation of India is looking to award by end of May its second major contract of about ₹7,000 crore for construction of 640 km double track line between Rewari in Haryana and Palanpur in Gujarat.

The contract, part of 1,483 km long Western Dedicated Freight Corridor (DFC), will be country's single largest railway contract. The Western DFC is coming up between Dadri (near Delhi) and Jawaharlal Nehru Port (near Mumbai). DFCCIL is likely to sign a $1.25-billion loan agreement with the World Bank by June for developing the second phase of Eastern Corridor between Kanpur and Mughalsarai.

> First phase loan of $975 million has already been sanctioned by World Bank and second phase is being negotiated. It is likely to be sanctioned by June.

R K Gupta
Managing Director of Dedicated Freight Corridor Corporation of India (DFCCI)

SAIL sees 30% jump in coking coal imports post expansion

Steel Authority of India could see up to 30 per cent rise in its coking coal imports to 13-million tonnes post capacity expansion, its spokeswoman said. SAIL, with an annual capacity of about 14-million tonnes, is the largest steel producer in India, but lags Tata Steel's global capacity of about 27-million tonnes.

SAIL's coking coal imports may go up to about 12-13 milion tonnes for a production capacity of 18 million tonnes.

Paradip Port posts growth in traffic in April

In April, Paradip Port Trust handled 5.65 million tonnes (mt) of traffic, thus posting 4.24 per cent growth over the same period of last year. During the same month, all major ports taken together recorded a negative growth of 2.58 per cent at 54.56 mt. PPT Chairman, S S Misra, would attribute the growth in port traffic to rise in the throughputs of coal and crude and petroleum products. Iron ore export, once a major item of traffic, continued to languish despite indications of some exports taking place.

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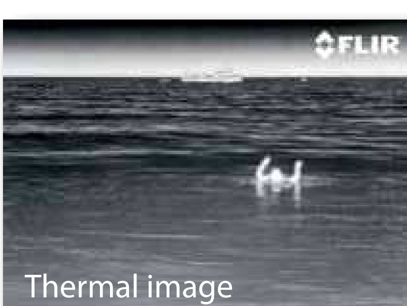

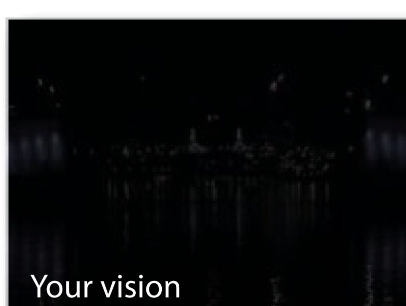

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For more information please contact:

FLIR Systems India Pvt. Ltd.
1111, D Mall,
Netaji Subhash Place, Pitampura,
New Delhi- 110034

Tel: +91-11-45603555,
Fax: +91-11-47212006,
E mail: flirindia@flir.com.hk

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Steel firms can charter ships directly for imports now

The Cabinet approved the proposal to allow Steel Authority of India (SAIL) and Rashtriya Ispat Nigam Limited (RINL) to undertake direct chartering of ships without going through the centralised chartering organisation under the Ministry of Shipping and Road Transport. "This decision will help in meeting the shortfall in the domestic availability of coking coal. SAIL and RINL at present import around 14-15 million tonnes of coking coal annually," an official release said.

Currently imports by the steel PSUs are done through ships chartered by Transchart, operated by Shipping Corp of India. Exemption of chartering ships through Transchart has been given to both the PSUs. "As a result, SAIL and RINL will have better control of logistics, shipping and operations of importing coal and other raw material from overseas. The benefits of flexibilities flowing through direct chartering of operations would bring in a comprehensive logistic solution along with financial benefits to these PSUs," the release said.

Expansion plans of Dhamra Port may be delayed

The proposed ₹10,000-crore expansion of Dhamra Port, a deep draft commercial port along the eastern coast, could be delayed. The Odisha government is contemplating whether to hold its decision to allot land for the project, amid speculation of a stake sale by the port's promoters.

Earlier, there were reports that Larsen and Toubro Ltd (L&T) and Tata Steel Ltd, which own 50 per cent each in Dhamra Port Co Ltd (DPCL) that operates the port off the coast of northern Odisha, were planning to sell their entire stake to the Adani Group. L&T later rejected such reports and said port ownership was "right now under status quo". However, the Odisha government appears to have taken a "wait-and-see" approach towards the port's expansion plan.

Dry-bulk shipping rates retreating

The global fleet of dry-bulk vessels will expand 7.4 per cent this year and 4.1 per cent in 2014, according to Clarkson Plc, the world's largest shipbroker. That's the slowest pace since 2004, data show. The Baltic Dry Index, a measure of vessel earnings, plunged 93 per cent from its 2008 high as owners ordered new ships equal to as much as 74 per cent of existing capacity, compared with 17 per cent now, according to data from the Baltic Exchange and IHS Fairplay.

Daily earnings for Capesizes hauling 160,000 metric tonnes of iron ore and coal declined 2.2 per cent to $5,053, according to the exchange. Rates have been below the $7,758 needed to cover operating expenses such as crew and maintenance for 88 of 96 sessions this year, based on an estimate from Moore Stephens LLP, an industry consultant.

Dugarajapatnam in Andhra Pradesh to have new major port

Dugarajapatnam in Andhra Pradesh's Nellore district will be the second Union government-controlled port in Andhra Pradesh after the one in Visakhapatnam.The new ports are to be developed as part of an effort to triple the country's cargo-loading capacity to 3.13 billion tonnes by 2020.

The port in Dugarajapatnam would require about 4,000 acres, most of which is owned by the state government, said B Sreedhar, collector of Nellore district. Andhra Pradesh is India's second biggest maritime state by cargo handled after Gujarat. Nellore district already has a big private port at Krishnapatnam run by Hyderabad-based CVR Group.

The cabinet also approved the shipping ministry's proposal to set up a new port at Sagar Island in West Bengal, the second in the eastern state after Kolkata. The two new major ports approved by the cabinet will cost about ₹20,500 crore to build and have 116 mt of annual cargo-handling capacity.

Adani Ports in talks with Tatas for cargo handling at Dhamra

Adani Ports and Special Economic Zone has started discussions with Tata Steel regarding the terms of handling cargo at Dhamra Port in Odisha, a port which is jointly owned by Tata Steel and Larsen and Toubro, signaling a significant move towards acquiring a strategic control of the port. Tata's arm TM International Logistics currently manages the port.

Dhamra Port handled 5.1 million tonnes of cargo during 2012 and Tata Steel had developed the port due to its location, which was ideal for shipment of minerals and raw material for steel plants in the region.

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Sugar exports poised to rebound

Sugar exports from India, the world's second-biggest producer, are set to climb next season as an end of state curbs on local sales sends domestic prices lower and encourages mills to boost overseas shipments. Supply will be available for exports in the 2013-14 season that starts in October, according to Abinash Verma, director general of the New Delhi-based Indian Sugar Mills Association (Isma). Domestic prices in India for white sugar are about 10 per cent higher than futures in London, discouraging exports for now.

Global refined sugar prices have dropped 11 per cent in the past year as oversupply of sweetener overwhelmed processors. India's government said it will allow mills to freely sell sugar in the local market for the first time in four decades. The crop starts being harvested in India in October.

India shipments

Shipments from India have been about 35,000 tonnes since the current season started on October 1 compared with 3.4 million tonnes for the entire 2011-12 season as high domestic prices discouraged exports, Isma estimates. Exports in 2013-14 could be 500,000 tonnes if domestic prices fall below global levels, according to Charlotte Kingsman, an analyst in New Delhi at Kingsman SA, a Lausanne, Switzerland-based research company.

Chennai Port Trust rejects revenue-sharing offer for mega container terminal project

The Chennai Port Trust rejected the Vadinar Terminal Ltd and Essar Port and Terminal Ltd (VOTL) revenue-sharing offer of 5.25 per cent, for the proposed mega container terminal project, and, instead, will seek rebid from the Request for Qualification (RFQ) bidders. According to official sources, the proposed move will turn back the clock by at least 15 months, wherein five firms had evinced interest to construct the ₹3,686-crore project. The project has been delayed for various reasons such as poor response from the qualified bidders, economic slowdown, low revenue-sharing ratio offered by the qualified bidder and another bidder failing to get national security clearance on time.

There's little money in moving goods, so Maersk focuses on oil

A.P. Møller-Maersk's quarterly revenue fell slightly to $14.047 billion in the first quarter from $14.327 billion a year earlier, and profits declined a more dramatic 32.8 per cent from $1.175 billion to $790 million. It saw a small profit on its Maersk Line division (the container shipping division) after substantial losses in the first quarter of last year.

Maersk may have the world's largest container shipping operation, but it has diversified away from cargo traffic alone because there's simply not enough global demand to move goods. More and more, it's looking like an oil company. Maersk Oil – which does oil and gas exploration, particularly in Qatar and Denmark and the North Sea – actually returned the highest profits and return on capital of any division. Maersk Drilling's profit also jumped 18.7 per cent, and the company is adding seven large oil drilling rigs to its fleet by the end of 2015.

Ennore Port to float global tenders again for mega container terminal

The Ennore Port Ltd. (EPL) will once again float global tenders soon, inviting parties to take part in the Request for Qualification (RFQ) process for creating a mega container terminal at Ennore. In October 2012, the lone bidder for the project, Bay of Bengal Terminal Consortium, withdrew from the project citing a delay in finalising funds, causing a temporary setback for EPL just like the Chennai Port Trust that was also facing problem on mega container terminal front.

"About 11 firms took part in the EoI process. They, along with others, can take part in the RFQ. Later, the qualified bidders will be asked to submit Request for Proposal. We have made some material changes in the project with regard to quay length, capacity and cost to make it attractive. The project would be awarded by December," said a top official.

Traffic shows steady upward growth at NMPT

As on May 15, the New Mangalore port has registered a growth rate of 31.65 per cent by handling 5.09 million tonnes as against 3.87 million tonnes handled during the corresponding period of previous year. The growth in traffic is attributable to increase in handling of petroleum, oil and lubricants crude and products by MRPL, coal, fertilizer, timber and container cargo. The port is also witnessing upward growth in container traffic. It has handled 6,144 twenty-foot equivalent units teu during the current year as on May 15 as against 3,462 teu handled during the corresponding period of previous year, a growth rate of 77.47 per cent. Railway traffic also increased by 27.60 per cent by handling 9.29 lakh tonnes during the above period as against 7.28 lakh tonnes handled during the corresponding period of previous year.

Mumbai Port Trust achieves all-time high record of cargo handling

The Mumbai Port Trust has achieved an all-time high record by handling cargo throughput of 58.04 million tonnes during the year 2012-13, clocking a growth of 3.3 per cent over the previous year's traffic of 56.19 million tonnes. The press release said that all major commodities, except for iron and steel, have shown improvement. The increased throughout of almost 2 million tonnes is especially note worthy against the general sluggishness witnessed in exim trade worldwide. In fact, all the Major Ports together had recorded a negative growth of 2.6 per cent in the year 2012-13.

Hong Kong faces mainland China challenge as ports expand

Guangdong's plan to spend billions of yuan to create a network of ports, railways and waterways will pose a competitive threat to Hong Kong. But it may benefit Hong Kong exporters as a strike at the city's port enters its fifth week, say industry players.

"Look at the mess we have with the port strike now. With the strike in Hong Kong, we Hong Kong exporters depend on Guangdong to help us now," said Willy Lin Sun-mo, the chairman of the Hong Kong Shippers' Council.

As the strike at Kwai Tsing container terminal shows no sign of ending, the council has advised vessel operators to divert their cargo from Hong Kong to Guangdong ports. Right now, Guangdong ports are reaching the limits of their capacity. Guangzhou's Nansha Port can hardly handle more than 20 per cent of Hong Kong's cargo, so it would be welcome if Guangdong built more port facilities, said Lin. Over the next three years, the province will spend 55.4 billion yuan (HK$69 billion) on building port facilities, waterways and railways.

APSEZ becomes India's top coal handling port

The Adani Port and Special Economic Zone has become the biggest coal handling port in India by overtaking Paradip Port during 2012 to 2013. This private port developer that operates the Mundra Port in Gulf of Kutch (Gujarat) is now within sniffing distance of overtaking Kandla as the country's top most port in terms of cargo volumes.

APSEZ overtook Paradip port, a major port located in Odisha, in the beginning of the Q4 to emerge as the biggest coal handler in the country. Over 26 million tonnes of coal was handled during the just ended fiscal, 2012 to 2013. The Adani Group has coal mining rights in Australia and Indonesia.

APSEZ's Mundra Port in total handled over 82 MMT of cargo during 2012 to 2013, which is a growth of 21 per cent compared to the volumes handled a year ago. APSEZ is now close to overtaking Kandla, which has handled over 89 MMT of cargo.

"Adani Ports is indeed India's foremost port and it is a matter of pride that it continues its march towards becoming the biggest commercial port in India. Disinvestment of the port at Abbot Point, Australia will further give fillip to its growth plans."

Gautam Adani
Chairman of APSEZ

Mercator: Shipping business drags down numbers

The miserable performance of the shipping business and interest costs took a toll on the March quarter financial performance of Mercator Ltd. The reasons for the poor performance are not new. The operating environment for shipping companies is dismal thanks to oversupply of ships and the resultant pressure on charter rates. Most shipping companies have been severely affected and Mercator is no exception.

Sure, the company diversified its revenue stream and the coal business did become a key contributor to the overall revenue. But the problem at the earnings before interest and tax (Ebit) level is that while the coal business is one of the major revenue contributors, relatively its Ebit contribution was not enough to make Mercator profitable at the net profit level, considering that the coal business accounted for almost three-fifths of the total revenue in the March quarter. Coal prices have declined sharply from a year ago, although there has been some pickup in volumes in the March quarter compared with the previous one.

India's H-Energy explores potential Canada LNG export terminal

India-based H-Energy has signed an option agreement with the Canadian province of Nova Scotia, to look at putting up an natural gas liquefaction facility and export terminal in the province, a director of the company said. H-Energy director Darshan Hiranandani said it would take two or three years to get to the point of starting construction on the site. H-Energy, which is part of the Hiranandani Group, one of India's largest privately-held property developers, is also building an LNG import facility on the west coast of India.

