SOUTHEAST ASIA
FREE TRADE IS GREAT

TAXATION
TAX CLEARANCE FOR FSC: PRACTICAL CHALLENGES

TECHNOLOGY
VTMIS: GUIDING VESSELS

June 2009 Rs.100 www.maritimegateway.com

maritime gateway

ports • shipping • logistics

Going deep to Rise High

As littoral nations respond to the future demands of an uncertain world economy, they gear up to build port capacities that can accommodate larger, modern and viable vessels. The infrastructure plans offer immense scope for ports to take up dredging on a large scale and provide a galore of opportunities for dredging companies.

PORT SCAN
CHENNAI PORT GOING STRONGER AT 126

LOGISTICS
DFC: TO SWING INTO GEAR

STRATEGY
TIGHTENING THE STRING

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CEO, DHL LEMUIR LOGISTICS

EASING EAST TRAFFIC
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COMPETITION NOT A THREAT
K SURESH
CHAIRMAN, CHENNAI PORT

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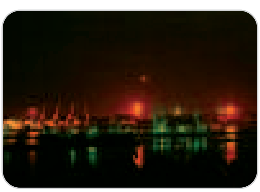

PERSPECTIVE

ENVIRONMENT

INTERNATIONAL

SOUTHEAST ASIA

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PUBLISHER'S DESK

Promising India

As the downturn turns down and deep, the maritime sector is forced to come to terms with yet another development – dock workers' unrest. This is gradually turning into a global phenomenon. If reformed manning scales triggered a strike and later subsided in India, recession-induced unemployment is causing panic among both port workers and staff working in companies near ports in the UK. The wait for work seems to be an endless ordeal. The present issue of *Maritime Gateway* dwells deep into the downturn effect on the industry and comes up with insights.

But music to ears is the G K Vasan-led shipping ministry's award of projects worth more than Rs 3,300 crore for the development and upgradation of container and cargo terminals in the country, in its first 100-day voyage. Infrastructure building projects getting the thrust, we hope our cover story on dredging is just in time.

Good news in these times of gloom is Goldman Sachs' forecast that Brazil, Russia, India and China (BRIC) will continue to grow even as economic giants across the world are getting affected by the recessionary fears.

The report predicts that India could grow at an average of 6.3 per cent from 2011 to 2050, ahead of China's 5.2 per cent. But bureaucracy and corporate governance should not be left to hang on too long lest India should lag behind China. Experts say the export-led success story will continue and with it economic wealth generated by the rising consumer class. Music again to the maritime industry.

Warm Regards,

Ramprasad, Publications Director
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volume 1 issue 9

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ports • shipping • logistics

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OPINION

R Radhakrishnan

Integrate Freight Forwarding

The freight forwarding industry needs to be restructured to enhance organisational efficiency. Since freight forwarders act on behalf of exporters and importers in arranging services, obtaining payment on behalf of customers, booking space, and customs clearance for cargo besides providing other delivery services, they need better coordination among themselves and allied departments.

The freight forwarding industry in India is basically disintegrated. Because of this fragmented structure, a freight forwarder is not able to deliver promises to the customer. The customer too does not realise the need of a forwarder to handle the entire service that involves a commercial invoice, shipper's export declaration, bill of lading and other documents required by the carrier or country of export, import, or transshipment.

It is accepted that the system is not going to improve overnight. But we need to begin the process of integration, to eventually offer the customer an efficient and cost-effective end-to-end solution.

Infrastructure is a major issue that comes in the way. The customer prefers to handle shipments on his own as he doubts the capability of the freight forwarder in overcoming physical bottlenecks. Next, procedural issues affect the quality of the service and then, duplication is a major botheration. Owing to the absence of an integrated approach, the transit time between one department and the other is too high.

> "The participation of all the parties in the transport and logistics chain and the use of IT is crucial for improving the efficiency of freight forwarders."

If such delays are minimised we can concentrate on lesser transaction and dwell time of cargo. Though we talk about electronic data interchange (EDI) meeting shipper requirements and improving customer service, we still continue with the conventional and slow paper work. The only way to resolve this problem is for all the forwarders to come together and discuss ways of improving efficiency. We may have ports that can match global standards but if our thinking does not reflect global expectations, we may end up making the process more cumbersome.

We often blame customs for all the delays. But the customs wing has gone much beyond delivering – it has become proactive as its interaction with involved agencies has improved and decision-making has become faster. One can say the improved efficiency of customs sometimes discounts the delays encountered due to infrastructure problems. But we do not see such effective change in other departments or related services.

Competition prevails if supply is more than demand and ports vie with each other. But before the economic slowdown, demand was more than supply and ports were reluctant to take care of the customer. Hopefully, we might have a healthy scenario in 10 years time when supply might be more than the demand. Cargo and people who handle it are an important part in the entire supply chain. Everything is created around the need to handle cargo. But not much is being done for the people. Do we provide parking space for the trucks which come in? Are any facilities being provided to the truck driver? Do we have proper commuting facilities for the people who come to work from far-off places? These issues need to be addressed else people will look for better options when private ports start creating modern facilities.

The operations of freight forwarders need to be regulated and controlled with a set of performance criteria. If we do not have a kind of governmental control, we will end up in a chaotic situation. For example, the Shipping Trade Practices Act is trying to bring all the people operating in this domain under some form of accountability. This is not necessarily to strangulate and restrict business. We welcome this kind of regulation which can bring about professionalism and a uniform structure to the industry. MG

***R Radhakrishnan** is the chairman of the Federation of Freight Forwarders Association of India (FFFAI).*

ONBOARD

In an active political career spanning just over a decade, **G K Vasan** epitomises leadership. Manoeuvring his party to a merger and later playing a key role in it, the peasant has evolved as a people's leader. As he takes the baton from Baalu, the maritime fraternity awaits the new chief to propel the industry wavering in the whirlpool of financial tide.

VASAN The New Captain

Age: 44 (Born 28 December 1964)

Parents: G K Moopanar and Kasthuri

Profession: Agriculture

Present Title: Union Minister of Shipping

Career: Helped his father form the Tamil Maanila Congress in 1996. His career took off in 2001 when he was elected TMC president. Got elected to the Rajya Sabha in 2002 and 2008. Merged his party with the Congress and served as the secretary of AICC from June 2003-July 2004. Was the Minister of State for Statistics and Programme Implementation from 2006.

His deliveries as MoS: Set off New Consumer Price Index (urban) data collection; set up a permanent National Statistics Commission. Could not arrive at a new definition of poverty and so the Centre has to rely on a 1973 consumption basket to identify the poor.

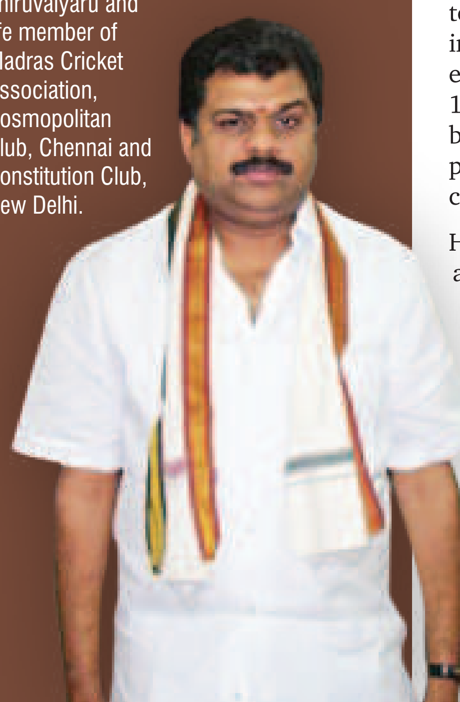
Agenda ahead: To award 6 concessions for ports and initiate process for 20 others through PPP in 3 months, to strengthen the Indian Maritime University, to modernise cargo handling equipment at ports, improve port capacity, complete Sethusamudram project, strengthen shipping activity and inland waterways.

Education: BA (Corporate Secretaryship); The New College, Madras University.

Spouse: Sunitha Vasan (married in 1996)

Children: Son G K V Pranav

Interests: Cricket and Carnatic music. Is the trustee of Thyagaraja Mahotsav Sabha, Thiruvaiyaru and life member of Madras Cricket Association, Cosmopolitan Club, Chennai and Constitution Club, New Delhi.



G K Vasan, the son of late veteran Congress leader G K Moopanar, succeeds T R Baalu as the Minister of Shipping in the newly formed UPA government at the Centre. Serving as the Union minister of state (independent charge) for statistics and programme implementation till now, the new assignment is Vasan's first stint as minister of Cabinet rank. Having a separate ministry for shipping comes as a breath of fresh air for the maritime fraternity.

The two-time Rajya Sabha member was instrumental in the formation of Tamil Maanila Congress. Having led TMC after his father's demise, he was successful in merging it with the Congress in the presence of Sonia Gandhi at Madurai and becoming the party secretary.

His electioneering in Tamil Nadu during the recent polls attracted many a nonchalant voter to the party fold. "By being a minister at the Centre, he achieved what his father could not," say veterans.

"Performers get portfolios," is the verdict on Vasan. The leader from Tanjavur, in his new innings, will have to handle tasks like raising the capacity of the existing ports to handle larger vessels and improving cargo handling efficiency. "We hope to achieve 1,000 MT cargo handling capacity by the end of the current five-year plan," the minister expresses confidence after taking charge.

He will also have to take adequate steps to keep the maritime transport afloat in these times of gloom. But spearheading the industry, in coordination with allied departments such as finance, commerce and railways is the key task ahead. Yet, it's a matter of will even if the task is uphill. Here's wishing the minister good luck! MG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Numero uno

Kandla tops cargo handling

The year 2008-09 is a golden phase in the life of Kandla Port, as envious development programmes worth Rs 5,081 crore, have been taken up, a port-based SEZ worth Rs 7,800 crore has been approved by the Government and development of Tuna satellite port worth Rs 1,200 crore has been initiated.

Kandla topped among the country's 12 major ports by handling 72.22 million tonnes of cargo in the financial year ending March 31, 2009, the highest ever cargo throughput by any Indian port ever.

Its growth rate was 11.25 per cent against the national average of 2.13 per cent.

Kandla Port Trust chairman PD Vaghela told reporters at Gandhidham recently that the port had progressed in the face of the global meltdown. The port has drawn up plans to achieve capacity to handle 100 million tonnes by 2012.

About expansion plans, he said four jetties (numbers 13 to 16) will be built and a special economic zone, Tuna satellite port and e-governance will be developed. So far, development works worth Rs 5,081 crore have been taken up, a port based special economic zone worth Rs 7,800 crore was approved by the government and Tuna satellite port work was initiated at a cost of Rs 1,200 crore, he elaborated.

By March-end, the port's net income was Rs 408.12 crore and profits stood at Rs 107.18 crore.

Two new patrolling launches will be installed in the system to enhance security at the port.

As many as 2,517 vessels had anchored at the port in the year under review. With the draft being deepened to 12 metres, vessels with 60,000 headweight tonnage could now anchor here, he added.

The port has handled 35 million tonnes of crude, more than any port in the country. Container traffic has also gone up considerably.

Financial performance up to March 2009

(Rs in crores)

Sl. No.	Indicators	Actual 2007-08	Provisional 2008-09
1	Operating Income	341.57	408.12
2	Operating Expenditure	247.96	300.94
3	Operating Surplus	93.61	107.18

Kandla Port Trust chairman PD Vaghela (centre) at a press meet.

Project cargo

Karaikal Port gets first vessel

Karaikal Port received the first vessel M V Da Fu carrying project cargo from Germany. The port, being promoted by Marg Group, has been active as an offshore base for vessels of Hindustan Oil Exploration Company Limited (HOEC), which call on the port almost every day.

The project cargo consists of 17 pieces of multiple dimensions, with the heaviest piece weighing 245 tonnes. It will be offloaded on to the port and later reloaded on the barges to be transported to Nagarjuna Oil Corp.

Container traffic

Ports record slump

Major ports reported a slump in container traffic in April, according to figures from the Indian Ports Association.

The IPA figures show that the total container traffic at the 12 major ports amounted to 519,000 TEU, down from 603,000 TEU in April 2008.

Throughput at JNPT, India's biggest container gateway, decreased to 315,000 TEU from 365,000 TEU and in Chennai Port, the second largest container port, it fell to 88,000 TEU in April, down from 107,000 TEU a year ago.

Tuticorin too saw a fall to 32,000 TEU from 38,000 TEU, while Kolkata Port registered a marginal growth to 41,000 TEU compared to 37,000 TEU a year earlier.

In the fiscal year 2008-09 ended March 31, consolidated container throughput totalled 6.85 million TEU, up from 6.71 million TEU in 2007-08.

The slowdown in container traffic comes at a time when some major ports plan to expand their container handling capacity by building new terminals.

Dry bulk port

Dharamtar attracts foreign players

Dharamtar Port, a dry bulk port in the state of Maharashtra, is attracting many foreign investors to combinedly buy 25 per cent stake in the port.

The acquisition will give the firm access to an alternate dry bulk port with jetty facilities and warehousing, in proximity to the overstretched JNPT in Nhava Sheva. The companies – Oxbow Coal of the US, Scorpio Group of Marshall Island and Coeclerici Logistics of Italy – hold up to 10 per cent stake each in United Shippers, which owns half of Dharamtar Port. PNP Maritime Services owns the other half.

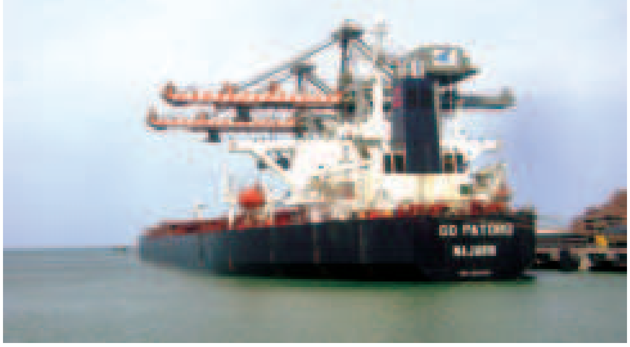
United Shippers is the country's largest barge owner and also operates tugs and onshore equipment. Oxbow Coal is into coal transportation, while the Scorpio Group is into crude oil and petroleum products transportation. Coeclerici Logistics is engaged into coal mining, dry bulk logistics, trading and shipping.

Gangavaram Port

Discharges record coal output

Gangavaram Port achieved yet another historic milestone by discharging 71,808 MT in a single day from the Capesize Vessel MV Go Patoro carrying non-coking coal for Adani Enterprises Ltd., which is more than three times the discharge rates achieved at any other port in India. This is the third fully laden Capesize Vessel that the port has handled.

The port surpassed its earlier record of discharging 57,000 MT of coal in a single day from MV Pearl Seas in April. Capesize vessels are the largest vessels (up to 200,00 dwt) that can carry dry bulk cargoes like coal and iron ore. Gangavaram Port is till now the only port in the country that has the required depth and infrastructure to directly berth and handle such large vessels.



Tuticorin bidding

PSA-Sical contests bar

Moving in line with the principle of discouraging monopolistic practices, the shipping ministry has barred the operator of the existing container terminal, PSA-Sical to bid for the second container terminal that will come up on berth No. 8. While the bidding process is on, financial bids have been invited from Larsen and Toubro, Afcons and the Chennai-based Chettinad Group.

This rule of not including the existing operator to bid in the second container terminal can also be seen at other ports like JNPT and Chennai.

In an effort to challenge this decision, PSA International Pte Ltd. has reportedly filed a writ petition in the Chennai high court.

Coal terminal

Paradip Port to invite bids

Paradip Port will invite fresh bids for its coal terminal for the third time as the second round bids did not match the first round bid made by Essar Shipping Ports and Logistics. To this effect the shipping ministry has allowed the port to invite fresh tenders for a third time. To cut the long process short, the port authorities will restrict the bidding to the shortlisted and security-cleared bidders. These bidders include miner Rio Tinto India Pvt. Ltd., Mundra Port and SEZ Ltd. (MPSEZ), the Larsen and Toubro Ltd.-TM International Logistics Ltd. combine, Essar Shipping, Ports and Logistics Ltd. and a consortium comprising Hong Kong-based commodity trader Noble Group Ltd., Gammon Infrastructure Projects Ltd. and state-owned MMTC Ltd. In the second round of bidding, the Adani Group-promoted MPSEZ Ltd., which runs India's biggest port outside state control, had submitted the highest price quotation of 12 per cent for the Rs 479-crore terminal with a proposed capacity to handle 10 million tonnes of coal a year.

Offshore Terminal

Work begins at Mumbai Port

The foundation stone for the Offshore Container Terminal Project at the Mumbai port was laid recently. The project, being executed by Indira Container Terminal Private Limited (ICTPL), is a JV between the Italy based Dragados SPL and the Gammon Group.

The Rs 1,228 crore worth terminal is likely to be completed by December 2010. The port's contribution of Rs 366 crore will cover the cost of dredging, filling up of Princess and Victoria docks to create container storage space and laying of 3 railway tracks for rail container depots. Meanwhile, the second of the two new tugs DT Rahul was commissioned recently.

Ship finance

Domestic banks to fund fleet

Domestic banks in India and Asian countries, unlike their US and European counterparts benefit from a larger deposit funding base and serve as saviours for the shipping industry.

As the foreign ship financing institutions and banks are shying away from arranging foreign currency loans, Indian shipping companies are looking towards the domestic banks to meet their funding requirements. The domestic shipping industry is trying to leverage on the current scenario of cheap valuations of bulkers, tankers and container liners and expand their fleet at a time when global giants in the industry are looking to reduce their fleet.

The Indian Banks' Association, at the behest of the Government of India, has set up a working group to look at how best Indian banks can help domestic shipping companies in their capacity expansion plans. The Association has set up a working group recently after the Shipping Secretary took the matter to the Finance Secretary about issues faced by the Indian shipping industry.

Traditionally, Indian shipping companies depended on foreign banks and institutions for their financing needs as they can easily arrange foreign currency loans and can provide longer repayment times of up to 15 years. On the flip side, large Indian banks like SBI could allow only for shorter repayment periods of around eight years due to their limited networking and limited strength of their balance sheets.

Today, the necessity of urgent expansion of fleet comes from the fact that the Indian flagged ships carry just under 13 per cent of the country's exports while the remaining lion's share is carried by foreign-flagged vessels. According to the Indian National Shipowners Association, the Indian shipping industry needs a whopping US$ 20 billion just to maintain this share in the country's exports.

Asian scenario: Amid reports that Asia's shipbuilding industries could suffer a setback for lack of finance, the bailout packages offered by China and South Korea come as timely stimulus for shipbuilders and owners. State-owned Chinese shipowners are being offered 17 per cent subsidies to soak up cancellations from foreign owners. Thanks to the global reduction in bank capitalisation outside Asia, China's banks are taking the top three places as the richest source of debt financing, say experts.

Domestic service

Caravel Logistics enters course

Caravel Logistics, one of India's leading Container Services operators, has started the much awaited Coastal shipping Service from Tuticorin on April 24 by chartering Vessel M V Reestborg. The Director General of Shipping in Mumbai has granted license to Caravel, for the first time in India for chartering foreign flag vessels for domestic container operations.

This makes the operators to offer competitive services to customers for moving goods in the domestic route in multiple modes. The vessel is expected to call Tuticorin, Kochi and Mundra, which are its scheduled ports of call once in every 10 days.

Going global

INSA joins ASF

At its 18th meeting, held in Tainan, the Asian Shipowners' Forum (ASF) welcomed the Indian National Shipowners Association as its latest member. There are now 8 members of the ASF – the Shipowners Associations of Australia (ASA), China (CSA), Chinese Taipei (NACS), Hong Kong (HKSOA), India (INSA), Japan (JSA), Korea (KSA) and the Federation of ASEAN Shipowners Associations (FASA), which comprises the Shipowners Associations of Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

Europe service

SCI ties up with MSC

The Shipping Corporation of India (SCI) has entered into an agreement with Geneva-based Mediterranean Shipping Company (MSC) to run its European service. The Indian company signed the agreement after four of its partners in the European service withdrew because of fall in trade.

“We are continuing our European service with Mediterranean Shipping Company after our old partners withdrew,” SCI Director J N Das told PTI.

ZIM Israel, Yang-Ming Lines of Taiwan, MISC of Malaysia and K-Line of Japan are the SCI partners who withdrew. SCI has deployed four vessels while MSC has deployed three vessels for the European service. The rotational service begins from Jawaharlal Nehru Port and goes to Mundra, Salalah, Barcelona, Hamburg, Rotterdam, Jeddah and Colombo.

A round trip from Jawaharlal Nehru Port takes 49 days.

According to estimates in 2008-09, container growth was 3.5 per cent against 10 per cent in 2007-08. Trade rate to Europe has fallen from US$ 1,400 six months ago to US$ 250 now per container. For Dubai, the rate has crashed from US$ 500 per container to US$ 50.

Going strong

Apeejay to double fleet

Apeejay Surendra group company Apeejay Shipping said it is planning to double its fleet capacity by 2010 amid the ongoing economic slowdown and a sharp fall in freight rates last year.

"We have a total capacity of 3.5 lakh DWT from six ships and would double the capacity by centenary year 2010. Earlier, we had planned to enhance it to one million tonne by 2010," Apeejay Shipping CEO Shekhar Mahapatra said.

The company's plan for US$ 130-million acquisition of three new vessels remained on track, of which a 57,000 DWT Supramax has already been delivered and the two remaining in 2010 and 2011. "We are also engaged in selling and purchase of old vessels. Last month we had acquired an old vessel at US$ 6 million," Mahapatra said.

Direct delivery

APL launches Vietnam-US service

Singapore-based Neptune Orient Lines' container shipping arm APL is launching a new weekly direct container shipping service linking Vietnam and the West Coast of North America.

An APL statement notes: “The first departure of the APL-operated service on 4 June will directly link Vietnam’s exporters to the Transpacific routes, which are among the world’s largest and most dynamic trade lanes.”

“This is the beginning of a new era for trade with Vietnam and marks its increased importance as a manufacturing and export centre,” said APL president Eng Aik Meng: “It also shows that, even during these challenging times, APL is committed to expanding service innovations where long-term customer demand will be greatest,” he added.

Great Eastern

Jag Reena delivered

The Great Eastern Shipping Company Ltd delivered its 2000-built Handymax bulk carrier Jag Reena (45,659 dwt) to the buyers. It also took delivery of new building Long Range One (LR1) Product Tanker Jag Aparna. The double hull LR1 Product Tanker of about 74,500 dwt was built at STX Offshore & Shipbuilding Co., Ltd. Korea.

With this, the Company’s fleet of 38 vessels comprises 32 tankers (12 crude carriers, 19 product tankers, 1 LPG carrier) and 6 dry bulk carriers with an average age of 9.9 years aggregating 2.91 mn dwt.

Express logistics

Air Deccan goes commercial

The venture, set up with an initial investment of US$ 25 million, will require another US$ 25-30 million to scales up its operations. It will function on the hub-and-spoke model for which it is developing facilities at the Multimodal International Hub Airport at Nagpur (MIHAN). Five Airbus A-310 aircraft have been acquired so far.

Air Deccan launched its new cargo and express logistics venture 'Deccan 360' recently to tap the untouched potential of the cargo and logistics sector. With this launch, the airlines has formally started its services on the Delhi-Mumbai-Chennai-Hong Kong-Dubai sector five times a week.

"This will provide us with an opportunity to tap the potential of the cargo and logistics sector, which was untouched till date," Capt. Gopinath, MD of Air Deccan said during the event.

Deccan 360 has acquired five Airbus A-310 aircraft, of which payment of three has already been made.

The company will also have six smaller ATR aircraft to carry cargo to and from the interiors of the country to metro cities. The venture has been set up with an initial investment of US$ 25 million with Capt. Gopinath being the sole promoter.

"Some investors have, however, already shown interest in picking up a stake in the company," said Gopinath but refused to name the investors. The company will require another US$ 25-30 million to scale up its operations. It will be functioning on the hub-and-spoke model for which it is developing facilities at Multi-modal International Hub Airport at Nagpur (MIHAN).

Warehousing zone

Arshiya FTWZ gets nod

Arshiya International, a global supply chain and logistics infrastructure solutions company, said it has received formal notification by the Ministry of Commerce and Industries where its Free Trade Warehousing Zone (FTWZ) at Panvel near Mumbai has been gazetted as deemed foreign territory.

The formal notification by the Commerce Ministry marks the country's first-ever FTWZ being developed and operated by Arshiya International at Panvel, a press release said. The FTWZ will serve as integrated mega-logistics hub with dedicated container freight stations.

The site is strategically located near both Jawaharlal Nehru Port as well as the proposed new international airport in Navi Mumbai. This is also connected to the major artery road connectors and a rail terminal for pan-India connectivity. Arshiya would be the only logistics company in the country providing this facility along with other supply chain management functions including integrated warehouse management, rail, IT and regulatory consultancy services. -PTI

Asia-Europe route

APL to raise freight rates

Neptune Orient Lines (NOL), the world's seventh largest shipping company, said its container arm APL is planning to raise freight rates on Asia-Europe trade routes starting next month. APL said it will raise its eastbound Europe to Asia leg by US$ 100 per container for scrap commodities such as paper, while the westbound Asia to Europe trade lane will see a rise of US$ 300 per 20-foot container for all freight to the Mediterranean and North Europe.

The industry has been facing slumping demand that has forced operators including NOL to reduce capacity, though policymakers have recently pointed to some signs of stabilisation in the world economy and economists are looking at shipping trade as an indicator. "Despite the relative success of initiatives we implemented earlier this year, rates in the Asia-Europe trade are not even close to sustainable levels. We will be doing everything possible to ensure the latest rises are upheld," said Detlev Kerber, APL's vice-president for Asia-Europe trade. NOL reported a worse-than-expected first quarter loss of US$ 245 million.

Logistics foray

Tata to set up 8 parks

Tata Group plans to enter the logistics and warehousing domain through setting up 7-8 logistics parks in the next five years.

The group firms Drive India Enterprise Solutions and Tata Realty and Infrastructure will invest Rs 2,000 crore which will mark their foray into the sector where a total warehousing space of 38.5 million sq ft. While Tata Realty and Infrastructure (TRIL) will make an investment of Rs 2,000 crore and set up infrastructure at the parks, Drive India will be the service provider in these parks.

Initially, the logistics parks will be set up in Gurgaon, Kolkata and Nagpur. Subsequent ones will come up in South India either in Hyderabad or Chennai.

New entrant

GlobCon begins India service

Doha-based GlobCon Logistics, a multinational logistics firm has set foot in India by commencing operations in Bangalore, Chennai, Mumbai and Coimbatore. The company has its presence extensively in Middle East and China and provides transportation and distribution services.

Sources from the company stated that they have serious plans in expanding the company's operations in India where it has made its presence in key cities in just three months. GlobCon India has industry experts across the country to provide the best of services to its customers and it applied its expertise in technology to give timely updates to customers.

It looks forward to provide tailored solutions to meet the operational and business demands of its clients by leveraging its vast global network and expertise. GlobCon is also a member of global associations of repute such as the World Cargo Alliance, HHGFAA, Moverworldwide and AerOceaNetwork.

Quick service

NCDEX introduces warehoused delivery

NCDEX, the only commodity exchange in India promoted by national-level institutions like NSE, LIC, IFFCO, NABARD, CRISIL and Goldman Sachs, has introduced warehoused receipt-based delivery system in rubber futures with effect from May 4.

The exchange claims that this warehouse receipt-based system is ideally suited for this commodity as the margins are thin in rubber trade and it requires a fast turnaround time. NCDEX has tied up with the Central Warehousing Corporation to handle the assaying and storage for rubber. If the rubber meets the specifications, the corporation will issue a negotiable receipt which could be tendered for delivery on exchange platform.

The basis centre for RSS4 grade rubber contract is Kochi, while Kottayam, Kozhikode, Thrissur and Manjeri are the additional delivery centres, a release said.

Engineering unit

TIL facility at Kharagpur

Tractors India Ltd., the trucks and tractors manufacturer, is all set to set up an engineering equipment manufacturing facility at Kharagpur.

Despite the economic slowdown, the firm, which also offers material handling solutions, registered a marginal growth in net profit to Rs 32.27 crore in 2008-09 from Rs 32.24 crore in 2007-08. It also reported a 16 per cent jump in turnover to Rs 876 crore in 2008-09.

TIL vice-chairman and managing director Sumit Mazumdar said the firm has already bought 140 acres for its proposed facility near Kharagpur. "Land acquisition in the state is tough, but we still could buy 140 acres, of which 80 acres is contiguous," he said.

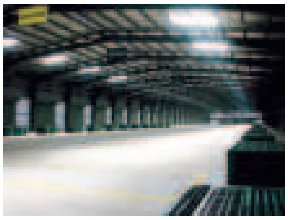
TIL will undertake the project in phases to beat the slowdown. "Initially, we had planned to buy 200 acres. But now, TIL will do it in phases. The first phase will come up on 80 acres," Mazumdar said. TIL is likely to invest close to Rs 60 crore in the first phase.

Logistics parks

Safexpress to pump in Rs 1,000 cr

Supply chain and logistics company Safexpress is planning to invest Rs 1,000 crore over the next five years to set up logistics parks and expand its fleet strength to meet the demand post central sales tax abolition in March 2010. "The company will invest Rs 1,000 crore over a period of five years to expand infrastructure," Safexpress chairman and managing director Pawan Jain, told reporters while inaugurating a logistics park at Dankuni near Kolkata.

With the abolition of CST from April 2010, there would be a huge demand for outsourcing warehousing facilities as it would do away with certain hurdles like state specific billing and regulatory issues connected with movement of goods, Kanaujia added. So far, the company has launched four logistics parks in Ahmedabad, Nagpur, Gurgoan and Kolkata.



Logistics wing

Maersk merges with Damco

A P Moller–Maersk group plans to merge its supply chain management activities branded as Maersk Logistics and its freight forwarding activities branded as Damco, under the single brand name 'Damco'. The merger will be effective from September 7, 2009.

Under the new name, Damco will continue to offer a broad range of logistics services covering A-to-B forwarding and time-sensitive reefer logistics to advanced supply chain management solutions and consultancy.

Maersk Logistics and Damco have 272 offices, covering over 93 countries.

Recession effect

TCI defers capex plans

India's leading commercial truck transport provider and logistics player Transport Corporation of India (TCI) has been forced to postpone some of its capital expenditure plans due to the deteriorating conditions as a result of slowdown and global recession.

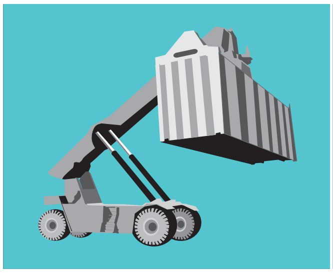
Besides going slow on expansion of its fleet of trucks, the company has deferred the decision to purchase a ship for which it had earmarked Rs 100-125 crore last year. It had plans to invest Rs 50-60 crore for purchase of trucks. In September last year, the company announced that it would purchase a ship to augment its capacity for carrying cargo.

Innovative B2B

IVF picks up stake

India Value Fund (IVF) which is raising its fourth US$ 800 million has picked up a majority stake in New Delhi-based logistics services provider and container train operator Innovative B2B Logistics. While it is not clear as to the size and the value of the stake, some sources quote it as more than 51 per cent and around Rs 200 crore.

Being a logistics company, Inlogistics also entered the domain of private container train operations. It has eight container trains currently, which it plans to increase to 40 in next two years. It has revenues of Rs 80 crore.



Exim NEWS

Minister speak

Exports to touch $ 160 bn

The new Commerce and Industry Minister Anand Sharma says his ministry will seek more stimulus measures for the export sector from the finance ministry. The government may also announce fresh incentives for exporters in the forthcoming trade policy review.

India will maintain its exports at US$ 160 billion for this current fiscal, as steps will be unveiled in the upcoming budget and the trade policy review to help the sector, Minister Anand Sharma said.

India is ready to ink a host of pacts, including a free trade agreement with the Association of Southeast Asian Nations (ASEAN) and economic cooperation agreements with South Korea and Nepal. "We will shortly approach the cabinet on these free trade agreements," Sharma told reporters, soon after taking charge of his newly assigned ministries. "I am confident we will be able to manage at least US$ 160 billion." He said the effects of global meltdown on the Indian economy were comparatively lower. "In fact, there are signs – positive signs - of a revival of industry, including expansion that would be desirable for manufacturing sector."

Commerce and Industry Minister Anand Sharma.

The minister informed that the Foreign Trade Policy will be announced in August 2009. Satisfied over the Foreign Direct Investment inflows of about US$ 27 billion during 2008-09, he hoped that the momentum will continue.

Sharma also spoke of how special economic zones in the country had become a success, employing 750,000 people directly and indirectly, and exports growing at 50 per cent last fiscal. He said as many as 568 SEZs had been approved, of which 315 had also been notified, attracting investments worth US$ 20 billion. But he did not subscribe to the view that the policy had many flaws.

"Our special economic zone policy has so far taken care to protect the interests of people," he said, adding: "Our policy intervention has been to identify with the working class."

High rail costs

Drop in iron ore export

After witnessing a rise in December to February, India's iron ore exports dropped 12 per cent year-on-year in March, Leading exporters of iron ore claim that expensive rail freight has taken its toll on shipments from Karnataka and eastern India.

Iron ore exports grew 0.4 per cent in fiscal 2008-09 to 105 million tonnes mainly due to moderate revival in demand from Chinese steel producers. India produces close to 200 million tonnes iron ore every year. October and November 2008 were bad for domestic iron ore companies as they couldn't find overseas orders. But when demand for steel began reviving slowly, iron ore purchases started picking up from December, 2008 onwards and are reflecting in strong January export figures, say analysts tracking the steel sector.

"The Chinese government, in the past few months, has taken various fiscal measures to safeguard domestic industries. This, coupled with the fall in global iron ore prices, has pushed up demand for Indian ore," said Federation of Indian Mining Industry (FIMI) president Rahul Baldota.

Marine products

Marginal rise in exports

Seafood exports in 2008-09 till February-end have grown close to 8 per cent in volume and about 10 per cent in rupee terms as compared to the corresponding period the previous fiscal. It was earlier feared that exports would fall by as much as 20 per cent.

According to Seafood Exporters Association president Anwar Hashim, exports grew to 530,000 tonnes in the period under review from a little over 491,000 tonnes in the corresponding 11 months the previous fiscal.

In rupee terms, export revenue grew from Rs 6,945 crore to over Rs 7,600 crore, though in dollar terms, it fell to US$1,705 million from about US$1,729 million.

Handicrafts gloom

Exporters seek EOU status

Handicraft exporters expect new Textile Minister Dayanidhi Maran to take up their issues, including demand for equal treatment with the Export-Oriented Units, with the Finance Ministry.

Though the handicraft exporters, spread over clusters at Moradabad, Jaipur, Jodhpur, Udaipur, Saharanpur and Narsapur, do all their business through overseas sale, they are not given fiscal and other benefits given to the EoUs.

"Our units are completely export oriented. We don't sell anything in the domestic market... We should be considered EoUs," Chairman of the Export Promotion Council for Handicrafts (EPCH) R K Malhotra told PTI.

He said the council would soon approach the government with its demand. The EoUs are given benefits like duty-free imports, including capital goods income tax exemption for 10 years and refund of Central service tax on goods sourced from the domestic tariff area.


Christoph Remund,CEO, DHL Lemuir Logistics Pvt. Ltd.

Q It is obvious that all businesses have been impacted by recession. What is your view of the Indian logistics market?