Chhattisgarh govt signs MOU with CONCOR to set up logistic hub

The Chhattisgarh government signed an MoU with the Container Corporation of India Ltd (CONCOR) for setting up a ₹200-crore Multi Model Logistic Hub (MMLH) dry port at NayaRaipur. According to officials, MMLH dry port would work as a one-stop shop for exporters and importers, providing them warehousing, clearance and forwarding facilities from the same location. The hub, proposed to be constructed on an area of 45 acres, would be completed in the next three years and will have all facilities, including canteens, recreational areas, fire brigade and trauma centres, emergency services, besides the usual warehouses and clearance setups.

The goods stored at the warehouse will be transported by rail or road to containers, to be exported further by air or sea. The facility would work 24X7, providing the much needed infrastructure to exporters and importers. Officials said the container service from the hub would use all modes of transportation, road as well as rail, for transporting the goods to Vizag, Port of Visakhapatnam, for exports by sea or to the nearest international airport for air transfer.

Dighi Port begins handling large bulk carrier

The newly set up Dighi Port in Maharashtra, has started handling large bulk carriers. The multi-purpose port, located 42 nautical miles from Mumbai, last week handled the first Capesize vessel – *MV 'Luciana Della Gatta'* of 1.22 lakh dwt, loaded with coal. Vijay Kalantri, Chairman and Managing Director, Dighi Port, said that in handling the coal cargo, the port achieved a discharge rate of 800 tonnes/hour.

No discrepancy in Indian Maritime University faculty selection: Report

The recruitment of more than 30 faculty members by the Indian Maritime University (IMU) is as per rules and there is no deviation in the recruitment process, an inquiry report has concluded. Giving a clean chit to the recruitment of 31 lecturers, the report submitted to the executive council of the IMU said the 'recruitment process followed the true spirit of an academic selection'.

South Korea shipbuilding giant STX in liquidity crunch

Hit by sagging global demand, the world's fourth-largest shipbuilder had sought extensions on loans and other support from eight creditor banks to try to shore up its balance sheet. STX's share price plummeted 15 per cent. STX Offshore – the shipbuilding unit of the STX group – logged a net loss of 782 billion won ($699.5 million) on a consolidated basis last year with its debt reaching 12.2 trillion won as of end 2012.

STX group has been seeking to sell units and affiliates to try to secure cash. Its shipping unit, STX Pan Ocean Co., is also for sale but failed to find buyers last week.

GRSE eyeing 20 per cent growth

Garden Reach Shipbuilders and Engineers (GRSE) is expecting a turnover of over ₹1,700 in the current fiscal and aiming to grow annually by 20 per cent, a top official of the defence establishment said recently. "The GRSE is expecting to earn an annual turnover of over ₹1,700 crore in the current fiscal. We have been growing a rate of 20 per cent year-on-year and hope to continue the trend," said GRSE chairman and managing director Rear Admiral A K Verma. The mini-ratna company, which in 2014 will become the first Indian defence organisation to export a warship, is also looking forward to other countries for orders for manufacturing patrol vessels and warships

Maritime Board formation: Kerala still in deep waters

Though the state government is preparing to launch projects for optimum utilisation of Kerala's advantages in maritime sector, the Kerala State Maritime Board, the key body in the development of minor ports, could not achieve coordination among different bodies involved in water transport, coastal security and channelising Central aid. This is despite the legislation that was cleared by the Cabinet two years ago.

The states which have maritime boards have fared better in developing their ports and other related projects. In states which do not have the board, the development of ports is delayed by procedural bottlenecks and lack of coordination and collaboration among the agencies concerned. Minister for Ports and Fisheries K Babu said that the bill was awaiting the President's assent, which is the final step for constituting the board.

Anti-piracy legislation threatens Mandvi's shipbuilding industry

For hundreds of years shipbuilders in the city of Mandvi, Gujarat state have constructed wooden cargo boats – known as Dhows – for use on lucrative trade routes to the Middle East and Africa. Following a string of attacks by Somali pirates, new regulations were introduced in 2010 which ban certain Indian cargo vessels, including dhows, from sailing south of Oman into the dangerous waters off Somalia – and these regulations have caused demand for ship construction in Mandvi to plummet.

Railways earns ₹7,477.3 cr from freight traffic

The Railways has earned ₹7,477.3 crore from commodity freight traffic in April, of which over ₹3,000 crore was generated from transportation of coal. In April, the public transporter carried 42.96 million tonnes of coal and generated a revenue of ₹3,420.74 crore, a statement issued by the Railways said. Of the total earnings of ₹7,477.3 crore, ₹604.13 crore came from 8.9 million tonnes of iron ore transported for exports, to steel plants and to other domestic users and ₹748.94 crore from transporting 9.27 million tonnes of cement, it said.

During the period, the Railways also earned ₹729.94 crore from transporting 4.62 million tonnes of food grains, ₹426.18 crore from 3.33 million tonnes of petroleum oil and lubricant and ₹435.08 crore from 2.72 million tonnes of Pig iron and finished steel from steel plants and other points, the statement said.

South Korean shipyards control lion's share of product tanker orderbook

With shipowners flocking into shipyards for a "piece of the pie" of the prosperous looking product tanker market, South Korean shipyards have taken the lion's share of the market. According to the latest report from London-based ship broker Gibson, 86 per cent of all tanker orders (ships above 25,000 dwt) during the past 16 months was for the product tanker segment, especially MRs. Out of these orders, 69 per cent was placed directly at Korean shipyards, with the market share rising to a rather impressive 83 per cent if you take into account tankers to be constructed in yards which are controlled overseas by Korean yards. Just for comparison, the orders placed in Chinese shipyards don't take up more than 10 per cent of the market, while Japan registers orders for just three vessels.

Poor coal throughput, a concern for Railways

Two major coal-loading zonal railways, South East Central Railway (SECR) and East Coast Railway (ECoR), serving mines under Mahanadi Coalfields Limited in Odisha, are a worried lot these days.

The road transportation of coal from the pitheads to nearest railheads has been at a low key for some time now and, with it, the loading of railway rakes. At IB Valley mines served by SECR, the daily average loading has dropped to around 80,000 tonnes from the normal more than a lakh tonnes.

At Talcher mines, served by ECoR, the daily average loading is around 30 rakes, higher than that in last year but less than the targeted 34/35. The most obvious reason is the poor availability of coal.

Temples make donations to beef up maritime patrols

Two temples in southern Taiwan have each donated NT$2 million (US$66,730) to the government in support of its efforts to beef up maritime patrols aimed at protecting fishermen operating in the sea south of Taiwan, officials said. Tainan City Mayor Lai Ching-te said he has forwarded NT$2 million donated by a local temple to the Coast Guard Administration. He quoted temple leaders as saying local people support the government efforts to strengthen protection of fishermen. Lai said that it was frustrating to hear that at a time when Taiwan needs increased coast guard and navy patrols to protect its fishermen, the government budget for government vessel fuels is running short. "This is indeed demoralizing," Lai said.

SCI fleet size swells to 79 with Kamsarmax-class bulk carrier

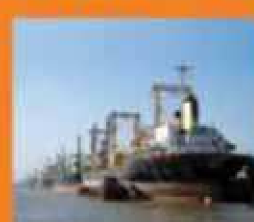
Shipping Corporation of India (SCI) said that it has taken delivery of a Kamsarmax Bulk carrier taking its total fleet size to 79 vessels. The vessel christened "*Vishva Chetna*" has a gross tonnage of 44,864 tonnes and is second of the four such ships ordered in 2010 from a Chinese ship builder, the company said in a statement.

So far, the company was operating the small-sized Handymax and Handysize bulk carriers whereas the Kamsarmax bulk carriers have larger carrying capacity, it said. The Kamsarmax vessels were ordered as part of the replacement of the existing Daewoo series Handymax bulk carriers built in 1986 and 1987, it said. The company's total tonnage goes up to 5.96 million and it has 15 vessels on order at present, the statement said.

DHL Supply Chain invests ₹65 cr in warehouse at Delhi

Contract logistics company DHL Supply Chain said it has invested ₹65 crore for developing a 3,20,000 sq ft warehouse in Delhi. The facility at the Capital's Luhari area launched today is targeted at consumer, retail and automotive sectors, and will soon expand to over 6 lakh sq ft, it said in a statement.

FMCG major P&G has been signed as the anchor customer at the location which will serve multiple users, it said.



Rice exports from Kakinada Port slow down

Rice exports from the Kakinada anchorage (old) port have been sluggish of late. At present there are only four or five ships being loaded with rice at the anchorage, bound for West African and South African countries. Rice and maize exports, the first in particular, are the mainstay of the port. After curbs on non-basmati rice exports were lifted by the Centre, there was a flurry of activity at the old port and nearly 4 million tonnes of rice was exported through the port, mainly to Africa.

There were 20 or more ships waiting at the anchorage all the time and the workers at the old port got plenty of work. The steel barge owners, the rice exporters and others were also happy. But again, of late, there has been a lull in rice exports.

Five 18,400-teu containerships to be classed by GL

Germanischer Lloyd (GL) has signed a classification agreement with Hyundai Heavy Industries (HHI) for the construction of five 18,400-teu containerships. The so far largest container vessels are ordered by China Shipping Container Lines (CSCL). "The agreement marks a historic milestone for GL. We feel honored to be part of this exciting project and will make sure it becomes a success," said Mr Erik van der Noordaa, CEO of GL Group.

CSCL expects that the combined efforts with HHI and GL lead to the most state-of-the-art containerships that will strengthen their international competitiveness and global service network. Besides its size, the new type of containership is unique in its environmental performance with reduced fuel consumption and CO_2 emissions.

Environment ministry gives nod to Oil India

The Ministry of Environment and Forests (MoEF) has given green signal to Oil India Ltd's (OIL's) proposed exploration activities in KG-ONN-2004/1 block in the Krishna-Godavari basin. Government of India, Ministry of Environment and Forests, in their letter have accorded their approval "for undertaking prospecting exploration activities over an extent of 55 sq km of forest land in KG-ONN-2004/1 block having total area of 511 sq km of land located in Kakinada Division in East Godavari District, in favour of M/s Oil India Ltd, subject to certain conditions as stipulated therein."

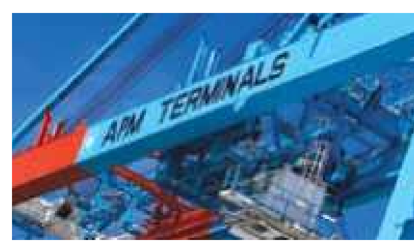
Cabinet okays leasing of land for LNG terminal at Ennore Port

The Union Cabinet gave its approval for leasing of land measuring 520,000 square metres of Ennore Port Limited (EPL) to the joint venture led by Indian Oil Corporation (IOC) for 30 years for setting up of a liquefied natural gas (LNG) storage and re-gasification terminal project of 5 MMTPA capacity. Ennore Port is located near the North Chennai Industrial Hub which houses industrial units such as Madras Fertilizers Limited (MFL) and Chennai Petroleum Corporation Limited (CPCL) who would also be the users of LNG.

APM Terminals posts $166 million profit for Q1 2013

APM Terminals, the world's largest terminal operator, has reported a relatively strong first quarter after posting profits of US$166 million for the first quarter. The terminal operating arm of the AP Moller Maersk Group reported profits of $226 million during the corresponding period in 2012. However, this result included a divestment gain of $73 million following the sale of Maersk Equipment Service Company Inc (MESC) and half of the company's stake in the Port of Xiamen, China.

Operational cash flow was recorded at $242 million for the first three months of the year, and the company delivered a return on invested capital (ROIC) of 12 percent.Container volumes at APM Terminals global portfolio of terminals remained unchanged year-over-year during the first quarter after 8.6 million TEU was shifted once more.



Shipping crisis may worsen through 2014: HSH Nordbank

HSH Nordbank AG, the world's largest shipping lender, said the crisis buffeting the industry may worsen through 2014 as clients contend with a drop in demand and the arrival of a new generation of container vessels.

HSH Nordbank, which holds 27 billion euros ($35 billion) of shipping loans in its portfolio, has taken provisions to prepare for the worst-case scenario. The bank which is controlled by the German states of Hamburg and Schleswig-Holstein, is trying to reduce bad loans to shipping clients struggling to service their debt amid the slump in demand, overcapacity of vessels and low freight rates.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HOUSE PANEL REPORT: WISDOM OF HINDSIGHT

Instead of questioning the Shipping Ministry's plan to expand port capacity, the house panel should suggest steps to avoid delays in project completion so that India will have adequate infrastructure to handle cargo traffic when global economy picks up.

A Parliamentary Panel headed by CPI-M MP Sitaram Yechury has expressed concerns over the slow pace of growth in capacity at major ports in India. The committee also questioned the rationale behind the planned capacity planned as per the Maritime agenda in the backdrop of falling cargo traffic at ports.

Besides, the panel also found fault with the Shipping Corporation of India's decision to acquire new vessels. The committee warned that unless SCI cut costs and run in a professional manner, it will go the Air India way.

While the panel had the luxury of having the wisdom of hindsight, the Shipping Ministry might not have anticipated the global slowdown to continue affecting the cargo traffic to Indian ports when it introduced the capacity expansion plan.

The Ministry of Shipping had launched Maritime Agenda 2010-20 in January, 2011. The agenda envisaged to create port capacity of 3,200 MT for handling about 2,500 MT of cargo by 2020. The proposed investments by 2020 was expected to be ₹119449.41 crore in major ports and ₹1,67,930.84 crore in non-major ports.

The agenda proposed total investments of ₹1,65,000 crore in the shipping sector by 2020. It had also projected a total traffic of 2,494.95 million tonnes for all major and non-major ports.

Similarly, during the 11th Plan SCI proposed to acquire 62 vessels at a cost of approximately ₹13,000 crore out of which they have taken delivery of 26 vessels so far.

These decisions were hailed by the industry and experts as they felt it could put India as a leading player in the world maritime segment. It was hailed as a vision document as it tried to create capacity ahead of demand, something India was not familiar with.

However, the plan did not work out due to various reasons including external factors like global recession and internal impediments like policy paralysis. As the house panel in its report had noted, "The present day capacity of the Major Ports is only 696.53 MT and the annual capacity addition ratio is mere 6.65 per cent. Even the 12th Five Year Plan target of 1,229.24 MT by the year 2017 appears to be a distant dream.''