A: Across the globe, I feel some of the reactions were bit overdone. The impact of slowdown on logistics globally is as much as other industries. If our customers are impacted, how are we not impacted? Overall, for a number of reasons India is less impacted. Nevertheless, volumes are less or shifting from one mode to another mode, especially from expensive air freight to ocean freight. Time is no longer an issue but cost is. People have full stocks and they do not need immediate deliveries. But there are also opportunities in a country like India even during the downturn. For example, in South Asia, DLF first launched the fashion and apparels business, in India in pilot mode and then went to Sri Lanka. There are some sectors like generic drug industry which were not impacted. It kept on growing volume-wise because people switched their focus from expensive patented drugs to generic drugs. So, there are opportunities in downturn to mitigate the effect.

Like others in the industry, we too are focussing on cost part. We have a global programme which helps us to increase the profitability and efficiency of the company, making us more attractive to investors. We have not created a new programme because of the downturn but we sped up the existing programme. The programme has cut costs by one billion dollars over two years across all DHL units.

The Logistics Leader

The Indian logistics market is estimated to be around US$ 45 billion today. By 2015, it is expected to reach almost US$ 122 billion – growing at a compounded rate of over 11 per cent, which is higher than the growth rate of the Indian economy. The collaboration between DHL and Lemuir could result in significant increase in the combined strengths and consolidate logistic business in India, providing the largest network and service capabilities to the sector. The aim is to provide customers greater degree of service excellence, better technology and systems, global reach and a strong product portfolio. "We are looking at something faster, better and direct," **Christoph Remund**, CEO, DHL Lemuir Logistics Pvt. Ltd. tells **Ramprasad** of Maritime Gateway. Excerpts from the interview.

Q **DHL Lemuir Logistics started focussing on direct consolidation. Tell us more about your direct LCL consol services and network. How do they benefit the customers?**

A: Ocean freight is one of the modes where we had excellent results in the last six months. Profit shifted from air to ocean freight and grew our business much faster than the growing market. We are the largest ocean freight forwarders in terms of TEUs and cubic metres we move. In India, we have put extra focus on ocean freight in the last 12 months and invested in special teams who basically focus on the marketing and sales. We have done a lot on our LCL product. Today we have about 50 direct lines into and out of India. This is mainly because of the opportunity in India and also because of the request from our customers. They said, “We are not looking at what is there. We need something faster, better and direct”. That helped us a lot because globally we had a good product which works through hub system. And through this hub system, you can connect up to 40,000 destinations through existing routes.

What we are now talking about is inland connectivity. It is a bit problem because logistic-wise trucking takes time. We are trying to connect inland points to the gateways like Chennai, Kolkata and Mumbai. We already have a box train from Delhi for a long time which would connect on a weekly basis in and out with Mumbai. So, customers can drop their goods at Delhi and need not truck them to Mumbai. We have recently added Ludhiana to our network. It helps the customers to reduce the time and cost spent. We have centres in major cities like Hyderabad and Bangalore. We are looking to expand our network to 40-50 points in the next two years on a similar basis. We will have fixed schedules where customers can receive either incoming cargo at the inland terminal or drop their exports at the ICDs. What our customers appreciate is that we own it and cargo need not go through any third party. We have our gateway in Colombo which serves everything that we cannot serve through direct lines. But the target is to move more and more cargo through gateway into India to cut transportation time and extra handling.

Q **What is the response to the recently started Chennai-Felixstow service? Any similar services planned?**

A: Actually, quite good. Usually we start these lines depending on the potential. We went above the minimum load required. We are planning to add an additional box ship and it is something trade is looking for. It may be a lesser problem for the customers in western part of India, but if you ship through Chennai there are few direct possibilities. Unfortunately, a lot still goes through via either Singapore or Colombo.

That was just a start. Possibly, we will add other services in the near future. We see a lot of potential. Basically, a

lot of our direct lines are on the big trades from India to Europe and United States. We are now looking to have a coverage of intra-Asia particularly from China, Japan, and Korea into India. There is a lot of demand for direct services rather than going via Singapore and Hong Kong. The other ones are Middle East and Africa where volumes are still small, which is also a challenge to customers because either there is no service or no direct service. So, we are working with our colleagues in Dubai and Africa to create certain services which will move directly to India. That is supposed to happen in second half of the year.

Q Do you have warehouses needed for your operation?

A: On the global forwarding side you need transit warehouses. In supply chain you need real distribution hubs. At global forwarding our concept is asset-light. We do not own ships, airplanes, but own only a few trucks. We work with limited number of long time vendors so that we can pull volume and get the maximum out of it. Today, we do not operate our own CFSs. However, we work with long-time partners and where we have dedicated space and operate through our own people.

In that perspective, during the last couple of years, we made lot of improvements in terms of quality, access to cargo itself and control. We recently teamed with the CFSs across India to get some synergies. We are quite happy with the performances – hardly any claims in terms of pilferage.

Q What is DHL's focus on project cargo?

A: We have a network of project people across the globe. There are expert teams in Singapore who look after Asia Pacific. And in countries where we have specific focus, we have dedicated teams. We work with large contracting companies who work across the globe.

At present, we are concentrating on the projects happening in India. Though we do not cater to the projects outside India, we do lot of business by supplying pieces like heavy lifts.

Q What systems are in place to manage cargo flow and information flow?

A: Next to good price and reliable service, what customers ask is transparency. At any given time customer would like to know where his shipment is. Coupled with that is exception management, i.e. if shipment doesn't go as you plan, how fast the customer gets to know so that he can make a decision.

In about the 220 countries where we operate, we have the same operational platform which is called Logis. So we are connected from India to all the other countries. So, within the group, anybody in France can see on any given day what our people are doing here. Then, externally of course, we have number of tools where customer can do a simple track and trace. This was well received in the fashion and apparel industry. Customers in Europe may buy supplies from 20 different vendors from India and they do not have the time to follow up. Typically, we do the follow up for them. So, our job does not start when the shipment is ready. It starts when the customer places the order.

Q Recently, DHL launched garment-on-hangers solutions through ocean freight shipping. How can your garments-on-hangers solutions benefit the exporters in the Indian subcontinent?

A: Probably, garments-on-hanger is not that big in India. But it's coming. Quality, however, is a big issue in this sector. These are products which go on a hanger straight from container to shop. So, there is no re-working like ironing, re-packing. If there is anything wrong with the product, you are lost. You can't put it into the shop. You need people on both sides who really understand how things work in terms of quality and execution. We work very closely with supply chain partners who do lot of service for the customer with the container. Our job is not to deliver it to the shop, but actually put the garments in shop overnight so that the customer is less concerned about manpower and re-stocking.

Q What are the infrastructure challenges that you face as a logistics player?

A: Obviously, infrastructure is a challenge in India. But we have 1,100 people who know India very well and how it works. This helps in anticipating issues and working their way around them. Customers also know that in some countries there are challenges. I see a steady improvement in terms of facilities. In Bangalore, it is not only the new airport but the fact is that we have been allowed to have our own facility within the airport. There is an understanding from all the people involved including the government authorities that something has to happen. We are talking to other airports and trying to convince them to have something like what we have in Bangalore, which is what industry would like to see elsewhere also. MG

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COVER STORY

GOING DEEP TO RISE HIGH

Littoral nations gear up to build port capacities as they chart out long-term plans to tap the rapidly expanding markets. They realise that accommodating larger, modern vessels can offer them economies of scale and help them have sufficient flexibility to respond to any future demand of an uncertain world economy – both in size and character. One of the best ways to handle all types of cargo and thereby a variety of vessels is by dredging ports. These plans, as they precipitate into action, offer immense scope for ports to take up dredging on a large scale and provide a galore of opportunities for dredging companies. They eventually help meet the future demands of ocean-borne transportation.

by **Radhika Rani G**

Ships have been doing world trade on aquatic highways even before roadways and airways could pave way to alternative options. With international containerisation taking shape and size between 1960s and 70s, the onus of carrying bulkier and complex cargo fell on their slender hulls. An average carrier of about 1,000 TEU had to give way to 4,000-6,000 TEU vessel that was lapped up as the workhorse of global shipping.

With time, ships have been becoming progressively larger and bulkier to meet the growing trade demands and thereby economies of scale. Specialised container ships, tankers, bulk carriers, vehicle carriers and general cargo ships have been rising on the horizon. For instance, 1,921 vessels called at JNPT during 2000-01 carrying 18,575 tonnes of cargo, including import, export and transhipment of dry bulk, liquid, break bulk and containers. By 2007-08, their number rose to 3,106 with a cargo traffic of 55,756 tonnes.

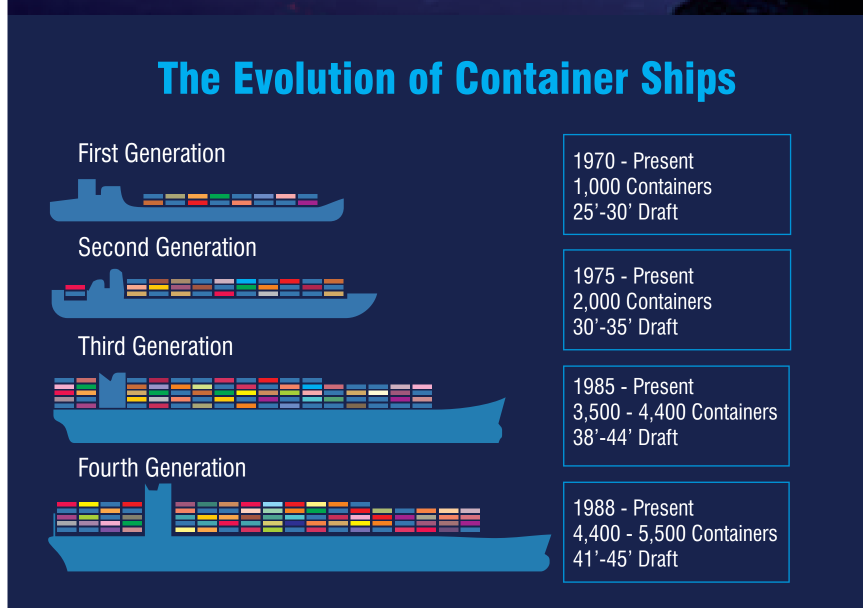
The story of container ships doubling their capacity and size in just 10 years has had the ports play the catalyst by providing deeper channels for giant vessels to berth along the shoreline. Put simply, importers and exporters had had to look for efficient and cost-effective options if their preferred port, through shallow channels, could not provide sufficient services to the ships meeting cargo supply and demand.

Dredging therefore has become a vital component of port development, states the Maritime States Development Council of India. During its annual meeting in 2008, the council recommended central assistance for dredging in navigational channels.

THE POSITIVE PARADOX

The exim phenomenon is seen as a chicken-and-egg situation – ships calling ports because that is where the cargo is and the cargo being at

Photos Courtesy: Boskalis



the port because there are ships available to carry it. Whatever the paradox, ports have been laying emphasis on channel deepening to keep up with the container giants, if not opening their freight connections to the world. Since it is only prudent to have increased options for future port needs, the matter of funding dredging projects can, in fact, be taken up with appropriate authorities and incorporated in the annual plans of the maritime states, the council suggests.

Dredging has indeed become a major continuous activity with a substantial cost component attached to it, agree port consultants. "The aggregate Indian market for dredging, mainly from the port sector is estimated to be worth over Rs 6 billion, with a major thrust coming from development of new and existing ports," says i-maritime in its India Port Report. A sizeable demand is also expected to come from future development of inland waterways and deepening of draft of approach channels at major ports, it adds.

The development of port capacities, says Ernst & Young, is necessitated by the growth in cargo at ports in tandem with Indian economy. "Our regression analysis shows that growth in container volumes in Indian ports is 99 per cent dependent on the growth of the economy," it notes. Consolidation of liners and terminals being the trend, vessels would berth at selective ports either because there is an arrangement between a liner and a terminal or because the larger vessel requires specialist facilities to berth. "In both these cases, a port needs to be world-class in service and infrastructure to attract future vessels," it reiterates.

The Port of Rotterdam that served as an advisor to the Indian Ports Association in 2006, comes up with a consolidated port development plan. In its SWOT analysis, the port mentions limited water depth as one of the weaknesses of Indian ports. But things are changing. A glance at investments made for infrastructure development in major ports says it all – a chunk of funds are being earmarked for deepening channels on a regular and sustained basis, depending on the nature of the port.

SCOPE OF ACTIVITY

Major ports, not only in India but around the world, have at some time required capital dredging to enlarge and deepen access channels, construct new berths and other marine-side moorings. Such works have offered tremendous scope for upgrading the infrastructure to attract larger vessels. Given the enormity of vessel traffic, deepening the approach channel of JNPT is deemed as one of the most ambitious capital dredging projects in India.

Many of these channels later require maintenance dredging – a recurring activity undertaken to maintain specified draft levels by removing sediments accumulated in the bottom of the dredged channel. The riverine ports of Kolkata and Haldia ports have been spending huge sums in clearing nearly 20 million cubic metres of dredge from their approach channels every year. This is about 40 per cent of the total dredging of million cubic metres undertaken in the major port sector.

Private and upcoming greenfield ports are not to be left behind in the race. Pipavav Port, for instance, has invested more than Rs 1,100 crore in port infrastructure, including a mega dredging work for deepening the draft to 14.5 metres. The major dredging project is close to completion, informs Kim Feijfer, CEO of APM Terminals – the port operator.

THE MAJOR PLAYERS

The Dredging Corporation of India, owing to the protected market, has ruled the industry for a long time in maintenance dredging while capital dredging was always open to private players. Thanks to the cabotage protection provisions in the Merchant Shipping Act that do not permit foreign or private players to enter the domestic dredging sector for reasons of national security and protectionism, the DCI has enjoyed a monopoly. But it failed to grow in size or sophistication over the years to meet the growing demand. As the government opened up the sector in 1993, a flood of financially and physically equipped firms, especially foreign ones began to bag bids.

Emerging investment opportunities in draft deepening

Major Port	Deepening of channel	Estimated cost (in crores of rupees)	Estimated cost (in million dollars)
Paradip	16 m to 18.5	90	20
Kolkata	8.5 m to 9 in Hooghly estuary	421	85.5
Visakhapatnam	16.5 m to 18.1 m in outer harbour	193	42.8
	11 m to 12.5 m in inner harbour stage 2	40	8.9
	12.5 m to 14 m in inner harbour stage 3	150	33.3
Ennore	Berth side dredgingof 13.5 m for LNG terminal	150	33.3
	Berth side dredging for 2nd MLT and container terminal of 13.5 m	100	22.2
Chennai	Deepening channels, basins & berths	143	31.7
Tuticorin	Dredging dock basin & channel from 10.7 m to 12.8 m	450	100
	Developing outer harbour from 12.8 m to 14 m	2250	500
Cochin	Capital dredging for ICTT – 14.5 m draft	379	84.2
New Mangalore	15.1 m to 17 m	390	86.6
Marmugao	Approach channel from 14.1 m to 15.1 m	161	35.7
Mumbai	Approach channel from 8.7 m to 11.5 m	138	30.66
	Deepening main harbour channel to 13.5 m	95	21.1
JNPT	Deepening & widening of main harbour channel	800	177.7
Kandla	Navigational channel depth from 11.7 m to 14.5 m	160	30.2

Source: Ministry of Shipping website

TYPES OF DREDGERS

Increasingly strict environmental regulations have led to significant developments in dredging equipment. These include automatic control, positioning systems and degassing systems.These innovations aim to reduce potentially adverse environmental impacts.Dredging equipment, classified according to the methods of excavation and operation, can be grouped into:

Mechanical dredgers: These are well-suited to removing hard-packed material or debris. They are used for excavation – dislodging the material and then raising it to the water surface – in a way similar to dry land excavation methods.
Three main sub-groups are:
- bucket-ladder dredgers
- backhoes and
- grab dredgers

Hydraulic dredgers: They use hydraulic centrifugal pumps to provide the dislodging and lifting force and removing the material in a liquid slurry form. They usually work well in loose, unconsolidated silts, sands, gravels and soft clays.
Three main sub-groups are:
- stationary suction dredgers
- cutter suction dredgers and
- trailing suction hopper dredgers

Special low-impact (environmental/restoration) dredgers: A new range of equipment has been developed to increase precision, reduce overdredging and minimise suspension of bed material. In some cases existing dredger types have been modified; in other cases completely new dredgers have been designed. Examples are:
- encapsulated bucket lines for bucket chain dredgers
- closed buckets for backhoes
- closed clamshells for grab dredgers
- auger dredger, disc cutter, scoop dredger and sweep dredger

Other types of dredgers: There are a number of dredging machines which do not readily fit into the above categories. Many of them comprise specialised tools developed for specific purposes. Of particular note are hydronamic dredging techniques that do not raise the dredged material above the water surface e.g. water injection dredgers.

Source: International Association of Dredging Companies

Prominent among the early ones were Jan De Nul, Dredging International, Royal Boskalis Westminster, Ballast Nedam and Van Oord ACZ. Some of these firms have even floated wholly-owned Indian subsidiaries and have become regular participants in the prevailing maintenance dredging market.

Armed with advanced equipment and technology, cost effective practices and faster project turnaround times, they have been cashing in on major maintenance dredging deals through competitive dredging process. "From Shanghai to Rotterdam, we are doing everything possible to create enough port capacity," says Van Oord. Specialising in port maintenance and expansion, the firm has bagged tenders for constructing and maintaining harbour basins, channels, port sites and quay walls.

According to officials, the Dutch major took up capital dredging of 10.75 million cubic metres in Krishnapatnam port between November 2007-April 08 and continues to work in the inner channel and turning circle areas of the port. It has taken up capital dredging at the greenfield port Dighi – of the approach channel, inner channel, turning basin and berth pockets (23 million cubic metres) in two phases using trailing suction hopper dredgers. The 2008 project is due for completion in 2010. Other maintenance dredging ventures involve the Indian naval base in Mumbai in 2008, the Mumbai Port during 2006-2008 and the Kochi Port in March 2007.