With the negative growth in traffic, the panel has suggested the ports to explore the possibility of alternate cargo including cruise tourism in ports like Mormugao. This suggestion is valid considering that there should always be adequate cover for risks especially in capital-intensive sectors like shipping. Another suggestion from the panel that is equally valid is increasing efficiency at major ports to beat competition from non-major ports.

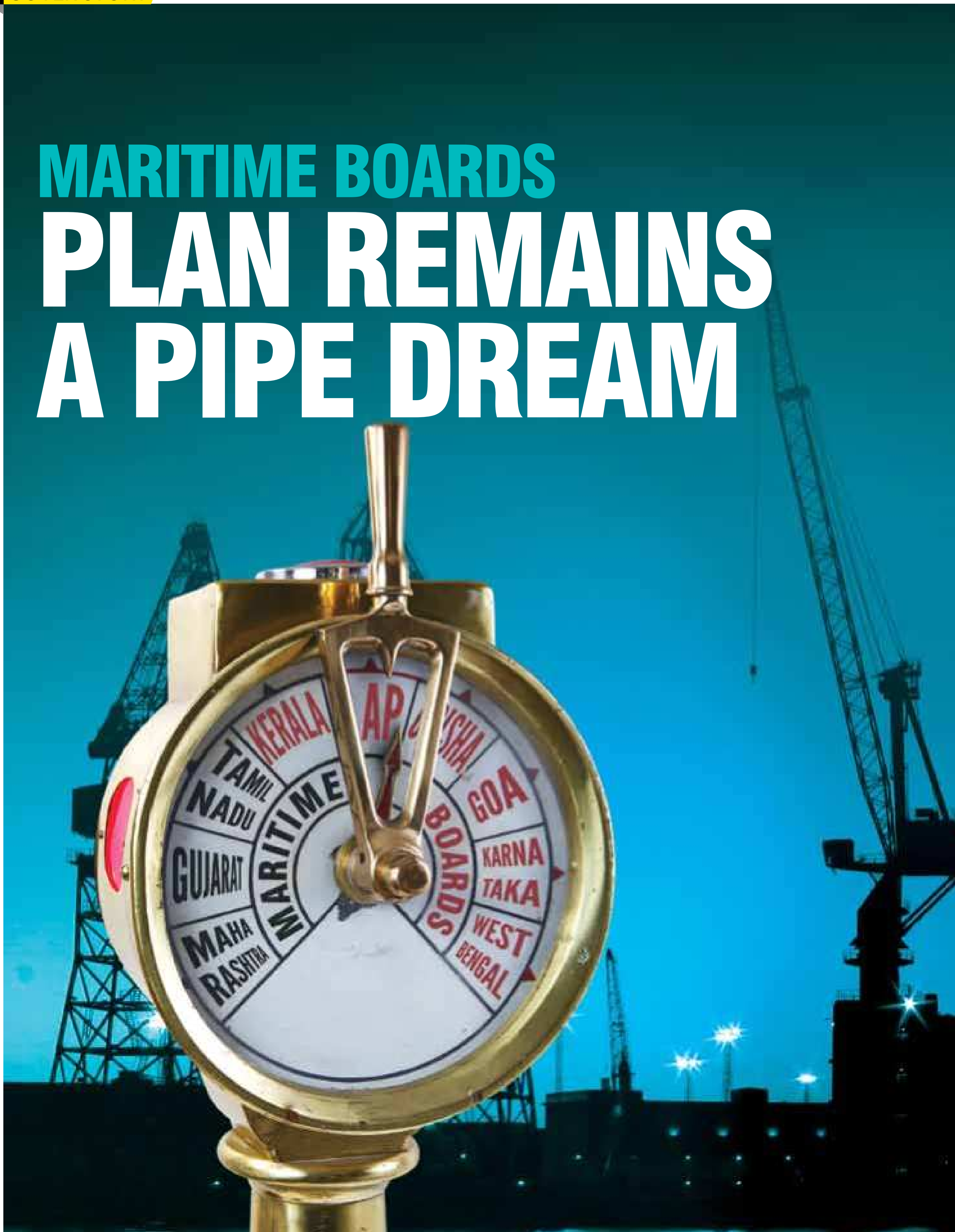
As far as SCI's fleet acquisition is concerned, concerns raised by the panel are quite valid. The company had placed orders only because at that time it had sufficient resources available for large-scale procurement.

As the panel rightly pointed out what SCI needed at this time of the hour is professional leadership. It is time the government to back out and hand over control to professionals. This can help turnaround the company, which had posted a record net loss of ₹428 crore in FY2012 as against a net profit of ₹567 crore in the previous year, largely due to low charter rates and high interest costs.

So, it may not be right for the house panel to question the Shipping Ministry for making plans to increase capacity. It can however suggest measures to speed up the plans. Sooner or later global economy will turn around and cargo traffic will pick up. It will not be wise for us to wait until then to add capacity. We should follow the global practice and create capacities ahead of demand. mg

WHAT DO YOU THINK?
Is the house panel justified in criticising the capacity addition?
ramprasad@gatewaymedia.in

MARITIME BOARDS PLAN REMAINS A PIPE DREAM



Despite efforts by the Centre, maritime states are yet to wake up to the need for setting up maritime boards. If materialised, state maritime boards can work as catalyst for development and help ensure efficient completion of infrastructure projects on coastline.

Sreekala G

One of the resolutions adopted unanimously at the 11th meeting of the Maritime States Development Council (MSDC) held in June 2009 was: Maritime States that had not yet restructured their port administrations – namely, Kerala, Karnataka, Goa, Orissa and West Bengal – would endeavour to form their State Maritime Boards by March, 2010.

Another resolution was to form a committee comprising members from Indian Navy, concerned maritime state, State maritime boards, Coast Guard, state police, Customs and the Ministry of Shipping for sharing information on traffic, port and ship security related issues. The committee should hold meetings quarterly to review the security aspect of coastal states. Indian Navy would convene these meetings regularly.

According to a government release, the 11th meeting of MSDC was attended by the representatives of maritime states, major poets Indian Ports Association, Indian Navy, Coast Guard, DG (Shipping) among others. The meeting was presided over by Union Minister for Shipping G K Vasan.

Despite Maritime State Development Council pushing the states, state maritime boards remain as a proposal on paper.

Four years have passed since these resolutions have been adopted by all maritime states. But they are yet to act on these proposals. As a result, none of the states mentioned in the resolution has set up a maritime board. And another state – Andhra Pradesh, which was not named in the resolution, is yet to introduce a Bill in its Assembly to set up a state maritime board though the government has been talking about the need to set up such a board for the past five years.

While states' lukewarm response to the proposal to set up maritime boards can be attributed to procedural delays to some extent, it has affected the overall development of ports and related infrastructure on the country's coast. Most states have failed to utilise the potential of harnessing their maritime resources in general and enhancing coastal security in particular.

Besides periodical review of security aspects of maritime states, many projects related to ports, terminals and connectivity are facing delays due to plan overlap, security clearance and policy paralysis. Stakeholders in these projects lament that lack of communication between states and Centre is a major issue affecting capital-intensive maritime projects.

"Port capacity and development in India have largely been unplanned and without any coordination. When we plan ports to handle both exim and coastal containers, the plan must ensure that the Central government and state government are talking to each other," says Capt Deepak Tewari.

According to him, most of the state maritime boards are either dysfunctional and non-existant. "Central government planners and state government planners do not talk to each other and are not aware of each other's plans. As a result, we have a multitude of ports coming up and everybody is talking about handling exim cargo," he says.

Currently, three states in India – Gujarat, Tamil Nadu and Maharashtra – have set up state maritime boards. Gujarat took the lead and set up the board 25 years ago and its achievements are commendable in contrast to the other two boards.

However, other maritime states have not explained the reason for their reluctance to set up a maritime board. This despite the fact that after the 2009 resolution, setting up the board has become mandatory with the directions to the states issued by Union Home and Defence Ministries in October 2010 for developing ports and maintaining coastal/ maritime security.

Besides, maritime states have also been constantly reminded of the need to set up a board by various shipping ministry officials. In June 2011 at the 13th meeting of MSDC in Hyderabad Shipping Minister G K Vasan directed all the maritime states in the country to set up their respective maritime boards at the earliest.

The minister's directive was in line with the government's initiative to ensure speedy development of ports and shipping sectors in India. Towards this end, the Ministry of Environment & Forest and the state governments were also urged to expedite port projects.

India's maritime vision as detailed in the Maritime Agenda 2010-20 envisages

Some key issues

- All State Governments should have policies on port development, especially for allotment of land, waterfront etc.
- The Central Government need not develop any new port; let the States do it. In any case, even the development of major ports is with private investment.
- The country needs deep draft hub ports, private or public.
- The Railways have not succeeded in mobilising private investment. There should be a revolutionary plan to make the railways outward-looking.
- Environment clearance is a multi window, time consuming costly activity needing reform; the coastal regulations also need review.
- The security clearance system needs total relook; it is not prudent in public interest to keep the major investors out on flimsy reasons.
- Indian shipping tends to be costly and therefore noncompetitive; the elements of cost, including taxes and wages need to be reviewed.
- There has to be a modal shift to coastal shipping for transport of domestic cargo wherever feasible. This needs a mission mode approach.

By K Mohandas
Former Secretary, Shipping

Traffic Highlight

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Total	**825.46**	**841.24**	**893.48**	**971.28**	**1080.8**	**1324.4**	**1476**	**1528**	**2059.8**	**2309.1**	**2590.4**

The overview of Traffic handled at Major Ports and Non Major Ports of India is as above.

Courtesy: gmbports.org

Traffic at GMB ports (in lakh tonnes)

Year	GMB Jetty	Private Jetty	Captive Jetty	Private Port	Total
2006-07	103.67	55.11	850.06	315.58	1324.42
2007-08	133.12	57.53	859.49	425.84	1475.98
2008-09	108.81	44.64	883.22	491.47	1528.14
2009-10	126.12	44.12	1309.96	575.31	2055.51
2010-11	137.51	44.55	1401.45	725.56	2309.07
2011-12	151.25	67.33	1454.87	916.95	2590.4

Courtesy: gmbports.org

that non-major ports handle 51 per cent of the targeted throughput of 3.2 billion tonnes by 2020. The combined capacity of ports has crossed one billion-tonne mark earlier this year.

"The maritime states have agreed to set up their boards at the earliest. All the major and non-major ports will give priority berthing for Navy and Coast Guard vessels," Vasan had said.

Again in 2012, National Shipping Board Chairman, PVK Mohan had said that, the urgency to set up state maritime boards would be conveyed to states."We will keep pushing the states to set up their maritime boards," he had said.

Still, state maritime boards remain as a proposal on paper. "The Gujarat Maritime Board is the only effective state maritime board in the country. Gujarat has emerged as the leading location of non-major ports in the country and has successfully attracted investment from within India and abroad. Most of the coastal states have declared their intent to constitute such boards, and the reasons/excuses for non-performance are procedural. It could even be the reluctance of those in power to delegate their authority. If the exercise of powers is transparent and judicious, there should actually be no such apprehension," says K Mohandas, former shipping secretary & chairman, Kerala Shipping & Inland Navigation Corporation.

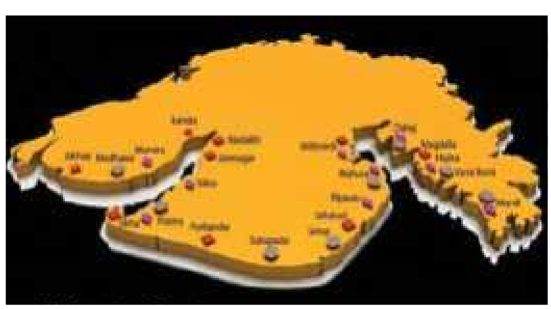
Over a period of time, maritime boards assume a greater significance in terms of managing maritime affairs in a maritime state and create capacity, managing coastline, conservation of waters and thereby acting as a catalyst to the trade growth and economy of the state. A maritime state which handled 10 per cent of national sea-borne traffic a few years ago, now has a share of 42 per cent, thanks to its maritime board. This itself speaks volumes of contribution of maritime states in augmenting the growth of port and shipping industry.

"Since maritime states also assume great significance, a regular co-ordination mechanism is required to be set up between central government and state government for sharing data, information and common approach to developmental projects as well as policy making," says a Union Shipping Ministry official.

According to him, one cogent reason why other States have not set up their Maritime Boards could be the 'size.' "If maritime affairs are in nascent stage, they must have thought that it is not worthwhile to set up a huge separate establishment for the purpose, looking at the pros and cons of setting up of boards. But, most of the states have appeared to have realized the potential and advantages of setting up a separate board and hence, they are in active process of legislation and bringing up Maritime Boards," he points out.

He feels, barring West Bengal, where there is hardly any major port is existing; there is a need for all other states to set up maritime boards. "Central Government shares all their policies, cooperation and regulatory support according to MS Act to the maritime states for their growth. In any industry, policy making is a continuous endeavor and policies need to be reviewed at regular intervals in tune with the times in the sense of changes in economy, development, environment and country needs. Review means and includes shift in the focus, change in policy and evolving new policies," he says.

In this context, Gujarat Maritime Board stands out as a stellar example of proactive initiatives. According to its website, during the year 2012-13, non-major ports in Gujarat handled about 287.81 million tonnes of cargo compared to 259 million tonnes handled during the previous year making a 11.11



Gujarat state could successfully attract investment in maritime sector from with in India and abroad due to maritime board's proactive measures.

With keen focus on maritime development in the state, Government of Andhara Pradesh is planning to set up a state maritime board soon.

per cent increase in the traffic handled. "Capacity of 43 MT was added during the year 2012-13 augmenting the capacity of Gujarat ports to 366 MT. These were credited to the competency and guidance provided by the regulatory body – Gujarat Maritime Board."

In fact, the state maritime boards have a role that encompasses much more than the development of ports and shipping. The board should ideally be the nodal or coordinating agency for all state governmental activities in the territorial waters. The board should also be able to coordinate with the navy and the Coast Guard and with other central government organisations. There are several emerging areas of conflict in the seas, with 'innocent' passage of merchant ships carrying armed guards, aggressive fishing boats and the like. Safety, security and environmental protection have grown into critical concerns for governments; and ensuring these requires not only the enforcement power, but also a healthy capacity for monitoring.