Business has turned big time for equipment manufacturers too. To meet the growing demand for advice, assistance and support, Damen Dredging Equipment, a Dutch firm has created a new spare parts and after-sales department. "As dredger sales have risen sharply over the past few years and with it requests for assistance and training, the new service department is in place to process orders from the first enquiry through acceptance to shipment," the company says.

Among the private Indian firms, Jaisu Shipping has been doing promising work. "We have won dredging contracts for Cochin and Kandla ports and have been recently awarded Rs 380-crore channel deepening project in Mumbai port," the company informs. Other domestic players include Ardeshir B Cursetjee, Amma Lines, Maldar Dredgers & Salvagers and Dharti Dredging. While Dharti is into capital dredging of Visakhapatnam port besides other trenching and reclamation works, the over 20-year-old Maldar group is into several dredging projects across the country. Equipped with a fleet of specialised dredging vessels, the company is one of the leading dredging contractors on the west coast.

Consortiums between two or more dredging companies that have become the trend, more so to face competition from foreign players, have turned out to be a win-win for both service providers and clients. Meka Dredging-Amma Lines joint venture has bagged a contract to provide maintained depth at Cochin Shipyard's quayside for 2009-12. "It is a prestigious project," says Meka Vijay Paparao, chairman of the group, "especially with the construction of the first indigenous aircraft carrier at the shipyard."

RECENT FORAYS

L&T, involved in the construction of ports at Nhava Sheva, Dhamra, Chennai, Mundra, Gangavaram and Hazira, has forayed into dredging a little after shipbuilding. The company has acquired a 61 per cent stake in International Seaport Dredging Pvt Ltd, from the Belgium-based Dredging International.

The entry, the company says, is in line with L&T's strategy to strengthen its position in ports and harbours. The current dredging capacity in India is unable to meet the demand, and hiring foreign flag vessels involves mobilisation and demobilisation costs. In such a scenario, dredging business provides immense opportunity with no notable Indian company in operation, says an official. "The company will initially concentrate on Indian projects and will later enter neighbouring countries."

Mercator Lines that has diversified its business into offshore oil and gas drilling, also entered the shoaling business. It now has four dredgers with a combined capacity of 31,854 CBM. The move, say experts, can be seen as the company's strategy to offset the cyclical nature of the shipping business. The firm plans to add two new dredgers at a cost of US$110 million and take the number to 10 in the next three years.

Despite several projects in progress, India has not been able to attract foreign direct investment into dredging, say experts. But the government hopes a new legislation for introduction of tonnage tax will scale up activity. The amendment is likely to help both domestic and overseas companies and investors to deploy more dredgers and new technology.

SETHUSAMUDRAM PROJECT

The Sethusamudram Ship Canal Project (SSCP), which envisages dredging of a ship channel across the Palk Straits between India and the Gulf of Mannar in Sri Lanka, is seen as one of the most ambitious dredging projects ever conceived in the Indian port sector. Being taken up by the DCI, the venture allows vessels to sail between the east and west coasts of India in a straight passage through India's territorial waters, instead of circumventing Sri Lanka. This will help vessels save up to 424 nautical miles or nearly 30 hours of sailing time. Two channels, one across north of Adam's Bridge and the other through the shallows of Palk Bay are being deepened over an extent of 89 km. The project will also link Tuticorin port with the rest of the ports in the east coast.

The DCI is a stakeholder in the special purpose vehicle formed along with the Government of India, the Shipping Corporation of India, and the port trusts of Tuticorin, Chennai, Visakhapatnam, Paradip and Ennore ports. In fact, these firms intend to undertake dredging as a joint venture to thwart international competition from Dutch and Belgian companies.

ENVIRONMENTAL CONCERN

Before undertaking any dredging project, a careful study is made to identify potential effects and to determine their significance. The environmental impact assessment (EIA) highlights both positive and negative, short- and long-term impacts. In the context of the SSCP, the EIA says the marine environment in the region has high productivity and diversity. And dredging an estimated 84.5 million cubic metres of sand and spoil will not only endanger the ecological balance but also the livelihood of fisherfolk. "Achieving source control usually involves substantial collaboration and cooperation between a number of organisations and agencies," says the International Association of dredging companies. "These groups must be willing to identify the source and take measures to reduce or prevent further pollution. This is no easy task but it is the only viable way to guarantee a long-term successful outcome," it hopes.

In fact, soft engineering solutions through dredging such as beach nourishment or recharge through dredged material and remediation or clean up of aquatic eco system have been helping the environment. Viewed in the larger perspective, dredging could therefore sustain both commercial trade and ecological balance. The balancing act calls for a concerted effort though. MG

INTERVIEW

Easing East Traffic

In facilitating multimodal transportation, CONCOR's strength lies in providing complete logistics solutions to its customers. Rail transport between gateway ports and hinterland ICDs and between its 58 terminals, is its strength. "But the first and the last mile road connectivity services by way of door pickup and door delivery services to/from terminals and the warehousing activities at the terminals are major value additions that we provide to our customers," says **A K Behera**, chief general manager, CONCOR-Eastern Region, in an interview with **Maritime Gateway**.

Could you brief us about the growth of CONCOR East?

A: CONCOR came into existence on March 28, 1988 and its emergence in the east started in mid-1989 with the taking over of the ICD Amingaon from Northeast Frontier Railway, one among the first seven ICDs of Indian Railways. From our modest beginnings from Amingaon, where the only traffic dealt at that time was export tea, we have come a long way. Over the past 20 years, six more terminals have been set up in the Eastern Region. These are ICD TATA, two combined terminals in Kolkata (Shalimar and Majerhat), dealing with both domestic as well as exim trains, a domestic terminal at Balasore, a domestic terminal at Fatuha (Patna) and we also have port side activity at Haldia where we deal with both domestic as well as exim traffic. Durgapur is the 58th terminal and the eighth one in the eastern region. We have started operations at Durgapur from April 8 this year. We have also just started works for the ninth one at Rourkela. The mainstay of eastern region is domestic traffic, accounting for about 16 per cent share of the overall domestic business of CONCOR. Piecemeal steel traffic and jute happen to be the principal domestic traffic of this region. Although exim volumes in the east are not too significant as a component of CONCOR's overall exim throughputs, there has been steady growth in this segment and the potential is good.

How is ICD Durgapur going to make a difference to industries in the eastern region of India?

A: Durgapur is probably the single largest steel hub in the country with as many as 50-60 large, medium and small-scale industries, most of them in the iron and steel sector. While the major units like DSP and IISCO of SAIL mostly move their finished goods by Indian Railways, they have good volumes of piecemeal traffic moving over long leads by road, which we have targeted.

Apart from them, there is a host of medium and small-scale steel and semi finished steel manufacturing units whose dispatch requirements are smaller and cannot be converted into full train loads. We are looking at aggregating their traffic for movement to end destinations mostly in the north, either directly or via one of our hub terminals – Tuglakabad (Delhi area), Dhappar (Chandigarh) or Phillaur (Ludhiana) from where we will provide the road bridging or door delivery services to the customer's door. While trade will reap the benefit of telescopic rail freight over long leads, our door services both at the origin and destination terminals will provide them a complete and cost-effective transportation solution. As of now Durgapur is a domestic terminal but we have plans to upgrade it into a CFS in the near future.

In what way shall the Durgapur terminal help CONCOR consolidate its position as logistics solutions provider?

A: This terminal set up on 29.7 acres of land acquired from ADDA is in a prime location close to the industries, the railway station (2 km) and the national highway (2 km). We have deployed state–of-the-art handling equipment like reach stacker, forklift and hydra for facilitating container loading/ unloading operations on/ from rail wagons, and for stuffing/ destuffing activities. We also deployed adequate number of trailers, most of

A K Behera, chief general manager, CONCOR-Eastern Region.

them capable of ferrying high payload steel traffic for the local factory stuffing of containers. We have excellent CC paved surface of (21,500 sq m) where RAIL side container handling, cargo stuffing/ destuffing operations can be carried out smoothly.

Three tower lights are available for yard illumination for smooth working at night and we have deployed adequate security personnel on round-the-clock basis. We have a decent administrative office with proper facilities for transacting business with our customers. We have already started operations by providing containers for factory stuffing and we have also started with break bulk movement of steel goods from the factories, which we are bringing to our terminal for stuffing into containers using hydra and forklifts.

We have plans of gradually inducting open-top containers, which can enable direct overhead stuffing into containers at the factory premises. We are already doing aggregation of piecemeal container traffic from several customers and we have plans for cargo consolidation as well. With the CFS coming up with a warehouse, LCL consolidation will also be possible. We are optimistic about consolidating our position as the ultimate logistics solution provider and our aim is to get into 3 PL operations at Durgapur.

Who are the target customers for the ICD and how do you intend to build long-term relationship?

A: The host of industries located in Durgapur, Asansol, Burnpur, Burdwan and Bankura area are our target customers. We are also going to provide road connectivity services between the gateway ports of Kolkata and Haldia once we start the CFS operations. We are also targeting connections to existing ports located at Vizag and Paradip and the upcoming Dhamra port.

How is the slump in exim trade affecting Indian logistics firms and CONCOR in particular?

A: The economic downturn has had a sweeping impact across all segments of business all around the world. In the exim trade the impact can be gauged from the fact that as many as 540 container vessels are laid-up all over the world, which is close to 11-12 per cent of the global fleet. The impact on Indian logistics firms is obviously quite severe. Starting in the Q3 it has had a major impact in the exim throughputs of CONCOR, but things have started looking up slightly now.

More specifically, for CONCOR in the Eastern Region, the impact has fortunately not been felt in our major exim stream, which is the third country import container movement from Kolkata Port to ICD Birgunj (Nepal). We could register an increase over last year's levels although it was quite imperceptible. However, the volumes in our other major exim stream, i.e. the tea exports from ICD Amingaon have been slightly lower as compared to last year's levels.

What are your growth plans for the next two years?

A: In terms of infrastructure facilities in ER, we have added quite a few new facilities recently and are still at it. Works taken up recently are – (i) commissioning of yard remodeling works at the ICD Amingaon, where we have now two full length dedicated lines for dealing with exim and domestic traffic separately. (ii) Opening of the new Durgapur terminal and (iii) we have just started works for setting up a new domestic terminal at Rourkela which we are hopeful to commission by the end of this financial year itself.

CONCOR has inducted as many as 32 state-of-the-art new BLC rakes during 2008-09 and will be inducting an additional 20 this year. We are also inducting as many as 2,000 domestic containers into our existing fleet.

A significant number will be open-top containers, which will be useful in the steel-loading sector. While it is difficult to predict the shape of things to come in this state of uncertainty following the global economic melt down, we are sure to make a steady growth in our throughputs with the infrastructure facilities that we are adding.

Going by the present trends in our business, I am quite confident that the company will post a growth of 10 per cent over last year's levels both in domestic and exim throughputs. MG

Going Stronger at 126

The 126-year-old Chennai Port is becoming younger and stronger through aggressive expansion and efficient cargo handling. Equipped with the roadmap to become the largest container hub on the east coast, it is all set for a favourable tide.

by ***Jagadeesh Napa***

The third largest port in India in terms of cargo volumes handled, is engineering a grand strategy. ISO 14001:2004-certified and ISPS-compliant, the Chennai Port is in the process of becoming the biggest hub for container trade on the east coast of India. Historically known for the movement of bulk and break bulk cargo like iron ore, coal, fertilisers & chemicals and food grains, Chennai Port is now in the process of transforming itself into a container hub. For this purpose, it is shifting the dirty cargo like iron ore and coal to the adjacent Ennore Port located on the outskirts of Chennai city.

Automobile hub: *Chennai Port caters to the export of a large number of vehicles every year.*

Performance in the last fiscal

The port handled a total cargo of 57.49 million tonnes in 2008-09 which is a whisker more than the previous year's figure of 57.15 million tonnes. While there was a fall in its conventional cargo including bulk and container cargo, its unique selling proposition – export of cars – once again came to its rescue. The growth in the export of cars recorded a whopping 80.25 per cent at 2,48,967 units as compared to the previous year's figure of 1,37,971 units. This growth in car exports has been crucial in maintaining the cargo volumes to last year's figures.

In the dry bulk segment, the export of iron ore witnessed a fall of 2.57 million tonnes as the exports to China slumped in the latter half of 2008. While the port handled 10.82 million tonnes of iron ore in 2007-08, it could move only 8.25 million tonnes in 2008-09. Total exports from the port clocked 22.85 million tonnes this year down from 24.31 million tonnes previous year. However, on the imports front, the port witnessed a rise of 5.48 per cent from 32.84 million tonnes in 2007-08 to 34.68 million tonnes in 2008-09. Given the slump in the global trade, the container movement will be dormant in this fiscal too. But the current surge in Chinese iron ore imports can give a boost to the port in handling more quantities of this cargo.

In the financial performance, Chennai Port registered positive growth in the turnover in 2008-09. It earned Rs 658.27 crore as total revenue, a 5 per cent growth year-on-year from Rs 628.09 crore in the previous year. However, the expenditure too grew sharply by 23.5 per cent offsetting any growth in profits that the port could have achieved. It may be noted that Chennai Port's total expenditure in 2007-08 was Rs 459.14 crore and Rs 567.13 crore in 2008-09. Thus, the net profit of the port has come down by 35 per cent to Rs 194.59 crore from Rs 302.49 crore.

Strategic shift

The port's management had unveiled the master plan quite a few years back. Its aim is to transform the Chennai Port into an international container transhipment hub with a total handling capacity of 7 million

TEU per annum by 2015. Accordingly, the work on second container terminal was taken up and it is due to be inaugurated in June 2009. Further, the port has also started the tendering process for the third and mega container terminal that will have a capacity of 5 million TEU per annum.

The port management feels that the existing container terminal as well as the second terminal will become saturated in the next 10 years and hence an additional terminal with greater capacity can help in attending to the demand which will be much higher by that time. The second container terminal which is joint venture between Port of Singapore Authority and Chennai-based Sical Logistics, has been constructed at a cost of Rs 495 crore and is located between East and South quays. It will have a total quay length of 832 metres and a draught of 15.5 metres alongside the berths and can accommodate vessels of 8000-TEU capacity. While the terminal is designed to handle 1.5 million TEU per annum, a backup area of 35 hectares (including 7.8 hectares of reclaimed land) will give the required edge to carry on the operations without any hindrance.

The port management has taken adequate care to enhance connectivity to the terminal by including two rail sidings in the development plan. These railways lines connect the terminal directly with the inland container depots in the surrounding hinterland and hence provide seamless connectivity. Chennai port is prima facie known for having connectivity troubles (especially the road connectivity) in the recent years as the city has grown around the port and traffic is highly regulated in all arterial routes that connect with the port. In this scenario, having a direct rail connection into the terminal will be a pleasant news to the trade fraternity and this will become a major factor in consolidating the container volumes in the coming years.

MILESTONES

2009 – Second container terminal began operations

2001 – Privatisation of the container terminal

2000 – Commencement of export of cars

1996 – Renamed as Chennai Port Trust

1991 – Expansion of the container terminal

1983 – India's first container terminal constructed

1974 – Iron ore berth constructed to export iron ore to Japan

1970 – Bharathi Dock constructed

1964 – Inauguration of wet dock

1936 – South Quay II constructed

1931 – North Quay constructed

1916
1920 – Five West Quay berths constructed

1913 – South Quay constructed

1904 – New north east entrance created

1861 – First pier constructed

The mega container terminal, whose construction is on the anvil, will put the Chennai Port into an altogether different league where only Jawaharlal Nehru Port in Mumbai is known to be present. Till now, the only Indian port that rules the roost in container trade is JNPT with around 60 per cent of the container volumes going through this port. With current volumes of 4 million tonnes, JNPT is likely to add up another 4 million tonnes to its capacity in the coming years. With the mega container terminal, Chennai Port can now boast of becoming the major gateway on the east coast for container trade.

The port has obtained the necessary capital investment approval from the shipping ministry to build the terminal and has already started the tendering process. The estimated cost of the project is Rs 3,686 crore and will be developed on Build, Operate and Transfer (BOT) basis. It will be located north of Bharathi Dock and will have 20-metre draught to accommodate very large container vessels.

While the port zooms ahead with its expansion plans, it is prudent on its part to look at the competition that is building up on the east coast. Though the strategy of shifting from a bulk cargo handling port to a container hub will shield it in a major way, there is always the necessity to guard its territory from the competition. Private ports like Krishnapatnam and Gangavaram in Andhra Pradesh can prove to be potential competitors for the port once their container terminals are developed. Down south, Tuticorin Port, considered to be one of the most customer-friendly ports, is also fledging its muscles through aggressive expansion plans and developing a second container terminal. But the biggest scoring point favouring the Chennai Port is the rich local hinterland that will always come to its rescue as Chennai is an industrially developed city with a lot of scope for exim trade. MG

Competition Not a Threat

A string of expansion programmes focussing on handling clean cargo and highly efficient operations is helping the Chennai Port position itself in a different league compared to other ports on the east coast. "The port is strongly positioned to face and thwart any competition that comes from the new emerging ports," says **K Suresh**, chairman, Chennai Port Trust in an interview with **Ramprasad** of Maritime Gateway.

Q: How did Chennai Port perform last year in the face of the worldwide economic recession?

A: In spite of the worldwide economic slump, we handled an all-time high of 57.49 million tonnes of cargo and 1.14 million TEU of containers during 2008-09. The port is presently the No.1 port in handling automobiles and as container volumes are growing at a very healthy rate, we commenced action on developing a second container terminal and the Concession Agreement was signed with the PSA SICAL Consortium during March 2007 which will add a further 1 million TEU per annum to the 1.27 million cubic metre capacity of the existing privatised terminal at Bharathi Dock. The second container terminal is expected to become operational in a week and will reach its full capacity in the next few months.

Taking challenges with a smile:
K Suresh
chairman, Chennai Port Trust

Q&A

Other major achievements include the inauguration of the Elevated Expressway to Maduravoyal by the Hon'ble Prime Minister on 08.01.2009 – a major initiative in improving road connectivity. It is expected to become operational in February 2012. Apart from this, we have simplified procedural aspects with significant amount of paperless documentation being possible through on-line EDI facilities. Also, the industrial relations have been very good with the workers cooperating with the administration to help the port break several past records in cargo handling and also facilitating financial growth of the port.

A mega container terminal has been planned at Chennai Port. What is the progress made?

A: The proposed mega container terminal to be built north of the existing Bharathi Dock, has reached the RFQ stage. We have received nine offers to build the terminal so far and they are being processed further with the help of our consultant, i-Maritime, Mumbai, while parallel action has also been taken to forward the list to the Ministry for security clearance. We are in the process of preparing the draft RFP documents. After their approval from the Ministry and PPPAC, these will be issued to the shortlisted applicants after security clearance from the Government of India. We are also taking action on related activities like leasing of quarries for supply of stones for the breakwaters, drawing up an Exclusive Evacuation Plan from the terminal to the national highway system, plans for improving the rail connectivity through RITES and also marine soil investigation. Technical viability of the project has already been carried out through IIT Madras and we are corresponding with the Ministry for issue of in-principle clearance for the project.

What is the potential of the Ro-Ro terminal that is planned to be set up at the Port? What impact will it have on current car exports? What is the timeline for its commissioning?

A: Chennai Port has been doing very well in handling of export cars and the volume of 2,48,967 cars handled in 2008-09 is a phenomenal 80 per cent increase over the volume for the previous year. Apart from Hyundai, who are presently exporting the majority of their cars through Chennai Port, we have received requests from Toyota, Ford, Mahindra for facilities to export the cars through this port. We have decided to build Ro-Ro terminal at the southern end of the container terminal at the north groyne for which tenders were invited while the land adjoining it will be offered to the private sector for the development of multi-level car park facilities. We are also exploring the possibility of developing additional car parking areas in the backup area of boat basin and timber pond which are to the south of the West Quay. We expect to handle 5,00,000 cars by the end of this decade.

Connectivity to Chennai Port seems to be a major hindrance. What are the projects or plans that are being undertaken to enhance the connectivity to the port?

A: We understand the importance of port connectivity to the hinterland and are taking all efforts to upgrade the connectivity through the northern corridor under the Chennai-Ennore Port Road Connectivity Project through a SPV comprising NHAI, ChPT, EPL and Government of Tamil Nadu, while the Rs1,655-crore Elevated Expressway to Maduravoyal, inaugurated in January, 2009, will significantly improve the link to the National Highway through southern gate. These two initiatives will significantly improve the road connectivity from the port to the national highway network and facilitate transport between the port and its hinterland.

Regarding rail connectivity, we have appointed RITES to carry out the Master Plan to improve the internal railways of the port and also dovetail our external connectivity plans to the proposed third and fourth lines to be developed by the Southern Railway. The operator of the second container terminal has already completed substantial work on its railway lines for moving the containers to and from the port and are expected to improve the rail share of the container volumes through their terminal to about 30 per cent.

We are discussing with the state government for the allotment of about 100 acres of land near the Sriperumbudur SEZ for developing an integrated dry port and Multimodal logistic facility with rail and road connectivity to the port for more efficient handling of larger volumes in future, which will generate considerable direct and indirect employment due to its strategic location near the industrial area around Sriperumbudur. This will also benefit from the state government's initiative to develop the Chennai-Bangalore Corridor as our industrial corridor of excellence.

Do you see foresee any impact on business at Chennai Port because of the new ports that are coming up?

A: With the expansion of the port sector, especially private ports in the vicinity of Chennai Port, there is growing competition for the cargo volumes from the hinterland of Chennai Port. However, Chennai Port being one of the most efficient in terms of transaction cost and time and also enjoying the status of a top container port in India, has the long-term vision of becoming a major international hub for containers, cars, cruise and other clean cargo. Hence, the port is strongly positioned to face the competition effectively. MG

Free Trade is Great

Nazery Khalid, Senior Fellow at Maritime Institute of Malaysia assesses the impact of AFTA and growing intra-regional trade on the development of ports in the South East Asian region. He says free trade works well, at least for the development of ports in southeast Asia.

The liberalisation of trade in the South East Asia (SEA) region through ASEAN Free Trade Area (AFTA) has created a bigger and wider reach for goods and materials produced in the region. AFTA has effectively extended the marketplace for nations in the region to market their products beyond their respective borders. Countries in SEA are seeing a lot more intra-regional trade, thanks to the extensive free trade area fostered by AFTA. SEA's sizeable population of approximately 570 million translates into a huge market for goods and materials produced in the region.

Growing economic prosperity, consumer demand and purchasing power of regional countries in this extended regional market augur well for trade growth in SEA nations. This contributes positively to the economies of the region's nations which are increasingly dependent on international trade to power their GDP growth.

Although SEA can be considered a latecomer among other economic regions in the FTA game, it has now engaged in at least a dozen such agreements. These include bilateral agreements with major trading partners such as China, Japan, the US and the EU.

The intensity with which the Association of South East Asian Nations (ASEAN) has been involved in such negotiations underlines its eagerness to widen and deepen the reach for the goods and services produced in the region.

The implementation of AFTA underlines ASEAN's commitment to liberalise trade with its partners and to reduce trade barriers and impediments that exist between them. It is a measure of the astuteness of the region's economic planners to turn to intra-regional trade, as promoted by AFTA, to boost its economic growth. This is a prudent strategy in light of the

Remaining relevant: *Southeast Asian economies need to reorient themselves to generate economic growth.*

failure of WTO discussions and in the wake of the adverse impact the region would face should the economies of its major trading partners suffer a downturn.

Being a trade-oriented economic region, SEA has not been spared of the current global economic recession and slump in world trade. However, the fact that the region has thus far able to withstand the onslaught of the global economic turmoil stands testimony to the far-sightedness of AFTA's planners who conjured the initiative to make the region's economies more resilience and more integrated with the global economy. The 'hedging' strategy to widen SEA's market and trading base via the AFTA initiative has been vindicated by SEA's resilience in the wake of the current worldwide economic woes.

The relentless pursuit of the SEA region's nations to deepen and broaden their economic base and handle more trade volumes, especially within the regional market, has resulted in phenomenal development of their maritime sector.

The explosive growth of trade in the region in last two decades, as a result of rapid industrialisation and a shift from commodity-based economies to manufacturing- and export-driven economies in several countries, has prompted the region's nations to invest huge amounts of capital to develop and upgrade trade infrastructures and services – such as ports and shipping – to cater to growing maritime trade volume.

Beefing the ports to support more trade

The ever increasing trade volume in the SEA region calls for improved maritime infrastructures and the development of an integrated and harmonised transnational transportation network in the region. This is in line with the ASEAN Transport Vision 2020 which envisions a SEA region featuring such a transport system to facilitate greater intra-regional trade and smooth linkages between the transport modes across the regional borders.

Growing intra-ASEAN trade and the promotion of transport initiatives on the AFTA platform have had a significant impact on the region's maritime sector as the main facilitator of regional trade. AFTA has significantly influenced the development of the maritime sector in the region, which is increasingly becoming the lifeblood of its economy. In turn, the development of the maritime sector has spurred the growth of more trade in the region. The emergence of SEA as a major trading area has attracted huge investments to develop various related infrastructures to support the tremendous increase in the volumes of inter- and intra-regional trades.

Container ports in the SEA region have benefited from the positive spillover impact of the explosive growth of intra-regional trade. Sustained high levels of economic growth in the region have spurred breakneck developments to expand capacity at regional ports to facilitate greater trade volume. Significant capital expenditure has been spent by governments and terminal operators to build new berths, procure cranes and port vehicles, upgrade IT systems, hire and train workers, deepen drafts of harbour waters, expand yard capacity and improve intermodal links to enable the ports to handle more ship calls and throughput volume efficiently. The booming regional trade catalysed by AFTA has also resulted in growing complexities in the functions and operations of ports, inland transport networks linking ports and the related institutional framework in the region.

Prior to the sharp decline of global trade volumes caused by the worldwide recession, SEA ports registered stunning trade growth in a two-decade of growth in the region. Testimony to this 'golden period' was the rapid increase in container throughput of ports in the region. The remarkable growth of the region's share of container throughput vis-à-visthe total world throughput marked an unmistakable shift of the world's maritime trade centre of gravity from the west to the east. The trend of increasing containerisation of trade in the SEA region accelerated the expansion of main container ports in the region. This, in turn, benefited the smaller regional ports which act as feeder ports to the bigger ports. The growing maritime trade volume and shipping services in the SEA region have spawned an extensive 'hub and spokes' port system in the region that mirrors the increasing complementarity among the region's economies, despite consisting of nations with different levels of economic growth and development.

Huge investments in ports in the region have seen the emergence of new ports such as the Port of Tanjung Pelepas (PTP) and Sapangar Bay Port in Malaysia and Muara Port in Brunei, and the expansion and upgrading of established ones such as Port Klang, (Malaysia) Singapore Port, Laem Chabang Port (Thailand) and Tanjung Priok Port (Indonesia) to cater to greater trade volumes. Much of this trade comes from the ASEAN region and can be credited to the broad regional market created under AFTA. Thanks to the fast-growing intra-ASEAN trade, many of the region's ports managed to register record throughput for several years prior to the global economic downturn.

The tremendous growth of ports in SEA over the years underlines the value of the maritime sector to its socio-economic well-being. Ports are recognised as essential facilitators of SEA's trade, hence crucial to the region's economic prosperity. This is not surprising for an area which is surrounded by seas and hosts among the world's most strategic and busiest shipping lanes such as the Straits of Malacca and the South China Sea.

The fact that SEA can boast several ports in the list of the world's top 20 container ports (by way of throughput volume) stands testimony to its emerging clout as a prominent maritime region and an important trading powerhouse. The strategic location and excellent facilities of its ports put them in good stead to capitalise on growing intra-ASEAN trade in the AFTA environment. These ports are also expected to play an even more prominent role within the complex web of container shipping networks linking the region's nations with other economic regions. They are increasingly embedded in the larger network of trade supply chain and have become a crucial component of trade facilitators.

Facing the challenges, weathering the storm

Nations in the SEA region have taken a supply-driven approach to put in place and further upgrade the equipment and facilities of their ports to ensure their competitiveness to handle greater trade volume. Major ports in the area have undertaken aggressive and expensive expansion projects to accommodate mega-sized deep-draft ships, many of which carry intra-ASEAN trade, and to handle greater volumes of trade generated under AFTA.

Port owners in the region are in a never-ending pursuit to enhance their competitiveness and the quality of their services by providing deeper access channels, longer berths, wider connectivity, more equipment, bigger container space, better intermodal linkages, and shorter waiting time for ships to facilitate greater regional trade which is crucial to their business. However, the credit crunch and global recession have combined to slow down the momentum of growth in trade volume and have halted development plans in some regional ports.

The dramatic decline in trade volumes has resulted in capacity overhang among ports which undertook development plans to provide extra capacity during the good times. Across the region, ports have recorded sharply lower ship calls and throughput amid the gloomy economic conditions. That said, port owners will no doubt resume their development plans and enhance their handling capacity once trade volume and ship calls pick up again when the global economy recovers.

Vying for space: *Ports compete to attract mainline operators and cargo.*

Port operations in SEA, as is the case worldwide, have entered into a phase of sophisticated development with increasing automation and computerisation of container terminal operations. There are dynamic and revolutionary changes that are taking place in various aspects of port operations to cater to greater container volume and ship sizes, requiring the use of sophisticated equipment and state-of-the-art IT, data exchange and communication systems. There is growing competition between ports in SEA region and ports in other economic regions to attract mainline operators and cargo.

All these will continuously demand the regional ports to keep pace with the developments in port operations, shipping and trade to provide better services to their users and to boost their efficiency and competitiveness. It would present the port owners with a serious challenge to raise capital to fund their expansion and development to maintain and enhance their competitiveness in a fiercely competitive playing field. They will need to put in place adequate manpower and assets, plus efficient systems and procedures, to improve their productivity, efficiency and handling capabilities. These qualities will be needed in doses for the ports to cater to greater trade volumes, especially in the context of the free and more competitive marketplace provided by AFTA in which they operate.

Sustained high levels of economic growth have resulted in increasing complexities in the functions and operations of ports, the inland transport networks linking ports and the related institutional framework. To avoid duplication of functions and to achieve better utilisation of resources, ports in the SEA region must strive to attain differentiation from their rivals. Differentiation already exists among the region's ports, for example in Malaysia, PTP is positioned as a transshipment hub, Bintulu Port as a dedicated liquefied natural gas (LNG) port and Penang Port as a hub for the Indonesia-Malaysia-Thailand growth triangle. Such 'branding' exercise has helped the ports to enhance their regional connectivity and to brand and market themselves as specialised ports. But in light of the intense competitive environment in which ports operate, their owners and operators must strive further to attain comparative advantage, whether in cost structure and service offerings. Such a strategy will enable them to attract more users and put them in a position to handle greater volume generated from more inter-regional trade under the AFTA umbrella.

Photo: Hapag Lloyd

Combatting rivals: *Complexities of inland transport networks need to be sorted out to enhance regional connectivity.*

With growing regional trade under AFTA, greater transshipment traffic is expected in the years ahead at ports in the SEA region. Intra-regional trade will provide a new source of growth on terminals which have traditionally been handling gateway cargo. As trade volume grows and the needs of shippers grow more complex, port users will demand a lot more value-added services such as those offered in free zones and specialised services such as the handling of dangerous goods and refrigerated and halal cargo. They will require a broad range of logistics services and better intermodal connectivity between the ports and other transport modes to facilitate door-to-door transportation of greater volumes of goods across vast distance – all at costs which are competitive.

Competition from other ports in the surrounding region such as in east Asia, the Gulf and south Asia is rising as they are also keen to grab a bigger slice of the global trade pie. SEA ports need to step up to the plate to face competition amid an increasingly liberalised and open business milieu. It would be interesting to see if the current economic maelstrom may prompt the region' nations to shift their strategy of adapting outward-looking, trade-oriented policies to generate economic growth. Should this happen, ports in the region would have to adjust their strategies, re-orientate their development and even redefine their roles to align with changing trade and economic dynamics and to remain relevant and competitive in the years ahead. MG

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Tightening the String

With China ratcheting up its resource hunting in faraway lands to feed an economy growing in leaps and bounds, the 'String of Pearls' that encircles India is not only worrying us, but making both the Japanese and the Americans concerned. India is also desperately in need for energy and resources and in the race to get them first and in larger chunks, interests are bound to overlap and risk impacting our maritime trade.

by ***Susenjit Guha***

Based on the colonial dictum handed down to Indian naval officials and believed over the years, the conviction among the fraternity still holds true that whoever controls the Indian Ocean controls Asia. Chinese military analysts have already been quoted by publications as making assertive statements that the Ocean doesn't belong to India alone.

Ports and naval refuelling facilities built by China over the years that have lent the moniker of the string of pearls are based in Cambodia, Thailand, the South China Sea, Myanmar and Bangladesh. The recent additions have been Hambantota in Sri Lanka and the Gwadar in Pakistan, both the places where work is underway.

It is in line with China's strategy of shoring up security for energy imports by getting into strategic relationships with countries that lie along the sea route from the Middle East all the way to the South China Sea. Indian maritime trade runs partly along the same route. While there is little activity in the South China Sea, nearly 30 per cent of India's trade passes through the Malacca Straits and the proportion is fast increasing. Vulnerable points that can also choke India's maritime trade are the Suez and Panama Canals which can also figure in China's long-term objectives.

Securing the energy route may look innocuous, but it clashes directly with India's sea lanes and the Chinese presence encircling India is too close for comfort. None of the nations except Bangladesh which recently had a friendly government in power, does India have considerable leverage. With the military junta in Myanmar, it is a relationship based on trust and mistrust as India traditionally backed the fight for democracy. Even though India has a presence, it is China that the junta turns to and provides access to the best of resources. It was reported in media the world over how China was behind the bravado displayed by the Sri Lankan army in rooting out several decades of terrorism from their soil. It was alleged that for work on the billion dollars pumped by China in developing the Hambantota port to go on in full swing, the LTTE had to be eliminated and for that, the island's armed forces had to be armed with advanced Chinese weaponry.

While not much trouble can be seen on the face of it when everything is hunky dory, the real test comes

during the treading of toes in a bid to get access to resources. Similar situations had fuelled World War I. Responses to penetration of a nation's sphere of influence leads to incremental counter responses and there is no surety that they wouldn't snowball into a conflict later on.

What happens to India's maritime trade along the vulnerable regions when responses are required to spheres of influence being continuously breached by China?

Worry about being encircled by China's String of Pearls has shot up with Gwadar port in Karachi being built with Chinese aid and help. It is the last pearl in the west and the most critical for India. It is part of a larger vision to get trade through the port up and running for an uninterrupted conduit to China through the Karakoram highway.

While China underplays the construction as being purely commercial in nature to develop the landlocked and backward Xinjiang province, analysts are of the view that the embedded interest is also to secure the passage of nearly 60 per cent of its energy supplies from the Middle East through the Strait of Hormuz where the US has a considerable presence. Much of India's maritime trade also passes through that area.

Presence in Gwadar, in friendly Pakistan, allows China to monitor US activity in the Gulf, Indian activity in the Arabian Sea as well as US-Indian joint naval exercises.

The very idea is to increase the sphere of influence starting from the South China Sea through the Malacca Straits, Indian Ocean and the Arabian Sea on towards the Gulf.