The boards have inherent advantages over the government departments in promoting port development. The boards can have much more functional autonomy, they can develop expertise in maritime matters and can have the appropriate types of professionals which the departments may not be able to hire.

> "The key requirement for state governments to set up a maritime board is to provide a statutory framework with adequate authority as well as accountability. In shipping matters, the laws and regulations come from local, state, national and international levels."

Port development primarily needs a clear and coherent policy especially in respect of land, infrastructure, connectivity and tariffs. And quick action should complement the policy. A board with adequate statutory and delegated powers would be the right machinery for this. both in port development and shipping, the Boards should be able to identify new opportunities for development either by the government or through the public-private partnership route.

"The key requirement for state governments to set up a maritime board is to provide a statutory framework with adequate authority as well as accountability. The right legal structure, professionally designed administrative arrangements and financial autonomy would help the board to be functionally effective. In shipping matters, the laws and regulations come from local, state, national and international levels. The board has to function in such a way that the national policies are adhered to while implementing programmes at the local level, because of the global nature of shipping. The Indian Ports Act, 1908, although ancient, and the Merchant Shipping Act are fairly comprehensive pieces of legislation," says Mohandas.

Port development (other than the major ports) is a subject in which the state governments have powers under the Constitution of India. The states have total freedom here. The powers which the central government have in respect of port development by the states are environmental clearance and security clearance. Unfortunately, both these exercises lack objectivity and credibility.

While Gujarat Maritime Board may not be a perfect model, other states can look at improvising on that. There is no real obstacle for the establishment of the state boards. Governmental will seems to be the only requirement considering that state government machineries have successfully handled much more complex transitions, like the Panchayat Raj and Nagar Palika reforms in the 1990s and reforms in the Power and rural development sectors.

It seems Andhra Pradesh state government has taken a small step in the right direction. After a visit to Gujarat in February this year, State Minister for Shipping Ganta Srinivasa Rao, had said that, the state would soon set up a maritime board on the lines Gujarat Maritime Board.

He wanted to emulate the achievements made by Gujarat so that Andhra Pradesh can exploit its 960-km long coastline. Pehaps, time has come for other states also to follow the suit.

ARCTIC ICE MELT MAY OPEN UP NEW SHIPPING ROUTES; **CHINA TO BENEFIT**

Shipping and trade industry in China seems to be an unlikely beneficiary of global warming. As Arctic ice melts, it may open up new sea routes between Asia, Europe and the US East Coast and China is all set to explore this opportunity.

A warming climate is expected to open new sea routes from Asia to the US East Coast and China is likely to be one of the main beneficiaries of it.

According to a new study, goods from Asia can be transported straight across the Arctic to reach the US East Coast by 2050 with the light ice breakers. Meanwhile, head of Yang Huigen, director-general of the Polar Research Institute of China, says that one commercial voyage on this route by a Chinese shipping company may take place this summer.

The increased accessibility of the Arctic routes will also have a considerable effect on sea trade between Europe and Asia, which is considered the world's busiest trade route.

There are three main shipping routes across the Arctic region – the North East Passage, the North West Passage and the Central Route. Most shipping traffic between Asia and the US East Coast currently goes through the Suez or Panama canals. But increasingly warm temperatures also could make the Northwest Passage north of Canada an economically viable shipping route. Now, it is passable only at the end of most summers. It could also open up a route directly over the North Pole by mid-century, says the research published in the *Proceedings of the National Academy of Sciences Plus.*

The Northern Sea Route, which mostly hugs Russia's northern coastline and is now a primary Arctic shipping route, would continue to be viable. The transit across the Arctic would remain highly seasonal, limited to parts of September when the ice has shrunk and thinned to its lowest level.

Both the Northern Sea Route and the Northwest Passage would be accessible to ordinary ships in addition to light ice-breakers by 2050. The across-the-pole route, which had never before been considered, would be available only to light ice-breakers capable of plowing through ice 3.9 feet (1.2 metres) thick.

For example, right now it makes no sense for any ship traveling between eastern North America and Asia to go via the Northwest Passage. The islands in the Canadian archipelago slow navigation, and the ice lingers there in a way that it doesn't along the Northern Sea Route. Even though the Northern Sea Route is a greater distance, it takes less time.

However, by 2050, using projections of global warming and Arctic ice loss, the Northwest Passage will be sufficiently navigable to make the trip from the North American east coast to the Bering Strait in 15 days, compared to 23 days for the Northern Sea Route, about a 30 per cent time savings.

To take advantage of the melting ice, Chinese icebreaker Xue Long is leading its fifth official Arctic expedition. According to Yang, the new routes could reduce fuel and other costs as well as CO_2 emissions as it helps reduce voyage time between Asian and European ports by about one-third. China being the world's largest exporter, many of its major ports will benefit from the new routes, especially those in the northeast of the country.

Currently 90 per cent of China's trade is carried by sea. The Chinese government projects its trade to grow to $7.6 trillion by 2020, and Yang said that if 10 per cent of China's trade was shipped through the Arctic routes by then, that could be worth $683 billion. The new routes are also likely to help promote commercial ties, especially between China and Russia.

Anton Vasiliev, ambassador-at-large for Arctic cooperation at the Russian Ministry of Foreign Affairs, said that of all the sectors which might benefit, the Russian shipping industry as it expands its use of Arctic waters, especially to China.

So far, Chinese scientists have focused on the climate change, but Yang said the scope of their research will now widen to the economic, political as well as environmental implications of the changes being seen in the region. mg

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Deepika Amirapu

When India first opened its gates to private players to modernize its ports on a BOT basis in early 2000, there was much clamour from small business houses and trade unions alike about baring the country's coasts to foreign players. A good decade down the lane, the decision to invite private parties is anything but regretful. One of the main reasons for involving the private sector in the operation and management of ports is to increase efficiency and revenue. And if that was the qualifier, Dubai's DP World Terminal at Chennai, India's first and oldest private container terminal on the east coast can be sure of meeting the criterion with its current credentials.

DP World's tryst with the east coast in India came with its operation of the Chennai Container Terminal (CCT). A little earlier the Dubai based terminal operator had demonstrated its dexterity in managing JNPT's Nhava Sheva terminal on the west coast. The CCT posts world's take over of P&O ports in 2006, is now capable of handling fifth generation vessels up to 6,400 teu. With the introduction of direct services to China, West Africa, Europe and US, DP

Sustained Efficiency

It is not for no reason that DP World has been voted one of the best container terminal operators worldwide year after year. Their commitment to improving sea-borne trade across continents, operational efficiency and technological expertise has won them these laurels. The CCT is one of its signature terminals – a testimony to all that DP World stands for.

World Chennai services the full basket of international trade in Chennai and the South India hinterland. CCT's initiatives coupled with efforts of process re engineering has enabled it increase its throughput from 0.3 million teu in 2001 to around 1.1 million teu in 2011, thus garnering 48 per cent of the share of containerized traffic handled at five container terminals in South India. What was deemed earlier as an unachievable feat was made possible because the firm had recognized the need to invest in port infrastructure to attract new shipping lines.

The terminal infrastructure was upped with deploying seven super post panama Quay cranes, 22 rubber tyre gantry (RTGs) cranes capable of stacking one over five and empty container handler. Close to 65 tractor trailers were pressed into service for intra terminal movement. To minimize manual control, the RTGs and other yard equipments are GPS controlled. The quay length is about 885 m and the yard area is 17.75 hectares with 3,960 ground slots for container ad 357 reefer points creating enough place to stack over 16,000 teu of containers.

Trade Initiatives Since 2004

2004	Off- Dock CFS Movement
2005	Self Seal & Excise export Container Movement
2006	CFS Nomination -En bloc Movement
2007	Implementation of Transshipment Procedure
2008	Auto Approval of I mport CFS Movement
2011	Strategy during Congestion
2013	Online Shipping Bill Transactions

Ennarasu Karunesan, chief executive officer, DP World Chennai Terminal said, "We were spatially and environmentally constrained as we are very close to the dense city population. However, with the use of the best technology and manpower, we have been able to create a state-of-the-art terminal today."

To funnel the off-loaded goods from the container yard through the city, CCT also had to ramp up the logistics and distribution activity. It is connected to 32 CFS today, the closest being about 12 km and the farthest being about 30 km from the terminal. Both intra-port and extra-port connectivity has been developed to ensure the cargo does not sit in the yard for more than 24 hours. The development of the Ennore-Manali expressway covering a road network of 30 kms is expected to hasten the movement of goods to the customers.

Several trade initiatives were put in place from 2004 to hasten movement of cargo from the container yard to the Container Freight Stations (CFS) in and around the Port.

Since DP World's take over, CCT has entered the league of the top 100 Ports of the World and has been transformed into a mainline hub port by providing services to mainline, coastal and feeder vessels. CCT is ranked at the 79th position among the top 100 container terminals in the world. We are one of the fast growing terminals in India with a CAGR of 20 per cent.

Till proven otherwise, the naysayers will have to concede to the fact that privatisation will help the country reap the benefits of lower cost and improved services for importers and exporters.

ICT Upgradation

With trade barriers lifted, the Port enhanced its information technology related infrastructure to support ground level infrastructure to be utilized smoothly with minimal manual interference, thereby, lessening scope for error. Technological facilitation has created a 'death in distance' by made transport of goods easy, reliable and flexible.

DP World Chennai upgraded its existing version on the terminal operating system (TOS) to Navis Sparcs 3.7 and Express 2.9. "The potential benefits of the upgraded system include faster and efficient vessel and yard planning facilitating faster vessel and truck turnaround time," Karunesan said. In addition, the terminal simplified processes for its customers by offering various web applications such as online invoice and account statements, continuous carting for special containers, SMS-based container tracking system and an interactive voice response system that provides information about container and billing status.

The implementation of these systems has led to port in optimizing its performance and minimizing delays. There is no berthing delay since as the terminal has an arrangement with Chennai Port Trust for priority berthing of container ships. Also, clients with Accredited Client Programme (ACP) status are given the privilege to clear their import containers immediately upon landing from the vessel directly from the terminal. The automation of directing importing containers to the off-dock CFS reduces the import dwell time to less than a day. The truck turnaround time has significantly reduced to 45 minutes.

With the Chennai Container Terminal having handled about 1.3 million teu of cargo, its efforts are currently being directing towards maintaining and exceeding this limit. "DP World Chennai is continuously working to increase productivity on all fronts, simplify procedures, adopt transparent and easily implementable practices and add value to the supply chain that uses its services," says Karunesan.

His goals for the current year till December include implementing the Vessel Related Charge by 30 per cent to attract more mainline container vessels, seeing through and operating the eight lane gate complex to ensure more containers can be dispatched and brought for exim. The VRC for Mainline Container Vessels will be computed on various parameters including the number of voyages, volume & GRT. Threshold number of voyages will be fixed on 80 per cent of total voyages

Royalty to Port

Year	Revenue in Crores INR
2001	2.9
2002	47.9
2003	59.6
2004	68.8
2005	78.9
2006	89.8
2007	105.5
2008	126.6
2009	117.0
2010	124.3
2011	12.80
2012	120.00
Total	**1060 Crores**

per annum. Currently, there are eight mainline vessels that call at the CCT; the officials said the firm will try and attract new lines this year by improving their productivity and efficiency.

But one of the most significant projects that the officials and staff are most eagerly looking forward to is the inauguration on the Ennore-Manali Road Improvement Project that would solve congestion problems for traffic that is moving to connect the Port to north Chennai.

To improve connectivity between the port and the hinterland, it is looking at augmenting connectivity to Bangalore and other cities in South India. The Container Rail Road Services, a company under DP World, will look at supplementing existing road and rail networks between Delhi-Mundra and Delhi-Mumbai. “In addition to this, we would also like to see through the implementation of Electronic Data Interchange in our terminal,” Karunesan said.

Corporate Social Responsibility activities

Chennai Container Terminal implements a slew of programmes with the conviction that CSR is a prerequisite for a healthy development of the port in harmony with the people who work for it and those who have sacrificed their means of living for the terminal.

Then & Now

Indicators	2011	2013
Berth waiting time	3 days	0
Vessel Turnaround time	72 hours	19 hours
Trailer Turn around time	3 hours	40 minutes
Import Dwell Days	7 Days	22 hours
Gross Crane Productivity	10 moves per hour	31 moves per hour

Global Standards and Certification

ISO 9001	Quality management
ISO 14001	Environmental Management
OHSAS 18001	Occupational Health & Safety
ISO 27001	Information Security
ISO 28000	Supply Chain Security Management

It has since invested in sustainability, commitment and transparency to ensure the future of the port is green and clean. Like all other ports, Chennai Container Terminal has also implemented various programmes for the benefit of all its stakeholders. Programs are being implemented in every region in which the Group's terminals operate and these activities are aimed at supporting the social, cultural and economic development of these regions.

The Group's main activities in the field of corporate social responsibility are as follows: environment, health and safety, education and local community sponsorship.

To ensure its employees maintain good health, regular dental screening and treatment camps are held in association with Ragas Dental College, Chennai for CCT contract employees. Similarly, eye check up camps are also held in partnership with Vasan Eye Care.

Community development- Adoption of schools

The Chennai Container Terminal has adopted Vallal Ettiyappa Naicker Higher Secondary School. The School is located in the nearby neighborhood and majority of the children of this vicinity are studying here. The Management of CCT has been associating itself in each and every development of this school right from providing proper infrastructure. It has provided the school with a full-fledged computer lab with 12 computers worth ₹6 lakhs to nurture e-Education.

The top management also made several visits to the school to take note of the students’ progress and gauge the needs of the school. In order to inculcate the importance of safety the Management Team participated and demonstrated to the children on the safety procedures that have to be kept in mind while bursting crackers.

Environment protection – Beach Clean Up

In line with the International Coastal Clean Up Day, employees of CCT took up a beach cleaning campaign at the Marina Beach, Chennai late last year. A two-hour cleaning campaign ended up clearing about 15 bags of garbage from the beach. mg


Safe & Reliable Operations
Congestion Free Terminal
Berthing on Arrival
Uninterrupted and Continuous flow of Container Traffic

Ennarasu Karunesan
Chief Executive, Chennai Container Terminal

The boundary-less sea and a circumscribed city are his limits. Sitting at a huge round table in his glass walled cabin, he is delighted when he sees at the cranes moving cargo swiftly on a sultry summer afternoon. **Ennarasu Karunesan** is the chief executive of the largest container terminal on India's Coromandel Coast. Under his leadership, the DP World terminal, also called Chennai Container Terminal, has transformed from a begrimed, deadened yard to a vibrant and productive terminal. That Chennai is now connected to 60 terminals across 6 continents from just five terminals earlier avows his efforts to take CCT to the next level. In his interview with *Maritime Gateway*, the chief executive talks of his vision for the terminal and plans to keep up with competition.