If it is peaceful development as touted by the People's Republic of China, then why pick on the sea lanes that directly coincide with India's? Their position about some of India's northeastern states are well known from its frequent sound bytes about the borders.

Why there is a sudden spurt in getting a naval presence in the region – cloaked in diplomatic relations and economic development of nations, their airfield and port – where Indian influence is muted?

It is widely believed by several analysts that the String of Pearls strategy is China's much longed for domination of the seas to counter American influence in the region and also monitor US-India strategic cooperation in the Indian Ocean. Recently, there was a widespread support from the people of mainland China and overseas Chinese to contribute for an aircraft carrier when government is flush with funds.

Testing the waters outside China and visions of a kingdom is traditionally ingrained in the Chinese psyche. It was only in 2005 that China celebrated its anniversary of a maritime power that was kick-started by the Ming Dynasty 600 years ago. The Internet has become a potent tool for Chinese the world over to share their vision and defend China's expansionist vision. It was only recently that in tune with the US economic meltdown that the need for an alternative currency other than the greenback was proposed in Beijing by the central bank governor. China's economic surge is based on fervent nationalism that sanctions expansionism if required which is making the world worried. And much of the renascent nationalism is aimed at getting China back the lost years stolen by imperialists from the west and the Japanese. China's latent ambitions are evident as the defence budget spiralled up from last year's with the need to prepare a hi-tech armed force capable of being deployed overseas.

It is not only India that is concerned about the encirclement by the String of Pearls strategy by China, but the US too as it is faced with newer regional challenges than ever before. India's maritime trade could have benefited if only security and threat of piracy was the only reason for the 'listening posts' in the pearls to secure energy supplies.

But it has become imperative for China to become a naval power as it is too involved round the world to remain bogged down inland. According Indian defence publications, Chinese naval facilities, radars and 'listening posts' on the coastline of Myanmar and Coco Islands have been in existence since the early 80s and they were used to allegedly collect sensitive information about India. Much of the Chinese presence is within shouting distance of the Andaman Islands.

In the event of a faceoff between the US and China, it would be India's maritime trade that would be the first casualty. Strategists in India apprehend that China is making its presence felt and it could possibly be a threat to its ocean trade as it holds her in a bind with military and diplomatic presence all the way from Myanmar to Pakistan and every country in between. Even the Maldives received Chinese overtures. Most of these nations need money, ports, roads and railways and some are also flush with resources that can feed the Chinese economy.

It is this fear that has made New Delhi careen towards the US for a strategic relationship as unpredictability, surprise and stealth characterises a closed Chinese regime. And that is what is also making China more suspicious of India's motives and intentions and the situation has the makings of a threat to our maritime security in the long run.

While some naval officials from China allude to the supremacy of the oceans 600 years ago, it is in India's interest to weave a grand strategy to increase her presence in the Indian Ocean to secure maritime trade and counter the Chinese pearls on the string. MG

Susenjit Guha *is a Kolkata-based freelance writer and an independent thinker. His articles are published in The Asian Age and Deccan Chronicle in India.*

Irking Idleness

The number of idle container carriers could be 20 per cent of the global fleet and could double in the next few months.

The Singapore port authorities have denied reports about the presence of idling ships in the local port waters. The Maritime and Port Authority of Singapore (MPA) has categorically denied any lay-ups and stated that the port dues are structured to actively discourage lay-up in Singapore ports. The statement comes in response to The New York Times claiming that 735 ships are idling outside Singapore, as per *The Strait Times* report.

Capt. M Segar, group director (Hub Port) of MPA says, "About 400 to 500 ships use our anchorages daily, contributing to Singapore being the world's busiest port. While these numbers are higher than last year, they represent an average utilisation of only around 65 per cent of our anchorage capacity." More than 95 per cent of those ships stay for less than 10 days, Capt. Segar added.

Interestingly, Google Earth's Vesseltracker shows large numbers of ships idling outside important hubs around the world. Given their huge numbers, the duration of stay cannot be contested.

> "Ship management firms are getting reservations for lay ups as the slot for berthing gets limited."

An NYT online article recently said that "one of the largest fleets of ships ever gathered idles here just outside one of the world's busiest ports (Singapore), marooned by the receding tide of global trade."

Following the report, Capt. Segar said: "For areas beyond our port waters, we urge shipowners and flag States to take serious action against errant shipmasters who anchor their ships indiscriminately there, so as to help reduce the navigational risks in these locations."

"We will also be working with Malaysia and Indonesia to address this issue at the International Maritime Organization," he added.

Anchorages: While the neighbouring Malaysia has already earmarked anchorages for idle ships heading to its ports, the Sri Lanka Ports Authority (SLPA) is gearing to facilitate lay-up of vessels at local anchorages. Thanks to the global economic crisis, the lay-up business is seen as an attractive option. The SLPA has already identified safe anchorages outside Colombo harbour.

Starry sea: *Ships dot the shores in Southeast Asia in the month of May.*

The country is looking at earning fees from idling ships by providing services to maintain the vessels till they are pressed into service again.The SLPA has reportedly held talks with the defence authorities to use the eastern port of Trincomalee, known to be one of Asia's biggest natural harbours, for laying up ships.

Shipping lines, beset with falling freight rates and weak cargo prospects, have no other means other than laying up the ships till the economy gets back on track. The number of such unemployed vessels could eventually go up, say industry sources. MG

NEWS

April throughput

Singapore box traffic falls 18%

Singapore port terminals handled 17.7 per cent fewer containers in April from a year ago and throughput dropped 5 per cent from March, data from the Maritime and Port Authority of Singapore shows.

The numbers signal continued weakness in trade and dampen hopes of a recovery at the world's busiest container port, after throughput jumped a surprise 19 per cent in March from February.

The April fall from a year earlier was steeper than the 14.6 per cent decline in March but not as severe as drops of 19.8 per cent in February and 19.6 per cent in January.

The MPA is responsible for Singapore's maritime affairs, including port operations.

State-owned PSA International, which operates as a commercial company and runs ports around the world, said container volumes at its Singapore port fell 17.6 per cent in April from a year ago.

The world trade downturn has battered shipping firms, with Singapore-listed Neptune Orient Lines reporting a worse-than-expected $ 245 million first-quarter loss.

Trade-dependent Singapore saw its deepest ever economic contraction in the first quarter and the government expects the economy could shrink 6-9 per cent this year. -Reuters

Looking positive

China Shipping eyes gains

The head of maritime operating giant China Shipping says broad industry indicators suggest the ocean container market will improve in the second half of 2009.

Li Shaode, president of Shanghai-based China Shipping Group, said measures such as the Baltic Dry Index for dry bulk prices suggest improvement at the basic commodity level that will feed more shipping in coming months.

The BDI has grown haltingly this year after a steep falloff of more than 80 per cent in the last three months of 2008 and this indicates that the “market is turning up,” Li said in New York recently as he was inducted into the International Maritime Hall of Fame.

Falling inventories in the first quarter suggest retailers and manufacturers will have to replenish stocks later this year, raising hopes of improvements in the faltering container shipping business. "Regarding container shipping, it will take some time to recover,” he said.

“There is a great imbalance between supply and demand. Too many ships are coming into the market. The container market in the second half will be better than in the first half,” he hoped.

Single loop

Grand Alliance merges JCX, SCX services

Grand Alliance members Hapag-Lloyd, Nippon Yusen Kaisha (NYK) and Orient Overseas Container Line (OOCL) have agreed to merge the SCX (South China Sea Express) and the JCX (Japan China Express) into a single loop.

The new service takes effect from May 25, sailing from Thailand. Grand Alliance customers will be offered the same port coverage options under the new service. One additional vessel of 6,200 TEU will be added on the SCX service, and Japanese ports previously covered on the JCX will be covered by the upgraded SCX service. Kaohsiung will be transferred to the Super Shuttle Express (SSX) service on the Trans-Pacific eastbound call, while the westbound call on SCX will remain unchanged.

Port rotation for both services is as follows: SCX: Laem Chabang/ Singapore/ Kobe/ Nagoya/ Tokyo/ Sendai/ Los Angeles/ Oakland/ Tokyo/ Nagoya/ Kobe/ Kaohsiung/ Shekou/ Laem Chabang SSX: Shekou/ Yantian/ Hong Kong/ Kaohsiung/ Long Beach/ Kaohsiung/ Xiamen/ Hong Kong/ Shekou. The merged ‘SCX’ product will allow the Grand Alliance to continue offering our customers the competitive and high quality service they are used to.

The Grand Alliance, formed in 1998, is the leading integrated consortium in global container shipping. Its members are presently Hapag-Lloyd (Germany), MISC Berhad (Malaysia), NYK (Japan) and OOCL (Hong Kong). MISC Berhad does not operate on this trade and therefore has not participated in this particular agreement.

APORE

Taiwan shipping

China adds five mainland ports

China approved five additional ports for direct shipping with Taiwan, bringing the total to 68, the state-run Xinhua News Agency reported, citing China's transportation ministry.

The five ports are Tongling, Shidao, Laizhou, Taizhou Damaiyu and Ningbo-Zhoushan. Agreement to expand shipping cooperation comes as China and Taiwan prepare to hold the Straits Forum, a week-long event in China aimed at strengthening business exchanges. The mainland and Taiwan have been ruled separately since the end of a civil war in 1949, and China regards the island as a renegade province.

China agreed to waive business taxes and corporate income taxes for Taiwanese shippers on profit earned in the mainland from direct shipping, Xinhua said. The exemption is effective from December 15 of last year, it said.

Steel use

Malaysia's domestic demand to dip

Malaysia's domestic steel demand is projected to contract a further 25 per cent in 2009 after falling 10.7 per cent to 7.8 million tonnes in 2008, according to the Malaysian Iron & Steel Industry Federation.

Chow Chong Long president of Malaysian Iron & Steel Industry said consumption was expected to post a recovery in 2010 but it would probably take a few years for demand to be able to re-test its peak volume of 8.7 million tonnes achieved in 2007. He said that "We are probably at the bottom, or at least near the bottom, in terms of demand and prices."

Steel bar price in the domestic market had plunged from a high of MYR 3,800 per tonne in July 2008 to around MYR 2,000 per tonne in recent weeks. Chow said prices might creep up higher in the coming months, as new orders from the construction sector gained traction.

Arts productions

Agility lands major roles

Agility Fair and Events has secured contracts to manage logistics services for the Singapore Arts Festival and the world famous Cats musical during its production in the Lion City.

The Singapore Arts Festival is one of the leading international arts festivals known for its bold and innovative artistic collaborations at the cutting-edge of contemporary arts with a distinctive Asian flavour. Established as a national celebration for the arts, the Festival offers a myriad showcase of world-class and internationally-acclaimed arts productions, and has a strong trademark for presenting several world and Asian premieres.

Streamlining rules

Hong Kong to cut harbour fees

The Hong Kong government has announced plans to reduce harbour fees and charges of 27 marine-related services provided by the Marine Department costing US$ 2.2 million a year, according to a statement.

If approved by the Legislative Council, the fees cuts would come into effect on July 10. "The proposed reductions will benefit all vessels entering Hong Kong waters and owners of ships registered in Hong Kong, and the waiving of the charges related to the employment, registration and certification of local seafarers will lower the costs for industry participants," said a spokesman of the Transport and Housing Bureau.

Rights issue

Indonesia firm to raise $ 58 mn

Indonesian shipping firm, PT Berlian Laju Tanker Tbk launched a rights offer aiming to raise 591.73 billion rupiah (US$ 57.67 million).

The firm said in a prospectus published in the Bisnis Indonesia newspaper that it will offer shareholders one new share for every three existing shares at 425 rupiah a share, representing a discount of around 54 per cent to the closing share price of 920 rupiah a share.

PT Tunggaladhi Baskara, which owns a 53.34 per cent stake in BLT, will be the standby buyer for the offer. The shipping firm announced on May 19 that it planned to raise 500 billion rupiah from the sale of conventional and Islamic bonds. The proceeds of the bonds issues will be used to finance tanker purchases, as well as for working capital and for refinancing.

Safer Ship Recycling

Cleaning Up Act

Hong Kong was recently the hot seat of a UN convention where 63 nations signed a treaty for safer and greener ship recycling, amid protests by environmentalists.

The pact, signed during the International Conference on the Safe and Environmentally Sound Recycling of Ships, aims to make the scrapping of the world's freighters, luxury liners, and oil tankers safer by requiring higher standards at recycling yards mainly located in South Asia. “It is a new chapter in IMO’s history,” says Efthimios E Mitropoulos, Secretary General of the International Maritime Organization.

The IMO treaty is the first-ever such agreement on ship breaking – an industry that often exposes workers to asbestos, mercury, PCBs, chemicals and other dangerous substances. However, activists feel there is no solid system in place to enforce the regulations and so the convention is unlikely to take effect. It is only wishful thinking, they decry.

The convention comprises a set of guidelines and legally binding rules governing the ship breaking industry to ensure that “ships, when recycled, do not pose any unnecessary risk to human health, the safety of workers in the industry or the environment.”

The deal requires shipowners to provide an inventory of hazardous materials aboard a ship before it is sent for recycling. It requires recycling units to provide a plan to specify the manner in which each ship will be recycled and to institute measures that reduce explosions and other accidents. The pact will go into force two years after 15 countries – representing 40 per cent of world merchant shipping by gross tonnage – formally ratify it.

Photo: AFP

Centrestage: *A protest outside the convention on ship recycling in Hong Kong.*

But activists from 107 environmental and rights groups say the treaty has failed to address the prevailing practice of ‘beaching’ wherein vessels are dumped at high tide and then allowed to drift to soft sand beaches to be broken. According to them, the deal only legitimises the infamous breaking yards of India, Pakistan and Bangladesh which break about 1,000 end-of-life ships a year, including toxic ones. Many of the yards have unskilled migrants, including young children, as workers. For instance, a large part of Bangladesh's ship breaking, done at 30 units along a 5-kilometre coastline near Chittagong, is carried out by casual labourers without proper emergency medicare in place.

The IMO, however, defends the agreement and proclaims the conference a success. The member states have to deal with reality in an important multi-million dollar industry, says IMO spokesperson Lee Adamson hinting at the booming recycling industry. As per IMO estimates, more than 10,000 ships with over 500 million gross tonnes were recycled worldwide between 1990 and 2006. The treaty will set standards where none previously existed, avers Adamson.

Meanwhile, ship-breakers hope the convention will help transfer of technical know-how as they normally rely on traditional technology to dismantle large ships. It could also help create more jobs with the number of worn-out ships growing, they say. The activists hope that the industry doesn’t pollute nature nor kill people as more and more used ships, especially single-hulled tankers, get ready for scrapping. The convention leaves a lot of hope. MG

Photo Courtesy: Wombalano

Machines to Overtake Men

The National Industrial Tribunal Award on manning scales, announced by the Ministry of Shipping on April 22 this year, makes deployment of port workers need-based and not the customary gang-based with respect to the nature of the job or cargo in major ports.

Bowing to the mightier: *Mooring staff will have to comply with wage revision.*

But port workers resist the government's move to simplify stevedore operations. They fear that the directive could reduce their prevailing work share in cargo handling and marine operations to about 40 to 45 per cent making them redundant and their salaries uncompetitive.

While the directive is already in vogue in Visakhapatnam and Paradip ports, workers in Cochin Port raised a cry recently. Employees of the marine branch of the port struck work for 22 days. They called off the strike after being assured that nearly 250 surplus staff will be retained in the same capacity and other issues resolved in a month.

The port management clarifies that the revised scales will not result in retrenchment but will ensure a drop in the huge overtime allowances being claimed by mooring staff in the marine department. Last year, the port disbursed about Rs 8 crores as overtime allowances and wants to bring down the amount to Rs 1 crore. "The effort is to make the port viable," port chairman N Ramachandran asserts.

Hinting at 'unhealthy and financially detrimental' practices, the tribunal advises dock workers to stop resorting to late report time, early exit time and notional booking. While such issues, according to trade unions, can be mutually sorted out, the workers' main fear is the loss of bargaining power if new scales are implemented. Also, it could give way to privatisation of both terminals and labour for cargo-handling.

As per the plan, manning scales are to be reduced on the operational side comprising cargo handling aboard the vessel and on the shore; manning in tugs and harbour crafts and manning of cargo handling equipments maintained by electrical and mechanical departments.

The five recognised port trade unions – All India Port and Dock Workers' Federation, All India Port & Dock Workers' Federation (Workers), Water Transport Workers' Federation of India, Indian National Transport and Dock Workers' Federation and Port, Dock & Waterfront Workers' Federation – want the government to reconsider its proposal in the interest of the workers. They say workers could lose their wages and also incentives if they are interchanged as per need and not deployed on a vessel permanently as per the usual practice.

Port managements view the June 2006 award of the tribunal, headed by Justice Hrishikesh Banerjee, as a cost-pruning exercise, especially in times of recession when cargo volumes are dwindling and private ports are vying for lion's share. As port operations are becoming increasingly mechanised, they feel the age-old laws that suited manual labour do not hold water anymore and it is time for wage revision.

With the government keen on implementing the award, the workers now have little to do but bow to the higher order. MG

Mired in the Glut

The current financial year is likely to see a slowdown in tonnage accretion as a lot of shipping companies have slowed down their acquisition plans, thanks to the dull freight market and the poor flow of finances. The Shipping Corporation of India (SCI) too has reportedly deferred its initial plan to purchase at least three vessels.