Q How has DP World modernized the container terminal at Chennai after it took over?

A DP World has re-engineered the entire terminal and the container yard to increase the throughput of cargo that is passed through the port every day. We have deployed modern container equipment to cater to the growing demand of business and to ensure faster turnaround of vessels. Our increased productivity has now led us to garner 48 per cent of the share of container traffic handled at five container terminals in India.

Q What are your foremost goals for the current year? What operational milestones would you want to achieve?

A We would like to convert the iron ore terminal to handle other cargo, ensure faster cargo movement once the Ennore-Manali Road Improvement Project is completed and expedite construction of the eight-lane gate complex. Once this complex is ready, the widened roads that lead to zero gate would avoid stranding of vehicles.

Q Could you detail the strategies employed to improve efficiency, throughput and revenues in the coming year?

A In the second half of this year, we see an increase in business from the hinterland that would help augment revenues for the terminal. Our target is to sustain handling more than 1 million teu this year and we intend achieving this by attracting more shipping lines. On matters of operational efficiency, we would like to give personalized attention to our customers. We will provide them berth on arrival, required manpower and make up for their delay at other ports by off loading cargo quickly.

Q With new terminals coming up on the East Coast of India, how do you plan to keep up with competition?

A We welcome competition as it will push us to perform better. At CCT, efficiency will be our answer to competition. Having followed global benchmarks, we wish to retain our position as the foremost player in customer handling so that shipping lines prefer our port over the rest.

Q Where from Chennai now?

A We would look improving connectivity with the rest of Southern India, especially to Bangalore. We also have Container Rail Road Services (CRRS) connecting Chennai with Delhi, Mumbai and Mundra to provide faster ex-im rail services. mg

India's top export items
2012 US$

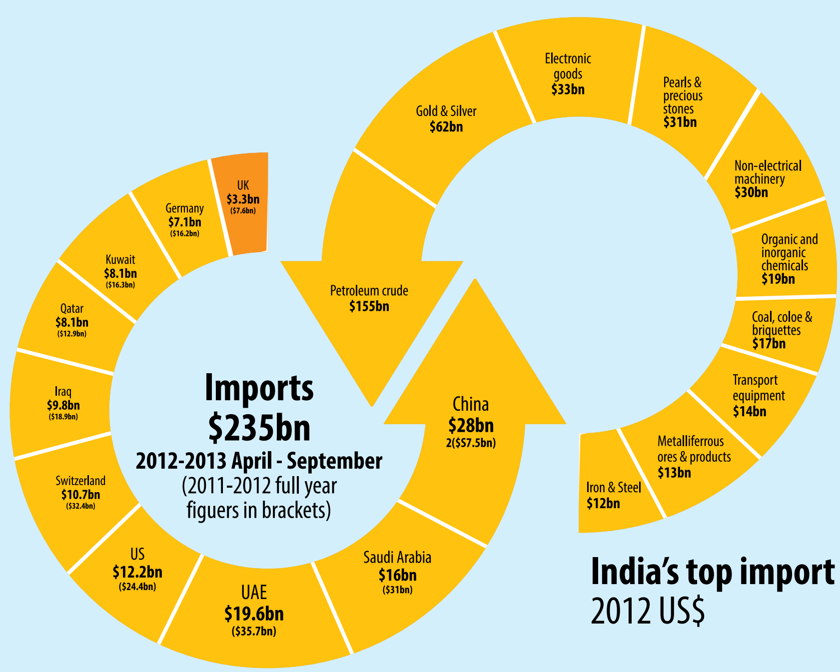
I India's total merchandise trade has increased over three-fold from $252 Billion in 2006 to $794 billion in 2012. According to data released by Export-Import Bank, both exports and imports have trebled during this period.

India's total exports stood at $142 billion in April-September 2012-13 while its import trade in value terms was at $235 billion.

India's key exports in 2012 were petroleum products which generated $56 billion followed by gems and jewellery with $47 billion. India also exported pharma products, transport equipment, machinery and readymade garments in big numbers. The 2012 data also shows that the United Arab Emirates (UAE) was India's biggest export market, closely followed by the US.

In terms of imports, crude petroleum occupies the largest commodity with $155 billion spent on it in 2012 while imports of gold and silver amounted to $62 billion. India's top import source is China followed by the UAE, Switzerland and Saudi Arabia. mg

INDIA'S IMPORT TRADE STANDS AT $235 BILLION



India's top import items
2012 US$

BUNKERING BLUES

With rising cargo volumes in ports, bunker sales are slowly growing in India. If issues related to taxing and logistics are addressed, India can become a leader in bunker trading.

Sreekala G

After the economic reforms in 1991 that unlocked India's enormous growth potential, the country's economy is on an upward trajectory. This steady growth is reflected in the country's rising trade volumes and rapidly expanding port infrastructure on the country's coast.

According to a study by the Centre for Monitoring Indian Economy (CMIE), cargo traffic at major Indian ports is expected to grow by 4 per cent in 2013-14. The study states that the upsurge would be driven by an increase in the cargo volumes of commodities including petroleum, oil & lubricants (POL), container, coal and fertilizers.

The cargo traffic of POL, containers and coal are expected to grow by 6.2 per cent, 7.2 per cent and 8.4 per cent respectively in 2013-14. POL will continue to be the largest commodity handled by major ports in 2013-14 with a share of 35.1 per cent in total cargo traffic.

Taking into consideration the rapidly growing port infrastructure and the rising cargo volumes leading to more number of ships calling at the country's ports, industry experts believe that India has the potential to emerge as a leading player in the world bunker market. However, the country is yet to utilize these opportunities. As a result, the growth in bunker trade is unable to keep pace with the growth in port infrastructure and cargo volumes.

"India enjoys a strategic position and growth to capitalize on bunkering. India must be able to showcase and convince the global shipping industry that it is a reliable bunkering destination. Bunker industry is already mature and competitive so India has to set a benchmark beyond compliance to be a top bunkering destination," says Capt Rahul Choudhuri, Regional Manager – Asia Pacific, DNVPS Singapore.

According to him, Singapore is the world's top bunkering port, registering bunker sales volumes of 42.7 million tonnes followed by Rotterdam at 15 mtpa and Fujairah about 12 mtpa.

The global maritime bunker industry is estimated to be between 300-375 million tonnes and be worth around $250 billion. India's total bunker volumes are less than 2 million tonnes a year, of which Indian Oil Corporation accounts of 50 per cent of the bunker fuel sold in India.

Challenges

Bunker prices in India are high compared to other countries like Singapore, Fujairah. Besides, taxes vary from state to state, making it difficult for shipping lines to opt for Indian ports to refuel. Currently, the tax rate on bunker fuel varies from 5 to 14 per cent in most of the states.

Chemoil Adani Pte Ltd chief executive Basheer Ahmed Sayed had pointed out earlier that Singapore sources a significant amount of bunker from India and sells it at a lower price by removing taxes on bunkers. Similarly, China's bunker industry started to grow after taxes had been removed.

Bunker fuel forms a major component of the cost of operating vessel. About 50 per cent share of operating cost of ships is accounted for by bunker fuel. Sayed had also said that with right measures in place, India can aim for about 10 per cent of the world bunker market.

Besides, customers also face infrastructure challenges at Indian ports. In many ports, bunkers are supplied by trucks as dedicated pipelines or barges are yet to come up. This restricts the fuel capacity and movement leading to delays in supply. Most ports in the country do not permit night deliveries as well as outer anchorage delivery during the monsoons.

Another concern is the custom regulations, which is time consuming. "Simplification and reduction in documentation and procedural matters are the need of hour. Different holidays in different states take lot of time to process documents for bunker supply. Ports could cut down on wharfage and port charges, concessional and duty drawbacks on bonded bunker delivery, simplified customs and excise facilities," says an industry expert.

Another long pending demand from industry and customers is 'to provide declared goods status' to bunker fuel. This will ensure a uniform tax rate across states, with the maximum tax rate not crossing 4-5 per cent.

Slow growth & improvement

Amidst challenges, bunkering market in the country is slowly growing, thanks to the proactive measures taken by some of the state governments and port authorities.

Gujarat Maritime Board (GMB) for instance has given a required strategic thrust to the bunkering sector. "The State plans to take advantage of its strategic located coastline and pick up a share of Fujairah. GMB is in plan to set up a bunkering terminal at its coastline. Currently Gujarat is anticipating a three-fold increase in handling traffic, with an augmentation in its port infrastructure which will entitle it for a significant growth in the entire maritime sector," says GMB authorities.

At present, Gujarat accounts for approximately 70,000 Mt/month of duty free bunker sales volume. Bunker potential in Gujarat is immense. Currently Gujarat is catering to around 0.76 million tonnes of bunker annually with 63 per cent of total Indian bunker supply, of which Gulf of Kutch shares the predominate chunk of bunker volume.

Bunkering is predominantly carried out at four ports of Gujarat and these terminals suffice the bunkering requirement of other ports of Gujarat. The prominent bunkering locations are: Mundra, Kandla and Dahej. Gulf of Kutch (Mundra, Kandla & Sikka) does a monthly bunkering of 53,000 tonnes followed by Gulf of Khambat (Dahej & Magdalla) which accounts for bunkering of around 15,000 tonnes per month.

Another step that should boost the trade of bunker fuel is the relaxed Cabotage rules for the International Container Transshipment Terminal at Vallarpadam in Cochin Port.

The proposed amendments will facilitate efficiencies, increases in cargo handled, and more ships entering and leaving transshipment points.

To promote Kochi as a bunkering port, the Cochin Port Trust has also decided set up a single-window clearance facility to help those engaged in the sale of bunkers to the ships. The port authorities have also decided to permit bunkering at night and to take steps to provide dedicated berths.

In 2010, the Kerala government had reduced the value added tax (VAT) on the sale of fuel and lubricants to foreign vessels to 0.5 per cent. In September 2012, the state government issued another notification that the benefit of reduced VAT will be available for the sale of bunkers either directly or through bunkering agents holding valid licence issued by the Director-General of Shipping.

As part of this plan, there will be sufficient facility to ensure supply of bunkers to the barges at a pumping rate of at least 200 tonnes per hour. The Bharat Petroleum Corporation Limited has been given the permission to put up a barge jetty, north of the North Tanker Berth, with a direct line from the refinery for the supply of bunkers. Similarly, the existing berth of the Indian Oil Corporation Limited at the Mattancherry wharf will be enabled to handle barges of up to 70 metres in length.

Besides Kerala, several other states including Maharashtra, Goa and Gujarat have granted tax exemption to bunker fuel. As a result, bunker rates at Mundra, Kandla, Mumbai and Cochin have been able to match international prices.

According to Modest & Parsons, a leading physical bunker supplier, these moves could considerably boost the competitiveness of Indian bunker prices and should encourage more vessels to bunker at Indian ports.

"Over the years the country has witnessed robust growth in the bunker industry. Private enterprises have helped a great deal in increasing the volumes transacting through the ports of India. Although the volumes passing through are in no comparison to other major ports around the world, the products coming out of the refineries are of a high quality and this advantage adds to the consistent growth of the bunker industry in India," said a company official last year.

Chennai Port

In line with this trend, Chennai Port is also improving infrastructure for bunkering. The port has decided to develop a barge handling facility in Bharathi Dock through public-private partnership.

Bunkering at the port is currently carried out through the barge jetty in the extreme northern end of Bharathi Dock. This is a 30-metre temporary facility with a draft of 2.5-3.0 metres.

With the demand for bunker outpacing the supply of infrastructure, the port decided to augment capacity. The proposed length of the jetty will be three times the length of the present facility. The jetty could accommodate barges with carrying capacity of 1,000 -3,000 tonnes.

Krishnapatnam Port, the deepest draft port in the country, has also announced its plans to add bunkering facilities to its existing infrastructure.

If these plans take off, bunkering market in the country will witness a bright future.

"Another long pending demand from industry and customers is 'to provide declared goods status' to bunker fuel. This will ensure a uniform tax rate across states, with the maximum tax rate not crossing 4-5 per cent."

PHARMA EXPORTS: **PORTS ON EAST COAST LOSE OUT TO WEST COAST**

Despite close proximity to manufacturing hubs, ports on east coast could not increase their share in pharma exports.

While the port infrastructure on India's east coast is on an expansion mode, it seems some exporters still prefer west coast despite their proximity to existing port on east coast. Pharmaceutical exports are one such commodity whose traffic favour west coast.

Andhra Pradesh is the largest exporter of bulk drugs in the country and the state is closer to ports such Visakhapatnam, Krishnapatnam and Chennai. However, pharma exports from Andhra Pradesh ports declined to 18 per cent in 2013 as against 22 per cent in 2012.

According to Pharmaceuticals Export Promotion Council of India (Pharmexcil), director general P V Appaji, this is because many pharma companies from the state preferred to ship their products from western ports, mainly JNPT.

"We are studying the situation. We believe this trend is due to the fact that the merchants who carry out the trade are mainly from Mumbai, which is why they would certainly go for Maharashtra ports. Secondly, due to power shortages, there might have been a shortfall in production this year from Hyderabad, which in turn could have led to low exports," he said at a conference in Hyderabad.

Hyderabad contributes to over 30 per cent of the country's total bulk drug production and it is called bulk drug capital of the country. Andhra Pradesh is home to 266 bulk drug manufacturing companies. Of these, 90 per cent are small and medium enterprises, around Hyderabad. Visakhapatnam is another emerging destination for pharma manufacuring, especially after the promotion of the Jawaharlal Nehru Ramky Pharma City.

The public sector Indian Drugs and Pharmaceuticals Limited, the Indian Institute of Chemical Technology, with its focus on chemical sciences, and the various universities have all contributed to the growth of Hyderabad as a drug manufacturing centre.

Considering these factors it will be a great loss for ports on east coast to lose out to their western coastal counterparts in pharma exports. Krishnapatnam Port for instance is trying to get approvals for pharma exports. But the port can take advantage of the situation only if the exporters are willing to shift from west coast to east coast.

In fact, according to Federation of Indian Export Organisations director-general and chief executive officer Ajay Sahai, India must focus on strengthening trade ties with emerging markets and shun its dependence on US or Europe. If this proposal materalises, it will help ports on east coast due to their close trading route proximity to South East Asian nations and China.

Currently there are 12 operational ports along a 2,630-km long eastern coastline. A report by CII-KPMG says with sizeable investments planned, the contribution of cargo traffic through the east coast ports is expected to increase from 23 per cent in 2010 to 34 per cent in 2014 of the overall international trade.

So, it is highly likely that with high efficiency and good infrastructure ports on east coast may be able to arrest the trend of pharma exports moving through west coast. mg

VIABILITY GAPS MIRE KOLKATA PORT EXPANSION

Viability issues surrounding the expansion plans of Kolkata Port need to be studied further before project implementation.

A Maritime Gateway Report

Kolkata Port Trust's (KoPT) much touted expansion plans of setting up container terminal at Diamond Harbor, dry bulk terminal at Sulakhali and a multiuser facility at Sagar Island seem to be getting increasingly mired in viability issues.

However, the port is trying its level best to execute these plans. The port for instance has extended the bidding period for Haldia-2 or Salukhali expansion following a lukewarm interest from the bidders during its present round of bidding.

According to sections of top officials of the country's sole major river port, the three projects to a big extent will mitigate the draft restriction issue facing the port's old Netaji Subhas Dock (NSD), Khidderpore Dock (KDS) and Haldia Dock Complex (HDC).

They explain, "Diamond Harbor and Salukhali are estimated to have a draft of 9 m, while Sagar is estimated to have draft levels between 9-10 m, which is further extendable to 14 meters through dredging." Draft levels of NSD and HDC are between 6-7 m.

KoPT has drawn elaborate logistics plan to make the projects viable. The proposed jetty at Diamond Harbor will have hinterland connectivity through road, barge. Rail link will be provided through Eastern Railway's network. Import container cargo will be trans-loaded on barges, followed by its transportation to the coast, for further movement to KoPT's catchment area including West Bengal, Jharkhand, Bihar and North Eastern region by road and rail.

Salukhali, Haldia-2 located 15 kilometres north of Haldia will be connected through Haldia-Panskura link of South Eastern Railway to primarily move imported coking and non-coking coal. The project which is estimated to cost between ₹1700-1900 crore envisages four berths and will be a reality soon, according to KoPT officials.

Another factor that should help the projects is the planned expansion of Steel Authority of India's Limited's (SAIL) plants at Durgapur, Bokaro and Burnpur in West Bengal. Capacity additions in these plants will create demand for colossal volumes of imported coal from Australia. The terminal is projected to handle 16 million tonnes of traffic initially.

Viability is also expected on account of Tata Steel's planned expansion. Further, power generation capacity enhancement by National Thermal Power Corporation's (NTPC) plant at Farakka in West Bengal and other thermal power plants of WBDCL, requiring substantial volumes of imported non-coking coal from Indonesia, will make the project going.

Land is yet to be acquired for the project.

Sagar multiuser terminal with facilities to handle, dry and liquid bulk cargo along with provisions to handle containers, is also expected to be viable on growing demand of imported coal. The terminal will be connected through Eastern Railway's arterial route to the eastern dedicated freight corridor. The corridor will move coal traffic upwards to power plants in Northern India originating from the terminal. It will also move exim container cargo destined to and from far-east.

Rail India Technical & Economic

“Direct road connectivity from Diamond Harbor to the hinterland through Kolkata is not favored either, due to the obvious reasons of large scale road congestion at Kolkata and it’s adjoining areas.”

Services has carried out a feasibility study of Sagar terminal on the proposed rail link connecting the eastern corridor. The ₹7,800 crore project along with rail connectivity is now awaiting the cabinet approval. Sagar terminal is projected to handle 54 million tonnes of traffic initially.

Questions on connectivity

These big ticket projects have been questioned based on the viability issues by users of NSD & HDC and also certain sections of senior KoPT officials, who do not favour the fresh capacity addition initiatives.

These officials contest the need for creating fresh capacities when HDC and NSD are already having excess spare capacity that can be utilized to an optimum extent by adequate dredging support. They maintain, maintenance and capital dredging of the channel will increase vessels calling at the ports. With minimal draft restrictions, lesser pilotage and turn round time to and from the sand heads through the river channel to the port need to be ensured for the vessels. This will make it viable for the shippers and shipping lines to use the ports.

If examined closely, the questions of viability behind the connectivity plan are not without substance if taken into account the total cost that will be incurred by the port and finally the shippers.

According to the plan, Diamond Harbour Container Terminal has been linked through barge will make transportation dearer on many fronts. Firstly, deployment of barge will involve initial investments. Besides, there will be recurring maintenance costs. Additional costs will be incurred for transshipment and transportation to the coast through the barges.

It is yet to be seen whether any private parties be interested in deployment of barges through high initial investments because the traffic throughput will likely to be inconsistent.

Furthermore, will the Railways find it commercially viable to connect the projects? Direct road connectivity from Diamond Harbour to the hinterland through Kolkata is not favored due to the obvious reasons of large-scale road congestion at Kolkata and its adjoining areas.

Container trailers intending to move to the hinterland through Kolkata with no other road alternatives will have to be stranded till 10.00 pm or late for getting the cargo moved. This will add up to the demurrage costs for shippers.

Officials point out that the project would have been viable had it got connected through the earlier conceived 'Barasat- Raichak' express way link through the suburbs of Kolkata. Diamond Harbor container terminal was conceived with the express way in place. However, necessary land acquisition for the expressway was aborted following the Nandi Gram and Singur political imbroglio in the state.

Location issues

Location for the terminals is another reason behind questioning the viability of the projects. Salukhali bulk terminal will be located 15 km away from Haldia. This will make the project distant from the hinterland. On account of being located opposite to the hinterland, movement of coal traffic by rail will be time consuming and expensive. This is because imported coal cargo will have to take a detour route through the heavily congested Kharagpur-Kolkata trunk route that connects Kolkata-Mumbai and Kolkata-Chennai to reach Bihar, Jharkhand and parts or West Bengal.

The rail congestion issues have prompted NTPC enter into an alliance with IWAI and Jindal Logistics for transportation of imported coal through barges for its power plants located at Barh and Kahalgaon power plants in Bihar and Farakka in West Bengal. Moreover, when users think of undertaking their own lighterage and barge operations, there can be possibilities that they can altogether bypass Salukhali.

Proposed Sagar multiuser terminal is located close to Bangladesh. The area is known to be highly cyclone prone. Strong currents and swells are well likely to make berthing of vessels difficult during monsoon period. Preparation of breakwater at Bedford Island would make the project cost expensive. Above all the most contentious issue on way of making the three expansion projects viable is dredging requirements. There will be requirements of large-scale capital and maintenance dredging, so as to keep the terminals sustainable. For Diamond Harbour, dredging will be required at heavily silted ‘Gasper Channel’, ‘Auckland’ and other channels.

Now with the Union Government considering to phase out the dredging subsidy to the port in phases, the projects are likely to become a liability for the port. Last fiscal the port received nearly ₹500 crore as subsidy. However, officials inform, good part of the money is yet to be reimbursed. With all the issues in place, viability of the projects will require closer examination. mg

Additional revenue share: A spoiler

A clause in the new draft guidelines that makes the private operator to pay an additional levy on the incremental will dilute the very essence of setting rates based on market forces.

The Ministry of Shipping came out with a new set of draft guidelines on port tariffs for comments in March 2013 for tariff setting in major ports and private terminals.

This step was taken in the back drop of the rejection of the Draft Port Regulatory Authority Bill by B K Chaturvedi Committee, which sought to regulate tariff at both non-major and major ports through Tariff Authority for Major Ports (TAMP). Besides, both Deepak Parekh Committee interim report and the B K Chaturvedi report have strongly recommended for a market-based pricing of port services.

Currently, there are two sets of guidelines – finalized in 2005 and 2008 – that govern tariff determination at Union government ports. For terminals operating under the 2005 guidelines, tariffs are set on a cost-plus basis factoring 16 per cent return on capital employed depending on projected cargo volumes, and are valid for three years.

The 2008 guidelines use the normative approach where tariffs are worked out on the basis of certain defined criteria and assumptions on capital costs and operating expenses that are unrelated to the actual cost of the projects. The tariffs so set will be valid for the entire duration of the contract except for indexation to inflation to the extent of 60 per cent.

However, the 2008 guidelines drew mixed response from bidders with quite a few projects being rejected because of the unrealistic tariffs set by TAMP. Some of those that went through the bidding process failed on account of the inability to secure finances or the promoters walking out after securing the Letter of Award.

"In its latest avatar, the new guidelines seem to reassure the operators that they could fix a market linked tariff once a year and charge the same from the first day of the following financial year. However, the Ministry has quietly sneaked in a condition in this draft – that the operator would need to pay an additional revenue share on the incremental revenue i.e. the difference between the market tariff and the TAMP set tariff – at a percentage of the revenue share as indicated in the Concession Agreement or at 50 per cent, whichever is higher," says **S S Kulkarni**, Secretary General, Indian Private Ports and Terminals Association (IPPTA).

Of the successful bids covered by the 2008 guidelines, one has largely seen a drastic fall in the revenue share being offered by the operators. According to Kulkarni, this move by the Ministry to seek to profit from a higher revenue share of 50 per cent while letting the operators opt for a market tariff is truly against the principles of public private partnership (PPP). The aim of PPP is to create infrastructure and capacity through private investments to enable trade and economy of the country.

He points out that the Ministry is yet to learn any lessons from the failed bids at Ennore, JNPT and other ports where the main reason for the project failure was the tariffs and high revenue expectations of the Port Trusts.

The requirement of this additional revenue share is a burden that has to be either borne by the operator or the trade. If the operator has to bear this then it will again seriously impact the financial feasibility of the project and it will lead to lack of interest in the project. If passed on to the trade, this will cause an unnecessary increase in the cost of services. The industry believes that the revenue shares / royalties received by the Port Trust have not been wisely invested in creating additional supporting infrastructure like roads and rail connectivity and dredging.

As against non-major ports which are not subject to tariff regulation and do not pay any additional revenue share to the state government, the Ministry continue to discriminate against private operators at major ports.

"The Ministry of Shipping and the government would be wise in reconsidering this additional back door levy and change to the PPP bidding system, which decides the winning bidder on the basis of the revenue share offered. Instead, the government should allow the operators to fix its market tariffs by negotiation without the interference of TAMP," says Kulkarni.

If the market tariff is higher than the TAMP set tariff, the Port Trust will benefit from the revenue share as bid on the differential tariff. There is no convincing reason for a 50 per cent revenue share. Let both the trade and the investor benefit from professional and highly efficient world class services. The government should look at creating capacity and attract the port operators rather than seeking additional profits. "Let us have a level -playing field for all so that competitions will self-regulate prices and capacity will grow as required," he says. mg

PORT CAPACITY **UTILISATION**

Deepika Amirapu

Reasons for over utilisation

- Capacity constraints
- Inefficient handling of cargo
- Low Productivity
- Inadequate Draft
- Inadequate rail/road connectivity to hinterland

What is the optimal capacity a port should have? The simplest answer, perhaps, is the rate at which both the shipping lines and port operators would be the net gainers. Let us assume how such a situation works. If the ports work at 100 per cent utilisation of its capacity, it would work marvelously for it as costs incurred per ship would fall drastically, but the shipowners would have to queue up to find a berth. On the other hand, if the port were to construct more berths to reduce waiting time for lines, its costs would soar, leaving the liners grinning. But is this a plausible situation?

The major challenge, therefore, is to strike a balance; creating capacity to accommodate fluctuating demand. In other words, if port operators and shipping lines have to get the math right, the number of berths would have to be that magic digit that would be fully utilized round the year at the same not having a train of ships waiting to off load cargo.

To be fair in assessment, globally, ports and their customers are still struggling to achieve this balance although some European ports have had a few successful stints. Usually, productivity of a port is measured in terms of Average Ship Turn Around time (ASTA), Average Ship Berth Output (ASBO) and pre-berthing time of a ship. These indicators vary from port to port nationally and internationally.

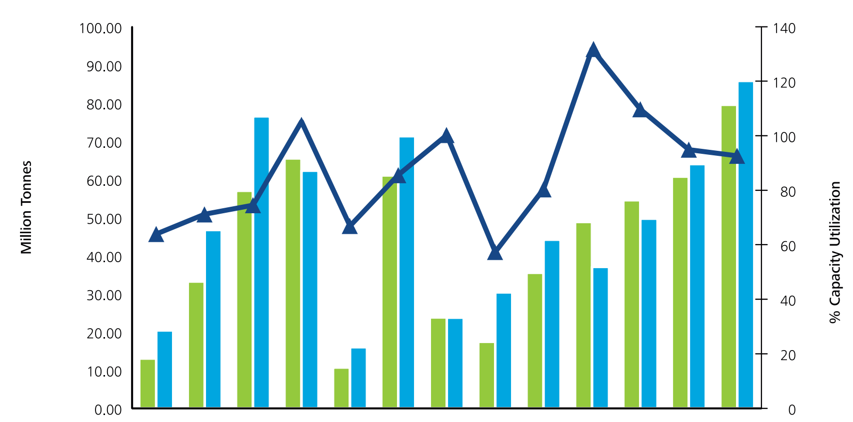
Vis-à-vis the Indian scenario, in most South East Asian Ports, ASTA is anything between 30 minutes to two hours, where as the pre-berthing time is zero or negligible. However, given India's infrastructure constraints, most of the country's ports are far from meeting global standards. The three port related performance indicators, according to the Ministry of Shipping, for the last year have shown slight improvement compared to the previous year. The average output per ship-berth-day was 13,374 tonnes for all major ports during April-September, 2012-13. The average turnaround time at major Indian ports was 4.15 days in 2012-13 (April-September). Furthermore, the number of teu handled per crane per hour at Indian ports has not inched past even a quarter of the amount achieved at the Colombo Port.

The average pre-berthing detention time (PBDT) for all major ports was 2.04 in 2011-12. Much to our dismay, the improvement was because of lower volumes handled than efficiency, the survey by the Ministry states.