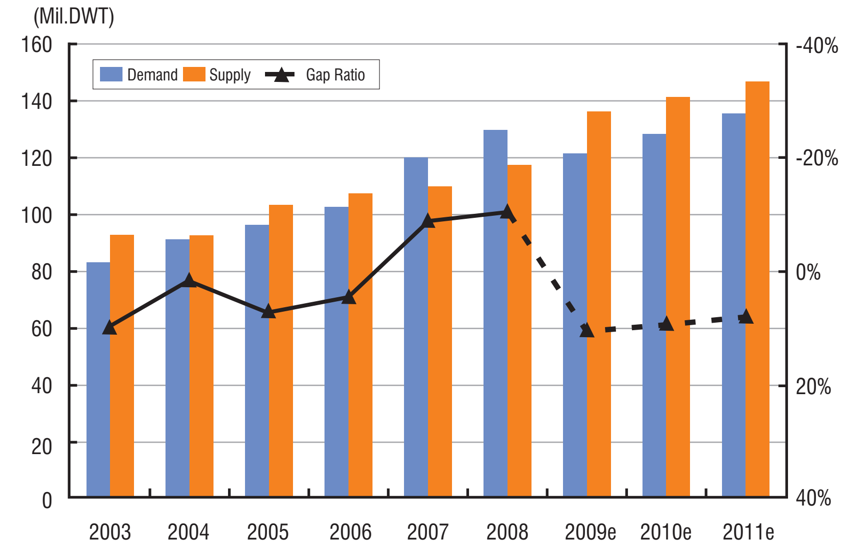
Tonnage oversupply – considered to be present only in the container liners at the beginning of the recession, has spread to the bulkers and now to the tankers too. Of the three segments, container liner segment is the worst affected till date. The deepening recession in the world's major consumption markets and lack of demand for products has led to fall in the cargo drastically. Estimates till date show that between 35 and 40 per cent of the container cargo has disappeared from the shipping lanes as compared to a year before. Piling up of more and more empties has become a routine at many of the world's busiest ports.

The excess tonnage has led to either laying up the ships or disposing them at throw away prices. Bulk carriers that ply between the continents carrying raw materials and minerals are now facing an austere clot in the demand from the manufacturing hubs. The bullwhip effect that had happened in the boom time has further boomeranged and is now having its effect in the reverse direction. A bullwhip effect essentially means that every small change in the consumer demand reflects in a bigger way down the supply chain. With the increase in the world trade, the demand for the cargo carriers too increased. Anticipating further boost in demand, the shipping industry had placed colossal orders for newbuilding tonnage. By the end of 2008, there were about 10,053 ships on order which made up to 495 million DWT as estimated by Guardian. Of this, 222 million DWT belonged to dry bulk carriers. But with sudden crash of financial markets and subsequent decline in consumer spending, the demand for the consumer goods reduced drastically.

Container liner segment was the first segment to be seriously affected by these unfortunate developments as it carries finished and semi-finished goods. Then, manufacturing hubs across the world reacted to decline in

Photo Courtesy: jlmarts

Tonnage trouble: *Demand-supply imbalance takes the sheen out of bulk carriers.*



Source: www.mol.co.jp

consumer demand by reducing their production volumes which in turn affected the bulk segment. During this period, the industry output has considerably decreased and with it came down the demand for burning fossil fuel. As this has led to plunge in crude oil prices, the OPEC and other oil producing nations have reduced their production volumes considerably in frantic attempts to equate the supply with the demand. And thus, tanker industry, which was unaffected till then, too got affected.

At the outset, all the three segments – liners, bulkers and tankers are affected due to the turmoil in global markets. On the contrary, a ray of hope still lies in the LNG segment which is a niche and emerging segment. The growing shift towards cleaner energies is keeping the demand for this cargo intact. Fewer ships catering to this segment is also a factor in keeping this demand buoyant. Given the current scenario, the glut in the tonnage has reduced the spot prices and chartering rates to unseen levels. For instance, VLCCs traded in the spot markets are fetching a mere US$ 25,000 per day while the average break even cost for a VLCC hovers around US$ 30,000 per day. A VLCC tanker used to fetch more than US$ 150,000 per day a year ago.

A recent projection was made on the demand-supply scenario for the capesize vessels by Japan-based Mitsui OSK Lines, the leading shipping line operating in all the segments of the industry, in association with Clarksons Research. The estimate indicates that the cargo demand will not be able to match the supply side not only in 2009, but also in 2010 and 2011.

The estimate shows that in 2009 the supply of capesize vessels will be 10 per cent more than the demand for this type of vessels indicating that 10 per cent of the capesize tonnage will remain jobless in this year.

Working their way to reduce the excess tonnage, shipowners are either cancelling the newbuilding orders or disposing their older ships. A recent estimate by Norwegian classification society Det Norske Veritas puts the newbuilding cancellation figure at 492 vessels or 37.2 million DWT. This figure includes 325 bulk carriers of around 28.2 million DWT, 78 containerships and 47 tankers of 4.9 million DWT. With more cancellations expected but at a slower rate, the deliveries between 2009 and 2012 will average out to 40 million DWT per year.

As cancelling the orders are becoming more and more difficult, shipowners have resorted to deferring with the deliveries. While there are around 200 capesize vessels that are to be delivered in 2009 as per the contractual agreements, only 30 of them reached the hands of the shipowners so far.

Of late, the benchmark Baltic Dry Index has been gaining steadily and some hope has returned in the dry bulk segment. It reached to 2942 points as on May 26 while the capesize index rose to 4797 points after gaining 454 points and the capesize rates have reached 2005-06 averages. Despite the good show from the indices shipowners are exercising caution and are watching for things to turn in the months to come. MG

> "Cargo demand will not be able to match the supply side not only in 2009, but also in 2010 and 2011 and 10 per cent of the capesize tonnage will remain jobless in this year."

Some of the tanker tonnage on order

Frontline – 9 VLCCs and 8 Suezmaxes

AP Moller Maersk – 4 VLCCs

Ocean Tankers (Singapore) – nine VLCCs

Formosa Plastics Marine Corp (Taiwan) – 7 VLCCS, 12 Mrs

Cardiff Marine (Greece) – 2 VLCCs, 8 Aframaxes, 8 Suezmaxes

Dynacom (Greece) – 7 VLCCs, 5 Suezmaxes

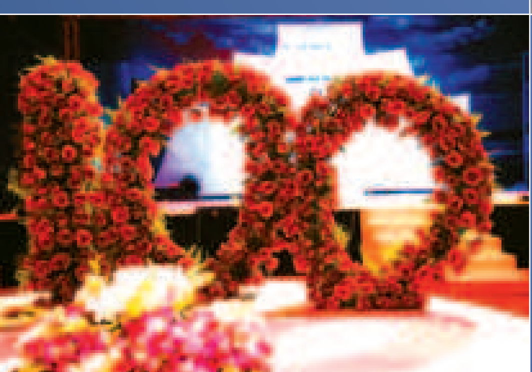
Marmaras Navigation (Greece) – 10 Suezmaxes

Sovcomflot (Russia) 8 Aframaxes, 10 Suezmaxes

MILESTONE

Ahlers' Global Centennial

Wine and dine: *Shibu John, managing director of Ahlers India, Christian Leysen, executive chairman of Ahlers Logistics and Luc Maton, general manager - Agencies and Forwarding, treat the invitees to an evening of entertainment.*



Looking ahead: *Christian Leysen*

Raising a Toast

On 1 May 1909, Ahlers started as a shipping company in Antwerp for the German shipping line Hansa. On 4 May 2009, Ahlers welcomed customers, partners, friends and staff in the renovated Ahlers House in Antwerp, Belguim to celebrate the past 100 years. Two weeks later, the festivities spread to Mumbai. The evening saw Christian Leysen, executive chairman, Luc Maton, general manager - agencies and international forwarding and Shibu John, managing director of Ahlers India raise a toast to the milestones crossed by Ahlers globally and in India. "Ahlers is only five years old in our country but when you look at its 100-year history, you would see that India plays a major role in Hansa line – one of the major shipping lines serving between India and Europe," said Shibu John. Ahlers has 11 offices and 200 people in India and plans to expand further. "We are looking at the option of setting up our own office in Ahmedabad, Ludhiana and Jamshedpur. "

The principal Nile Dutch has recently announced a new service (SWAX) to west Africa trade and Shibu sees this is as a great opportunity to establish their agency department in India. Leysen reiterated the company's stress on reinvention, finding long-term solutions together with customers and its confidence in the potential of India.

"The whole world is looking at the Indian market as their future and our first priority is to strengthen our presence in India," the officials said. Ahlers opened its third warehouse – Gamma – in St. Petersburg recently. "India has a huge potential market for warehousing, and many of the warehouses available here are not up to the standard. Our expertise in this field can be extended to our clients," they hoped.

A cross-section of the trade participated in the celebrations, including representatives from major shipping lines. The Mumbai team, led by regional manager Vishwanathan K, Indian management team members and all corporate and branch heads were present. MG

PERSPECTIVE

The night view of Cochin Port

Photo Courtesy: www.flickr.com/photos/medhekar/

All the Right Steps

N Ramachandran
Chairman, Cochin Port

One of the very few ports in India to have strategic location advantage, Cochin Port is striding to leverage on that advantage. It has lined up huge expansion plans to boost its cargo volumes in the coming years. The port has taken care to build the right infrastructure that can catapult its cargo handling capacity to the next level. While Cochin Port is known for handling Crude and POL, it is taking rapid strides towards handling other types of cargo as well.

Privatisation in port sector

During 2007-08, the 12 major ports handled 519.31 million tonnes as against their installed capacity of 543.47 million tonnes. As against this, the minor and intermediate ports together handled only 203.62 million tonnes of cargo. Evidently, there is immense potential for the growth of ports in India. Hence the growth of private ports in India will not significantly impact the major ports.

Though the private ports outnumber major ports, the major ports will continue to hold sway in the country primarily because of the statutory, corporate and social obligations that they fulfill and their strategic location advantage. Moreover, the major ports are offering improved customer services and upgrading their systems aimed at significantly enhancing their capacities, particularly the massive investment that has been brought in by several projects being implemented under the PPP Model. Furthermore, there are no minor ports in the neighbouring regions of Cochin Port and hence, a significant competition is not anticipated.

Impact of the recently ended strike

The impact of the recently ended strike by the employees was minimal. While the work of cargo handling went on uninterrupted, only a small section of employees in the Marine Department have resorted to strike. However, this has not affected the operations as a whole since the port had made alternate arrangements to conduct the shipping operations. All other operations were carried out as per schedule.

The port was in constant consultation with the unions throughout the strike period and was keen to resolve the issue within the legal framework. We wanted to remove the misunderstanding from the minds of our workmen since there would not be any job loss due the introduction of the revised manning scale. Finally our negotiations bore fruit and the workers withdrew from their strike.

Targets and strategies

A target of 17 million tonnes is set for 2009-10. We intend to monitor the completion schedule of the ongoing projects and extend required support for completing the development projects on time like the ICTT project, LNG project, Multi User Liquid Terminal and setting up of the PBSEZ. A modern eco-friendly cement handling terminal has been set up by the Gujarat Ambuja Ltd. and this would significantly add to the cargo volumes through the port. We are upgrading our equipment, berths and other systems for greater productivity and better customer service. A VTMS has been commissioned for advanced navigational safety and security. Outsourcing of services wherever necessary are also contemplated. Constant interaction with customers as well as tailoring our services and tariffs based on customer feedback are being carried out.

This is the first e-Port in the India with a robust SAP-based

The Cochin Port Trust

Project Cargo: Cochin Ports enters big league

Cochin Port has ventured into the project cargo handling business by handling the biggest-ever package – a 726-tonne reactor for the Bharat Petroleum Corporation Ltd-Kochi Refinery.

The consignment was imported by BPCL-KRL for their Vacuum Gas Oil Hydro De-Sulphurisation unit. The 40-metre long reactor, with a diameter of 5.3 metres, has been built by China Forging Heavy Industries under the supervision of China Petroleum Technological Development Corporation Ltd.

The reactor is intended to ensure Euro III norms mandatory in the production of Petroleum products at Ambalamugal refinery, a Cochin Port press release said. BPCL-KR is augmenting its refining capacity by April 2010, which has important implications for the port, as it would mean more crude oil imports through the port. The refinery will need to import 30 to 35 large units of heavy machinery required for capacity augmentation.
The reactor was brought by general Heavy Lift Carrier type vessel M V Maria which loaded it from the Chinese port, Dalian for discharge at Kochi. The vessel is equipped with three high-capacity heavy lift cranes and is the first of its kind to call at the port.

computerised system in place to offer end-to-end solutions for the entire gamut of cargo and shipping operation on an e-Platform for providing greater accuracy and efficiency for carrying out business transactions at Cochin Port.

Cruise shipping

Cochin Port has received the maximum cruise vessels calls in India for the past three years. All major cruise lines have called at Cochin in the past two years. As we provide impeccable service to the cruise ships, a significant increase in cruise vessel calls at Cochin is expected in the coming years. The port has initiated action to provide a full-fledged modern cruise terminal with all facilities in Willingdon Island to be set up at Cochin by 2010.

The port handled 36 cruise passenger vessels in 2008-09, the largest number in the country. In 2007-08, 43 cruise passenger vessels were handled which is an all time record for any Indian port. Cochin is the only port in the Indian subcontinent where Queen Mary-2 among the largest cruise passenger vessels in the world had called. The vessel made a repeat call in March 2008-09.

During October 2009, MV Aida Cara, a prestigious cruise line of Germany would use the Cochin Port for passenger turnaround involving over 2,000 passengers and 1,000 crew members.

The Port of Cochin was awarded the National Tourism Award 2007-08 in the category "Best Tourist Friendly Port of India" by the Ministry of Tourism. Cochin is the first port in India to receive such an honour.

Further, the steps to make the port more customer-friendly to international tourists like prepaid taxi system, enhanced safety measures etc. have been introduced.

International Transshipment Terminal (ICTT)

The ICTT will enable mainline vessels to berth directly at Cochin. This will save time and cost for the trade due to elimination of feedering and make the Indian exports competitive. This would also result in saving of foreign exchange for the country as savings on feedering costs.

The ICTT will be the hub port in the Indian subcontinent and will cater to all the transshipment requirements of ports not only in India but also in the neighbouring countries. Tremendous increase in the cargo throughput through Cochin is expected, as the ICTT will attract the cargo from various parts of our country especially from south India. Phenomenal improvement to the infrastructure facilities as well as substantial boost to economy of the country is the major benefit. The project would also generate vast trading and employment opportunities. MG

Fuelling Green

World shipping industry stakeholders are unanimous about reversing global warming. Development of maritime transport should certainly not come at the expense of the environment, they say in unison at the recent IMO convention held in Limassol. Going green is therefore the sustainable option to staying clean.

by ***Sadhana***

Perhaps, you have heard of the trendy new catch phrase 'going green'. It is not only big companies that are trying to catch in on the new revolution with the trend in businesses to go green but there are often a variety of economic and social benefits too. And catching on the big phrase are many ports and shipping companies that are taking action to reduce the pollution they generate through alternative fuel and advanced technology programmes.

Freight transport especially by planes, trains and automobiles spew greenhouse gases and other toxic pollutants thereby polluting the atmosphere. These have been considered the main culprit in harming the atmosphere. But of late shipping sector too is being blamed of doing dirty business, though it has not been on most environmental activists' radar screen.

Although shipping is traditionally thought to be the most environmentally friendly mode of transport when compared to other means of transport, there are instances where air pollution from shipping has been considered as a growing environmental problem. Experts estimate that shipping will be the largest source of carbon dioxide emissions in 15 year's time. Protection of the marine environment is therefore of paramount importance to the shipping sector.

Lethal Impact

Ship emissions cause **60,000** deaths a year from heart and lung-related cancers

Shanghai, Singapore and Hong Kong are the **3** main ports likely to suffer disproportionate impact

Sulphur emissions from international shipping are **8** per cent of sulphur emissions from all fossil fuels

Expensive option: Switch to distillates, clean up exhaust gases, use **shore power** supply at ports

Seas and oceans are the resource base for a maritime economy. Only when there is a healthy maritime environment does the maritime economy thrive and remain dynamic. Effective protection of the marine environment is an essential precondition to realise the full economic potential of seas and oceans. Experts feel that maritime emissions are also set to leap by 75 per cent by 2020.

Tackling gases

Emissions of carbon, sulphur and nitrogen from ships remain a major source of air pollution. With the Government's absence of new policy measures, nitrogen from ships is projected to be higher than all land-based sources. Shipowners say that sulphur emissions are far more dangerous to humans than greenhouse gases. The first priority for the international shipping fleet should therefore be to reduce the sulphur content in ship fuel.

Many shipping companies are trying to meet the challenges towards greener issues and are facing environmental regulations that influence their businesses. Shipping companies are reducing emissions and are trying hard to run a green fleet, thereby encouraging a proactive approach among all shipowners. Natural gas is considered as the most suitable alternative fuel.

New research suggests that the impact of shipping on climate change has been underestimated and the industry is currently churning out greenhouse gases. There has been international concern over the impact of the shipping industry thus providing new challenges to designers, builders and equipment manufacturers. Protection and preserving the marine economy is a necessity for an overall quality of life and switching to clean alternative fuels is gaining momentum worldwide, according to a new research study.

Diesel engines are the principle source of power in the vast majority of the world's ships. From an environment point of view, however, these engines are not the friendliest. The majority of marine propulsion systems use diesel engines as prime movers. Nitrogen oxide emissions from a diesel engine pollute the waters. There has been a major move to use alternative and developing methods to clean exhaust gases to meet tighter regulations.

Shipping companies in India are working closer to improving energy-efficiency, alternative energy sources which promote low carbon economies and eco-friendly growth. They must act quickly to prepare for the international drive towards biofuels. Royal Caribbean Cruise Lines has used a palm oil-based biodiesel on a trial basis in 2005. But, this technology is in the early stages of development and any breakthrough in this direction would have a major impact on shipping requirements.

Shipping demand

Fuel emissions are not the only environmental challenges facing the shipping industry. Safety and ship design are problems as well. The growth in global shipping has led to an increased demand for new ships. New shipyards in Asia, especially in China, do not have qualified ship designers and builders and are cutting corners with sub-quality ships, thereby polluting the waters.