The stated reason is obvious – ports are over-utilized and are burdened by congestion and poor connectivity problems. Four out of 13 major ports are experiencing more than 100 per cent utilization – Vizag, Tuticorin, Mormugao and Mumbai. Another nine ports are also facing capacity utilisation constraints – being utilized more than the optimum accepted range of 70 to 75 per cent. In the previous year, capacity grew by 4.5 per cent, despite an uncertain global economic scenario and lower than expected off-take of commodities such as coal and iron-ore by Indian companies the capacity utilisation stood at 88.4 per cent. Worldwide, the corresponding figure is anything between 60-70 per cent.

The total traffic handled by all ports in the country grew by 3 per cent in 2011-12 over the previous year. This stood at 911.7 million tonnes. 11.5 per cent growth achieved by non-major ports contributed to the overall traffic growth, although there was a decline in traffic handled at major ports. The traffic handled by all ports grew by 1.8 per cent in the first half of 2012-13 (April-September) over the corresponding period of the previous year. The share of the non-major ports in this growth was 10.3 per cent.

While this sets the tone for improved infrastructure and increased capacity, often, delays in execution and shortage of funding precipitate the port's poor performance. The government and the Ministry have drafted many an action plan for the sector's improvement, ports are yet to see any significant benefit and continue to reel under the perils of over-utilisation. But it is a case of too little action, coming too late. Port technologists say congestion occurs because port authorities failed to forecast and plan for the huge demand that would be placed on their infrastructure and resources. Atulya



	Kolkata	Haldia	Paradip	Vizag	Ennore	Chennai	Tuticorin	Cochin	NMPT	MPT	MBPT	JNPT	Kandla
Trafc	13.05	33.25	57.01	65.50	10.70	61.06	23.79	17.43	35.53	48.85	54.54	60.75	79.52
Capacity	20.40	46.70	76.50	62.27	16.00	71.32	23.72	30.37	44.20	37.05	49.70	64.00	85.80
Utilization (%)	64	71	75	105	67	86	100	57	80	132	110	95	93

Misra, Chairman, Chennai Port Trust says, “There is no denying the fact that our ports are functioning at over capacity. We certainly have to improve our infrastructure and brace ourselves to face competition arising from the neighbours.”

In addition to infrastructure issues, several ports and terminal operators have not satisfactorily geared themselves up for handling the increased number of super-generation container vessels entering service. As a result, these huge vessels spend longer in port as the exim cargo exchanges are much greater, thus, putting great pressure on the pressure on both the berth and yard space. Shippers bear the brunt and being penalised as a result of ocean carries imposing congestion surcharges on cargo moved through the congested ports. Prolonged Congestion impairs economic activity and dents country’s overall competitiveness in international markets. In layman terms, in case of a delay getting the container moved away from the port to the final customer, the entire logistical network in place is negatively impacted. The multiplier effect will ultimately lead to a form of gridlock.

N Suresh, Business Development Head, Karaikal Port avers that as things go today, most of the ports will turn obsolete soon. “Most of the ports were created during the British time and were not created to handle today’s traffic. Like Singapore, some of the old ports where paucity of land arrests expansion, they could be turned in to real-estate projects.” The solution, he says, lies in building new ports with greater connectivity and freight corridors.

Other issues faced by Indian ports relate to high-cost structures, different tariff-setting frameworks for major and non-major ports, port security, land acquisition and environmental clearances.

This sets the background and imperative for faster development of port projects to ensure smooth flow of traded goods and growth of EXIM trade.

Cost reductions will then be reflected in freight rate reductions and the biggest gainer will be the national economy. Audit firm Ernst and Young says in its report that development of high-quality infrastructure is most critical at this juncture. “India is emerging as a low-cost manufacturing hub and has a significant manufacturing presence in several sectors including manufacturing. The government has to ensure the National Maritime Development Programme (NMDP) – with a total proposed investment of $20.9 billion, covering 387 projects – has to be implemented in toto.

Traffic projections for Indian ports as given in Maritime agenda 2010

Ports	Projections				CAGR between 2009-10 & (in %)		
	2009-10	2011-12	2016-17	2019-20	2011-12	2016-17	2019-20
Major Ports	561.09	629.64	1031.5	1214.82	5.93	9.09	8.03
Non-major Ports	288.8	402.5	987.81	1280.13	18.05	19.21	16.06
Overall	849.89	1032.14	2019.31	2494.95	10.20	13.16	11.37

Source: Maritime Agenda 2020, Deloitte Analysis

Capacity addition plans of Indian ports

Ports	Projections				CAGR between 2009-10 & (in %)		
	2009-10	2011-12	2016-17	2019-20	2011-12	2016-17	2019-20
Major Ports	616.73	741.36	1328.26	1459.53	9.64	11.58	9.00
Non-major Ports	346.31	498.68	1263.86	1670.51	20	20.31	17.04
Overall	963.04	1240.04	2592.12	3130.04	13.47	15.19	18.34

Source: Maritime Agenda 2020, Deloitte Analysis

Industrialists say the first issue to be tackled is connectivity and evacuation – the key bottleneck at Indian ports. A Deloitte report released last year said “land-side infrastructure, including connectivity for cargo evacuation and storage, should maintain pace with the waterfront capacity expansion to support free movement of cargo. Otherwise, this could remain a key bottleneck in the entire logistic chain limiting the cargo handling at ports.”

Alongside, investments are needed in inland container depots, container freight stations and logistic parks. Chairman Misra said, “We are developing several projects to handle cargo at our container yards as without a parallel strategic investment on the landside, any investment to augment capacities will only languish due to storage and evacuation bottlenecks.”

After having created sufficient land infrastructure, to ensure a steady flow of cargo, Ports were advised by the National Maritime Board to tie up a portion of its capacity with a captive hinterland customer. Such an arrangement will be of particular use to ports handling bulk cargo as it helps shore up revenues even if there is a shortfall in other cargo.

Research firm Drewry’s insights on the way ahead for India’s ports suggests that proximity to key cargo generating region would improve off-take from ports. “A strategic location is one of the key success factors for any port. Regions which feed the port are categorized as primary, secondary and tertiary hinterlands, depending on the distance to and from the port.” Ports of Tamil Nadu and Gujarat have a locational advantage due to their proximity to manufacturing hubs in the hinterland regions.

These consultants have also advised that major ports should follow the anchor/captive customers model that newer private ports models are adopting. The captive customers would shield ports from any volatility in cargo arising due to economic reasons or due to any change in policy.

India’s problem lies not in finding solution, but implementing them. The government might have done its bit in putting many hours of arduous effort in creating a maritime blue print. But, arguably, long-term and effective solutions will only come about if all parties involved cooperate in the process. This means the ocean carriers, port authorities, terminal operating companies, logistics providers, truckers, railroads and government at both the national and international level will have to work together in steering India’s shipping sector forward. mg

Moody's: Global shipping sector faces risks from falling US oil imports and innovative vessel design

Three emerging trends – falling US oil imports, the return of some manufacturing capacity to rich industrialised nations and advances in vessel design – could significantly change the competitive landscape for global shipping companies and affect their creditworthiness over the next five years, says Moody's Investors Service in a report on the sector published today.

"The credit impact arising from each of these trends is likely to vary according to industry segment – crude oil tankers, containers and dry-bulk – creating the potential for a few winners and many losers," says Marco Vetulli, a Vice President - Senior Credit Officer in Moody's Corporate Finance Group and author of the report. "Rated companies adversely affected by these trends that do not proactively manage these risks are likely to face rising operating and financial pressures that could eventually hurt their ratings."

Moody's notes that the ongoing shift in trade patterns owing to falling US oil imports has credit-negative implications for the entire tanker industry as it is likely to depress freight rates. Crude oil tanker companies, such as Overseas Shipholding Group Inc. (OSG, unrated), that operate large fleets of the types of vessels typically used on long-haul routes are the most vulnerable, although OSG's US Flag business will benefit. Companies that operate smaller, more flexible tankers, such as Sovcomflot JSC (Ba2 stable) and Navios Maritime Acquisition Corp. (B3 stable), are likely to fare better.

The partial reshoring of manufacturing capacity back to rich industrialised nations and rising income levels in Asia are altering patterns in the trade of semi-finished products, with credit implications mainly for the container segment. Moody's expects that companies with operations on Asia to US trade routes, such as CMA CGM S.A. (B3 positive) and Hapag-Lloyd Holding AG (B2 negative), could be adversely affected as transportation volumes on these routes are likely to fall. Furthermore, such companies might need to rebalance some of their capacity from long-haul trade to smaller

vessels more suited to intra-Asia trade. Conversely, companies, such as Wan Hai Lines Ltd. (Ba3 negative), that already operate mainly on intra-Asia routes are likely to benefit from the increase in cargoes.

Tightening environmental regulations and high fuel costs are strong incentives for shipowners to invest in the new generation of "greener" vessels to cut operating expenses, but the lack of financing is a constraint. Although this trend is common to all shipping sectors, it represents a particular challenge for the dry-bulk industry, where the average fleet age is quite high and the current financial condition of most players is fairly weak. However, Moody's would expect Navios Maritime Holdings, Inc. (B2 negative) to be less adversely affected by this trend than other dry-bulk carriers because it has a relatively young and efficient fleet.

Japanese conglomerates are likely to be affected to a lesser extent. While not immune to the global trends, the two rated Japanese companies, Nippon Yusen Kabushiki Kaisha (NYKK, Baa2 negative) and Mitsui O.S.K. Lines, Ltd. (Baa3 negative), should fare better than some of their peers because of their sheer size, diversification and solid relationships with banks. mg

Source: Moody's Investors Service, Inc.

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MANAGING THE UNMANAGEABLE

Bunkers typically comprise about two-thirds of a shipping company's operating costs. A single bunker supply would on the average cost just below $1 million. Does this mean that ship operators are conscious of the price and quality differences in various ports?

Although many shipping companies have technical, financial, commercial and operational knowledge and resources, most seem to be indifferent to or are unaware of the various aspects of bunker management and how these different parts should fit together as a whole.

Using fuel is using energy, using energy is using money – how should it be managed?

Risk management with regard to fuel is often connected to the use of hedging, and other financial tools available to mitigate the financial risk. However, operational and environmental risks receive less attention in many companies although the latter should be a concern, given the new and changing regulatory landscape in the maritime industry. How can these risks be mitigated?

One could start with some internal questions:

- Who is responsible for tracking the sulphur levels in the fuel oil delivered to the ships
- Who is ensuring that the flash point of the delivered marine fuel is within the limit stipulated in the Safety of Life at Sea (SOLAS) Convention?
- Who keeps track of the quality of fuel and takes action should the fuel be of a quality that requires follow up or further investigation before use, or if it is not suited for use at all?

It is easy to assume that others are responsible and point fingers at other parts of the organisation, be it technical to operations, operations to commercial, commercial to brokers/traders and suppliers, who may in turn blame the producers or the accuracy of methods used in a fuel test. This problem may lie within a company. However, many vessels are at any given time on time charter to other companies. Although charterers, operating companies, shipowners, and technical management companies, all have their assumed responsibilities, routines, instructions, budgets and contracts in place, few have clear instructions and mandates on how to solve fuel-related challenges once they surface; or even better, have routines or systems in place to prevent such problems from happening in the first place. Often, legal departments of the various companies inevitably get involved when trying to solve a dispute.

But the major question remains:

How do shipping companies manage fuel related challenges in a proper, way through prudent decisions?

Residual fuel oils come in many shades of grey, and are only differentiated by maximum value of parameters such as water, Aluminium and Silicon, and total sediment potential, through agreements made between the seller and buyer.

Whilst a bunker purchaser of a shipowner or operating company may order fuel to a certain specification, they rarely see the test results of the fuel actually delivered. If/when they do, it is because the technical management of their company or a technical management company has found something "wrong" with the fuel. What was the energy in the fuel? Our statistics show an under delivery of fuel when a comparison is made between the Bunker Delivery Note (BDN) and tested density. This affects the company's bottom line, but does the ship owner or charterer keep track of these discrepancies?

The distance (physically and mentally) between the office and the vessel is often greater than what we appreciate. Whilst an operator wants to get the vessel sailing as fast as possible,

Key questions

Whenever bunkers are part of the expenses, any organisation should ask itself some key questions.

Does the company/organisation

- have control of the environmental risk related to fuel?
- have a bunker ordering routine or procedure in place?
- trend and benchmark fuel related issues and how to resolve them?
- have a person or team with knowledge of both the technical and commercial consequences related to fuel and bunkering
- identify those who are responsible, accountable, and should be consulted and informed through the supply chain of bunker, from requirement or compliance to consumption?
- have proper sampling instructions in place (0.7 litre sample shall represent possibly 2 million litres of fuel)?
- ensure that the crew is sufficiently trained to understand how to safeguard the company's interests?
- feel confident that it is managing fuel correctly and prudently?

"The number of people involved, the challenges in controlling the quality, the potential consequences, the terms and conditions, and the cost involved, suggest that bunker management, which covers all aspects of bunkering."

the chief engineer may want to hold on for an extra hour to make precise measurements – who should make the decision in this case? And what are the consequences of one choice versus the other?

Technical challenges come in the dozen, and most people are aware of the ISO 8217:2012 limit on Al+Si of 60mg/kg, but what is the practical difference for the engine on 59 mg/kg versus 61 mg/kg, besides one being on, the other being off specification? Both are equally hazardous to the engine if left untreated, but whilst the latter may result in a claims case against the fuel supplier, the challenges of the former must be addressed solely by the company. Both are however, dependent on the knowledge of shore as well as sea going personnel.

The number of people involved, the challenges in controlling the quality, the potential consequences, the terms and conditions, and the cost involved, suggest that bunker management, which covers all aspects of bunkering, should have a place in any maritime-related organisation. This is especially relevant for those companies with cost or bunker quality issues, even though many of the related problems may appear beyond their control or not within their responsibility. mg

Fritz Fredriksen *is a Principal Consultant at DNV Petroleum Services. Fritz.Jakob.Fredriksen@dnv.com.*

Even as China is readying to celebrate the completion of the 771 km long pipeline from Myanmar's Kyauk Phyu town to China's Yunnan province, worry lines on the foreheads of tanker operators are deepening.

China-Myanmar Pipeline

Work on the $1.5-billion pipeline that began in 2010 would be ready by June this year to carry 440,000 barrels of oil a day from the Middle East to fuel China's inexhaustible demands for energy. About 12 billion cubic metres of gas would come off Myanmar's coast from the Shwe gas fields and would be transported to China cutting through the host country's fertile belts. The pipeline will be supplied gas from the A-1 and A-3 Shwe oil fields. The operators group also includes Myanmar Oil and Gas Enterprise, India's Oil and Natural Gas Corporation, GAIL, and Korea Gas Corporation.

But what worries the tanker operators is the shorter route they would have to take to offload oil into the pipelines at Myanmar. Currently, the tankers ship oil through the Strait of Malacca, near Singapore, before they close in to China. Come June, this route would be by-passed and the tankers will curve around the India's tip before they head to Myanmar from the Bay of Bengal.

While it will augur well for China, cutting down its reliance on the Strait of Malacca and saving eight days a trip, it will cause a serious dent to the earnings of the Very Large Crude Carriers, or VLCCs by upsetting the ton-mile demand. Ton-mile demand is defined as the requirement for long-haul voyages – between West Africa and China in this case – which is computed by multiplying the cargo carried in metric tonnes by the distance undertaken in miles. The longer the voyage, the better it is for VLCCs as they can make more money. Hence, with the plausible drop in voyage time, VLCCs will stand to lose as ton-miles will dwindle.

China ships its oil from West Africa, the Carribean and the Middle East and so it is likely that huge tanker operators will take a hit because of the shorter passage. ICAP, the UK-based business information analysis provider in its report about the China-Myanmar pipeline said, "Assuming half of the vessels using the pipeline option originate from West Africa and half from the Middle East, this would curb demand by four VLCCs per annum."

"We estimate that delivering crude to the pipeline cuts 2,561 nautical miles off a voyage basis discharge in Ningbo. At full capacity this corresponds to a cut of 56 billion ton-miles, or 3 per cent of the Chinese ton-mile demand in 2012," ICAP's Simon Newman said. Ship broking companies say the daily earnings on a VLCC from the Persian Gulf to Far East fell from a daily average of $37,000 in 2010 to $12,000 in 2011 and $16,000 in 2012.

More than 80 per cent of China's crude imports currently flow through the Malacca Strait from the Middle East for a 46-day journey, while the West Africa-China round trip takes 65 days, estimates suggested by a VLCC broker.

VLCC owners admit there is a reason to worry, but are not overwrought now as they hope China's demand will off -set the shorter route. The volume of the pipeline is estimated at about 22 million mt per annum only. According to the International Energy Agency, China's crude imports are projected to be around 10 million b/d in 2013, growing by 4 per cent from last year's.

Perhaps the only reason to cheer for huge tanker owners is that China sources 90 per cent of its oil and gas through sea. As it stands today, VLCCs are losing money and if the reports on further dip in demand come true, they will be forced to press the panic button. For now, they would be happy to consider it a false alarm.

GLOBAL SUPPLY CHAINS

THE NEW BATTLE GROUND FOR INDIA INC.

Over the past several months the media has been rife with reports of India Inc's increasing lack of confidence in India as a market. Apart from calls on the Government by senior Indian business leaders to 'change course', 'act' and do whatever else it is that is needed to make India an attractive place to invest in again the business houses are apparently voting with their feet and their wallets by making an increasing number of investments outside of India. Investing outside of India is ostensibly more attractive and easier than investing in India itself.

Irrespective of the merits or demerits of the case against investing in India, all of these reports commit the same fallacy by disregarding one important fact. Investing overseas has become a natural step in the evolution of Indian corporate houses. Investing overseas gives Indian companies access to natural resources, production facilities, technical know-how and finally, to markets. These procurement centres, production centres and markets are not in lieu of, in the place of the Indian market, in most cases they are an integral part of the companies' global strategy, of which India remains an integral part.

The interplay of buying raw materials from other countries, producing (parts of goods) in other countries, and finally selling finished products to other countries leads to very interesting and sometimes complex, supply chains. Where production in the past for Indian corporations was relatively straightforward, and linear, with procurement, production and distribution taking place in or near India, today the companies' supply chains have become global.

Following from the above smart companies now distinguish between three times of supply chains:

- Procurement Supply Chain
- Production Supply Chain
- Marketing and Distribution Supply Chain

The characteristics of each of these

The denim travel route

Forget the 'chick flick' Sisterhood of the Travelling Pants' and imagine what happens to in the production life of a typical pair of jeans.

- Yarn is woven in Tirupur (India's Manchester), South India, from cotton grown in North and West India
- The yarn is sent for dying to Gujarat West India, where environmental regulations are less stringent; to achieve the denim look
- Denim fabric is woven at plants in
- The woven fabric is sent for cutting to countries such as Portugal and Spain. Apparently there are five cutting factories across the globe, where brands such as Seven for all Mankind, Diesel, J Brand, are cut
- The cut pieces are sent to sowing factories in countries such as Morocco, Algeria for low - cost stitching together. The final product is dispatched to upmarket retail outlets such as Saks Fifth Avenue to go on sale for amounts as low as $19 (Levis) or as high as $300

supply chains is very different and need to be managed according to the value that they deliver to the company in that particular phase. And yet at the same time, failing to integrate these supply chains and treating them as one at the highest and most strategic levels of the company means bypassing huge opportunities for savings and for strategic advantage, expressed for example as speed to market, over one's competitors.

The procurement supply chain is usually relatively simple in its design, especially there where it concerns commoditized raw materials. Procurement takes place in very large volumes from two to three origins and is shipped to the companies' global production centres for onward processing. Pulp by the Aditya Birla Group's Grasim brand, oleochemicals by Indorama, crude oil by Reliance or steel billets by Bharat Forge are examples of commodities sourced overseas for processing in India or in other global processing centres. Critical in procurement supply chains is matching inventory and goods in transit against production capacity. An unfamiliarity, or worse, an unease, with global transit times, often leads companies to establish buffer stocks at origin, on the water and at the production centre.

As an example, having 30 extra days of inventory on procurement of $1 billion annually leads to $83 million in additional inventory cost (one month's inventory) and an interest bill of approximately $8 million. Your banker is happy, but your CFO? Not so much.

Production Supply Chain: Inhouse and increasingly multinational

It can be argued that production supply chains are perhaps undergoing the largest and fastest change. Imagine going from a single production unit located in India to multiple production units located in India, or spread over Korea, China and India and you get an idea of the complexity involved. One of India's largest electronics manufacturers sources raw material from Europe, uses it to manufacture glass tubes in India and sends those to China where they are inserted into television sets. The finished product is sent back to India to be sold.

The automotive industry, the mobile phone industry and even the clothing industry nowadays have by design multi-location and multi-country production supply chains.

Marketing and Distribution Supply Chains: Truly complex, many to many relationships

With the increasing success of Indian manufacturers in penetrating global markets on all continents, distribution is becoming more and more far flung. Supplying a few markets from a factory located in Tuticorin, Tamil Nadu or Baroda, Gujarat must seem like the good old days.

Today India's corporate giants supply products to 60 countries or more, with finished product coming from facilities in India, Thailand, China or Indonesia. In addition to the traditional markets of North America supplies now have to reach eager customers in Turkey, West and East Africa and Latin America. The transit times to these markets itself has increased to 30 days or more. On time delivery doesn't just mean satisfied customers, it means a significantly lower amount of working capital.

The role of the Chief Supply Chain Officer

The CFO is already an integral part of strategic decision making within all large corporations. In a similar vein the Indian Chief Supply Chain Officer too should bring her/his knowledge of the company's procurement production and distribution supply chains to bear on decisions pertaining to global expansion. The decisions on where to source raw materials from and at what cost, what parts to produce where and which countries to serve from which production locations have lasting impact on the company's bottom lines, as much as the decisions pertaining to financing and/or the actual design of the product.

The Chief Supply Chain Officer needs to make the trade off between different modes of transportation (Ocean, Air and Road), the location of global warehousing facilities, the trade off between shorter to time to market and higher inventory levels. The latter trade off balances the interests of sales and marketing on the one hand, and the CFO on the other.

So it is here, on the global map, that the battle for supremacy is being fought out, not always against foreign competitors, but very often against other Indian corporates, another sign of the evolution of Corporate India. Just as Korea's Samsung and LG and Japan's Panasonic and Sony go head to head in global markets, so too do Reliance and Indorama, and Mahindra and Tata Motors battle it out in overseas markets.

Corporate India is growing up, evolving and growing too big for its boots, in the right sense of the word. For them the coming 20 years promise to be very exciting from a global supply chain management point of view. mg

Author: **Sanjay Tiwari**, *Director, Sales (India & Sri Lanka Cluster), Maersk Line. Maersk Line is the core liner shipping company of the A.P. Moller – Maersk Group, and the leading container shipping company in the world.*

FFFAI to discuss future of customs broker

The three-day conference will focus on the changing roles and services of customs brokers in a globalised trade market and the futuristic issues involved.

Federation of Freight Forwarders Associations in India (FFFAI) is hosting the 21st Biennial Convention from June 14-16, 2013 in New Delhi. Over 400 delegates from across the country are expected to participate in the three-day convention.

The theme of the convention is very challenging and relevant: 'Customs Brokers: New Paradigm, New Opportunities, New League'. "The theme is both topical and apt for the phase we are passing through as an industry. The business sessions will help you to help yourselves, unfold the emerging situation, get multiple perspectives with insight into global practices and help chart the way forward," said Sailesh Bhatia, Convenor, FFFAI.

Biennial Convention of FFFAI is not only the most important event in the industry, but it is also an event with widest participation from the stakeholders in the EXIM trade including government authorities. This year's convention is also special as for the first time International Federation of Customs Brokers Association in India (IFCBA) is holding its Annual General Meeting (AGM) and board meeting in India.

A mini-trade fair is also being organized along with the convention providing opportunities to the exhibitors to showcase their competencies. B2B Networking meetings are also organized for the benefit of the attending delegates.

Currently, both off-line and online registrations for the convention are already on in full swing. The venue for the convention is the popular Hotel Leela Kempinski, Gurgaon,

"The delegates will have an opportunity to interact with the leaders from about 30 countries. This international exposure is not an opportunity to be missed."

Shantanu Bhadkamkar
Chairman, FFFAI

"The theme is both topical and apt for the phase we are passing through as an industry. The business sessions will help you to help yourselves, unfold the emerging situation, get multiple perspectives with insight into global practices and help chart the way forward."

Sailesh Bhatia
Convenor, FFFAI

Delhi.

FFFAI is the national apex body of 24 Custom House Agents Associations and sole representative of more than 3,500 Custom House Agents (CHAs) and freight forwarders in the country. They are directly or indirectly engaged in freight forwarding, shipping and logistics and control 90 per cent of India's international trade.

CHAs have been over zealously guarding their customers' interests, fighting their battles as own, in course of which the CHAs sideline their own interests, in fact own necessities. "Convention is the time to think about our own future, or survival, our livelihood and our well-being," said Bhadkamkar.

The convention committee and the executive committee members put in hard efforts so that each time the convention sets a higher standard from the previous. "We will, for this convention as well, do our every bit best to ensure that the participation in the convention is fruitful and a memorable experience both for the delegates and the family," said Bhatia.

The speakers will highlight the role of customs brokers and customer expectations in the context of total service concepts. They will also deal with how to fulfill the regulatory requirements to the expectation of the concerned authorities, particularly the Customs Department. The speakers will discuss the ground level issues with respect to the above with special reference to the policies and implementation, following the methodology of building awareness to build capabilities.

As much as change is inevitable, each change brings new opportunities and the customs brokers will need to look for new horizons. The conference is expected to open up new avenues for change. mg

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Dates for your diary

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

21st Biennial FFFAI Convention

June 14-16

Venue: The Leela Kempinski, Gurgaon, India

Customs Broker: New Paradigm, New Opportunities, New League

Biennial Convention of FFFAI is not only the most important event in the industry, but it is also an event with widest participation from the stakeholders in the EXIM Trade, including from government authorities.

The delegates will have the opportunity to interact with the leaders from about 30 countries, including from the neighbouring counties.

More information:
www.fffaiconvention2013.org

NOR SHIPPING

June 04-07

Venue: Oslo

Nor-Shipping is an international shipping exhibition and conference and one of the most important meeting places for the global maritime industry. In addition to the technology showcased by leaders in the market, Nor-Shipping is also the place to be to develop personal networks, build competence and share information. Visitor groups include ship owners and managers, shipyards, maritime organisations, port authorities and many more. The conference will feature both presentations and roundtable discussions.

More information:
www.messe.no/en/nor-shipping

A maritime gateway event

East Coast Maritime Business Summit

East Coast Maritime Business Summit

September 19-20

Venue: Novotel, Visakhapatnam

East coast of India is evolving and experiencing a renaissance. At this juncture, East Coast Maritime Business Summit will serve as a platform for all stakeholders with a focus on east coast.

Into its second year, ECMBS attracts high level speakers giving insights on the business potential the east coast offers. The summit will give you both regional and global intelligence on where the cargo is coming from, the shipper's perspective, and infrastructure status at east coast ports. A must-attend annual event for maritime industry.

More information:
www.gatewayecmbs.com

India Shipping Summit 2013

October 22-23

Venue: Mumbai

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

More information:
http://www.indiashippingsummit.com/

CSCMP Annual Global Conference

October 20-23

Venue: Colorado Convention Center, Denver

The Annual Global Conference is supply chain's premier educational and networking event. Track topics include procurement, future trends, and technology. You need to know more to stay current on complex global supply chain issues. And, the more collaborative relationships you cultivate, the better shot you have at remaining competitive.

More information:
http://www.cscmpconference.org

INDIA MARITIME WEEK

January 2014 . New Delhi

India Maritime Week 2014 is the second edition of the largest maritime conference and exhibition in the country. Scheduled to be held in January 2014 in New Delhi, the theme for IMW 2014 is **"Big Prospects, Big Challenges - India Marching Ahead".** The event is supported by the Ministry of Shipping,Government of India.

More information: www.indiamaritimeweek.com

TOC Container Supply Chain - Europe

June 25-27

Venue: Ahoy Rotterdam, The Netherlands

The TOC Container Supply Chain exhibition and conference is the global meeting place for ports, terminals, shipping lines, 3PLs & shippers. The exhibition is a showcase for port and terminal technology and operations and the conference focuses on collaboration within the container supply chain.

More information:
www.tocevents-europe.com

China International Container & Transport Expo June 6-8, 2013 www.cicexpo.org

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