Many designers, builders and equipment manufacturers are developing new shipping technologies to cope with the demand for 'going green'. This high-level initiative will bring to attention the most topical environmental issues facing shipowners and managers and the most cost-effective methods in dealing with them.

The container shipping lines too are trying to be aware of a cleaner environment and are making great strides in its efforts to reduce greenhouse gases and other harmful emissions. The container shipping has decided to lower its emissions and contribute to environmental protection by developing better ship handling techniques, waste heat recovery and reductions in onboard power usage to reduce its overall emissions.

Improving the efficiency of vessels is the fastest and most effective way to save money, energy and carbon emissions. Many container ships have been developed to improve fuel-efficiency and container shipping lines are taking steps to ensure that their ships travel at the optimum speed for efficient fuel consumption. Also, growing numbers of consumers are willing to buy green products and services, if given the choice.

Setting example

Singapore has implemented numerous measures to encourage environmental friendly shipping in its port. Scandinavian shipping company Wallenius Wilhelmson is also setting its sights on ships that will be powered entirely by renewable energy. In the US, the Environmental Protection Agency is trying to curb emissions of climate change gases from shipping in US waters. In the UK, the Government is under pressure to include shipping in emission targets for the Climate Change Bill. And new EU regulations compel shipowners to use cleaner fuel in coastal shipping lanes throughout continental waters.

In Asia, a study's review of port clean-up efforts included Singapore, Hong Kong and Shanghai. Onsite Energy Futures researchers found several port programmes involving the use of alternative fuels and advanced propulsion technologies. Various applications of electrical energy are the current alternatives of choice in the region.

The world's two busiest shipping ports in the US are taking steps to become more environmentally friendly. The ports in Long Beach and Los Angeles, California , have begun implementing a new programme to reduce the emissions and air pollution from their ships and trucks. These two facilities are among the world's most-trafficked shipping hubs.

Safe shipping

The IMO-convention for "Safe and Environmentally Sound Recycling of Ships" is being developed to improve working conditions on ship recycling yards as well as environmental standards during the recycling process. The convention to come into force in 2013 will require approximately 50,000 ships worldwide to have a certified "Inventory of Hazardous Materials" (IHM) on board, listing hazardous materials present in structure and equipment.

The Maritime Policy will also have a role to play in it. Every new ship will have to enter service with a certified inventory of hazardous material after the conventions enter into force. Recycling facilities would need to comply with safety and environmental requirements to gain their authorisation and handle and dispose of hazardous material safely.

"A significant potential for reduction of greenhouse gases through technical and operational measures has been identified," the IMO report says. "Together, if implemented, these measures could increase efficiency and reduce the emissions rate by 25 to 75 per cent," the report notes.

Through the innovation of clean ship technologies, more environment-friendly fuels and sophisticated port facilities, the maritime industry will become more energy-efficient, more environment-friendly and more competitive. A healthy marine environment is vital and the shipping sector should be sensitive to the environment and there are increasing expectations from the shipping sector to further improve its environmental credentials.

Will the shipping industry see greener pastures in the near future? With rising energy costs and the increasing demand for commodities, such as steel, the shipping industry will be facing huge increases in their costs and hybrid ships may soon find a place on the high seas. MG

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ACTL:
Acting in Time

The Delhi-based Associated Container Terminals Private Limited, the first private ICD in north India set up in 1997, identifies itself as an end-to-end logistics service provider to shippers across the industry segments. The one-stop shop for logistics solutions such as terminal operations, customs brokerage, ocean & air freight services, rail and road transportation, warehousing and inventory management, pre and post production distribution and advisory services, the company has entered into an agreement with top private train operatos to run well maintained train services to and from gateway ports, says **Bharat Joshi**, director, ACTL. In an interview with **Maritime Gateway**, he explains the service model that makes ACTL a successful enterprise.

Make a point: *Bharat Joshi, director of ATCL*

Q What makes ACTL identify itself as a total logistics solution service provider and how does it provide you with an edge over other players as claimed.

A: The total logistics service solution for the shippers is primarily provided through our inland container depot located at Faridabad, a prime industrial hub near Delhi. The service profile of ACTL ICD is multifaceted. The ICD acts as a prime cargo aggregation point for the shippers located at Delhi and the National Capital Region of Delhi covering Gurgaon in Haryana and Noida in Uttar Pradesh and also for the northern India hinterland. Having an area of 53,820 acres, the ICD offers a range of infrastructure support for a wide spectrum of shippers to meet their cargo storage, handling and transportation requirements.

Our range of infrastructure support includes export warehouse spread over 6,121 sq m, import bonded warehouse with over 40,000 sq ft of covered area, empty container yard, a fully operational workshop for repair, maintenance and cleaning of containers and fully computerised operations with a dedicated business centre. We also have our own large fleet of trailers for meeting the transport requirements of export/ import containers and also for transportation of containers to gateway ports. We also have the state-of-the-art equipment to ensure safe handling of cargo consisting of reach stackers, top lifters, sling cranes, forklifts, fleet of trailers hand trolleys and hand crafts. Through our in-house road transportation fleet, we are able to provide factory drops, pick-ups, and long haul services (both for bonded and non-bonded) to all our customers. The service levels as maintained by us have been consistent and comforting to the customers.

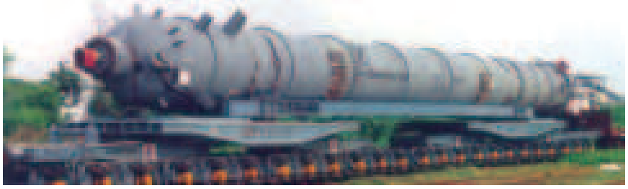
Q Value-added services are increasingly becoming important in logistics business. Could you elaborate on the same.

A: Our customers' base is quite elaborate. This consists of both exporters and importers in textiles, engineering, automobiles, steel, medical, household appliances and footwear. Prominent customers in the concerned segment include Birla VXL Limited, YKK India, Action Equipments, Escorts India, Punjab Steel, LNM Auto, Bhushan Steel, Whirlpool India, LG Electronics,Tej Shoes and others.

We have import foods warehousing, reefer services formed by reefer plug points and mobile gensets. garment on hangers – separate and well maintained warehouse space for GOH shipments with temperature control, if needed. Located in the export warehouse, this facility offers 150 sq m of prime dust-free space, capable of handling racked garments equivalent to 20 TEU at a given point of time, ensuring the shippers that their merchandise is handled with utmost care. Special mobile hangers have been fabricated for carting the consignment in the warehouse and subsequently stuffing the same in containers. We are also into personalised transportation with a fleet of over 40 trailers. Other value-added services include, segregation and sorting, printing and tagging of MRP labels, inventory management, distribution, shrink wrapping, pallet fabrication-cardboard and wooden and snake loading bar coding.

Q Shippers are looking at modest logistics expenditure while the expectations of the quality and timely service remain at an all-time high. How do you respond to the situation?

A: To provide quality services to our customers, we have been making sustained investments in our infrastructure assets, not to mention in our manpower to equip them with better skills. Investments in infrastructure have been made to make our supply chain more effective, with a broader emphasis to make them leaner. In fact, business process reorientation, as mentioned, is a continuous endeavour at ACTL, which is done by taking in feedback account of the ever changing customers needs based on their customised requirements. To reorient our business process we have been making investments towards upgrading our software, making them ERP processed across our business chain.



Project cargo: *ACTL's 24-axle heavy duty wagon can carry 350 MT of single package for thermal and power projects in the country.*

Q What about timely and competitively priced services?

A: As I have mentioned, our ICD at Faridabad is our frontline business unit. Our emphasis has been to integrate the business unit through creating sufficient and assorted infrastructure to meet customer's diverse cargo storage requirements. Our second emphasis has been to integrate this business unit by providing connectivity linkages to the exim shippers to ship their cargo to the gateway ports. Connectivity linkages supported by adequate infrastructure allow us to provide economies of scale to our customers. This as a consequence allows us to provide them cost benefits.

I would like to mention once again the strategic location of our ICD at Faridabad on the Mumbai-Delhi National Highway-2 and also right next to the Mumbai-Delhi Main rail link and close to ICD Tuglakabad and Ballabgarh railway siding, which is also the originating and terminating point for all import and export trains destined to or from ACTL, also enables us to provide our customers with economies of scale.

Q What are the benefits and limitation of private equity in logistics?

A: In our economy and our industry, private equity is still a relatively new means of raising capital. Benefits of PE include cash for inorganic growth, while the greatest constraint is that most PE funds still do not appreciate the nuances of the infrastructure space. This is why many infrastructure companies prefer to list abroad or raise funds from overseas investors, whose understanding of enterprise valuation is more evolved in this sector.

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

A: We have often reiterated that at times like these, manufacturers/customers and logistics providers such as us can jointly evaluate and create innovative and cost effective ways of managing the supply chain.

For instance, at ACTL, our customers have a choice of reliable private container train operators to choose from. Not only is the tariff lower, but so is the invisible cost of gaps in supply chains, shut outs, missed vessels and so on. Also we provide a variety of value added services at ACTL which customers can leverage, lower their costs at final destination whether it is inbound or outbound. For exports, the number of our packaging solutions save costs. On the import side, our bonded warehouse allows customers to store cargo without upfront payment of duty.

What difference do you find in the inland container depot business in India and other countries?

A: Viewed in the larger sense, infrastructure is the sum of the physical/tangible assets we see, and the regulations/legislations that govern them. For us to effectively remove bottlenecks, we need to ensure that regulations and procedures do not hold back the potential of the infrastructure that private and public spending has created. For instance, if a truck is subjected to multiple, repetitive checks at several points along a long distance route, there is only so much a good road/highway can do to lower transit time.

What are the railway support infrastructure and linkages provided by ACTL to shippers?

A: ACTL has its own railway siding and provides services to handle exim as well as domestic trains.

It has agreement with four major private train operators – CRRS (Dubai Ports), IILPL (APL), ETA (Al Ghurair Group Dubai), and Boxtrans (JM Baxi) who provide direct and daily connectivity to and from key gateway ports, namely Nhava Sheva, Mundra and Pipavav. The train services allow us to meet vessels schedules with a near 100 per cent track record. We hope that the dedicated freight corridor will enable us to strengthen our rail linkages to the gateway ports.

What are your railway transportation facilities for handling ODC project cargo?

A: ACTL owns a 24-axle heavy duty wagon capable of carrying 350 MT of single package. This has been extensively utilised for various thermal and power projects in the country. Prominent among them include, National Fertilizer Corporation Captive Power Plants at Panipat and Bhatinda and IFFCO heavy duty project cargo movement for Phulpur Fertilizer project.

What are your future expansion plans?

A: There are thoughts to expand our operational network. However, this is in a preliminary stage. We have recently commissioned our private railway siding. We have also acquired more land and have made significant investments in new equipment and IT infrastructure. Private container train operators have started running scheduled services to and from the ACTL ICD at Faridabad, and at an attractive price. As you can see, there is great potential to foster and manage growth at the current facililty at Faridabad. We also plan to increase our presence to 3-5 locations in the medium term through our owned ICD/CFS network.

Dedicated Freight Corridor

To Swing into Gear

Indian Railways' dedicated freight corridor project will go a long way in providing connectivity to the country's northern India hinterland with the west and east coast ports. **Maritime Gateway** brings the details of the mammoth project and the business plan involved.

The basic plan of the dedicated freight corridor (DFC) is to provide a new railway connectivity link between the prime cargo originating northern India hinterland and the west and east coast gateway ports of Mumbai, Gujarat and Kolkata. The new connectivity initiative will provide seamless connectivity to the freight trains from the point of traffic origin to the destination points moving on the existing main link of the Golden Quadrilateral (GQ) route of the Indian railways – Delhi-Mumbai and Delhi-Kolkata stretch, the line which is saddled with running both freight and passenger trains. Secondly, it will provide connectivity to the point of traffic origin located on the stretch, supported by the railway's existing feeder network link connecting the GQ.

According to PN Shukla, director, Operations and Business Development, Dedicated Freight Corridor Corporation of India Limited (DFCCIL), the fundamental reason for construction of DFC is owing to the fact that the existing route of the GQ on the north-west north-east link has reached its saturation point, where line capacity utilisation is more than 150 per cent throughout the year. The present total system of the GQ route comprising only 16 per cent of the total system of the railways consists of 10,000 km connecting four metros, which carries 52 per cent of the passenger traffic and 58 per cent of the freight traffic of the Indian railways.

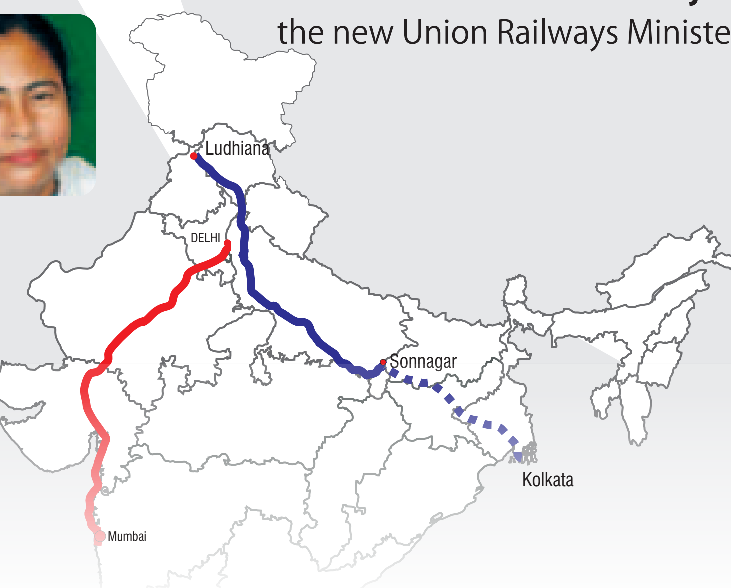
Shukla further mentions, “capacity constraint on the existing link is all pervasive, not being restricted to the route linkage itself, there exists deficient terminal facilities, where length of freight trains cannot be extended due to presence of mixed loops. Moreover, the existing link is handicapped to run freight trains with increased axle load owing to construction features involved.” The new DFC, exclusively for running of freight trains at a maximum permissible speed of 100 km per hour, will correct the existing anomalies in a big way, since it will be constructed with a long-term plan to provide lasting capacity that meets future requirements of increasing traffic.

Indeed, if figures are to be believed, the DFC plans to run wagons with the present CC+6 in the short term further to CC+20 and CC+100 in the long run. CC indicates the existing carrying capacity for BOXN wagons (used for carrying iron ore, coal and other bulk cargo) while the plus classification indicates the incremental load put on each wagon. IR is presently running wagons for movement of coal and iron ore on the CC+ classification. In order to carry higher wagonload DFC will have infrastructure in place to enable locomotives haul from the present 4,500 tonnes wagonload in the medium term to 6,000-7,500 tonnes and further to 15,000 tonnes in the distant future supported by upgraded terminals.

The other prominent features of the DFC would be the construction of the double line corridor (except where single line is justified on traffic considerations) running parallel to the existing corridors , so as to maximise the usage of available

The government is keen to take up big-budget projects in the infrastructure sector. The railway ministry will soon take up work on the eastern part of the Dedicated Freight Corridor and will aim to complete it in record time. The DFC will benefit industry in the area, especially the coal, power and steel industries.

Mamata Banerjee,
the new Union Railways Minister



WAITING TO TAKE OFF

Cost: approximately Rs 28,179 crore

Connectivity: 2,700 km of exclusive freight lines (new construction), and 5,000 km of feeder lines including upgradation of existing lines and some new construction. Trains running on the DFC lines will be up to 1.5 km long (100 wagon rakes) and running at up to 100 km/h.

Funded by: Japan International Cooperation Agency, Asian Development Bank, World Bank

Start: in 2009, completion: 2015-16

Western Corridor

will connect the Jawaharlal Nehru Port to New Delhi via Vadodara, Ahmedabad, Palanpur, Jaipur, and Rewari and further on to Tughlakabad and Dadri. There will also be a link between Dadri and Khurja, and feeder routes connecting other ports of Gujarat. It will have four logistic terminals, one each near New Delhi, Jaipur, Ahemdabad, and Vadodara.

Freight: mainly container traffic

Mode: unelectrified, using diesel traction

Eastern Corridor

will connect Ludhiana to Sonnagar via Ambala, Saharanpur, Khurja, Shahjahanpur, Lucknow, Allahabad, and Mughalsarai. The primary feeder routes for this will be from Sonnagar to Durgapur via Gomoh, Sonnagar to Tatanagar via Garhwa Road, and Barkakana to Bokaro via Chandrapura.

Freight: mainly heavy mineral traffic

Mode: electrified

railway land and transfer trains from the existing corridor to the DFC. The lines will be one-dimensional. The sub track structure like formation, bridges etc. fit for running of longer heavier trains will be constructed. Grade separators such as rail overbridges (ROB) and rail under bridges (RUB) at important level crossing gates to avoid any detention to either road or rail traffic, will also be constructed. Crossing sections on double line will be provided at an average distance of 40 km and 10 km on single line stretch. The lines will have higher schedule dimensions (SODs) and maximum moving dimension (MMDs) in order to run wider stock, double stack containers and newly designed wagons so as to have improved payload to tare ratio. Advanced signaling system will facilitate better and efficient operations of trains.

The project

The DFC link would be constructed at a total cost of Rs 28,179 crore for the two corridors: Rs 16,592 crore for the western corridor and Rs 11,587 crore for the eastern corridor. The projects are expected to be commissioned by 2015 or 2016. The eastern corridor link would be from Ludhiana in Punjab to Dankuni (near Kolkata) in West Bengal via Sonnagar, Mughalsarai, Allahabad and Khurja covering the states of Punjab, Haryana, UP, Bihar, Jharkhand and West Bengal. While the western corridor route would be from Dadri in Uttar Pradesh to Jawaharlal Nehru Port in Navi Mumbai via Ahmedabad, Palanpur, Rewari and Tuglakabad (Delhi) covering the states of UP, Delhi, Haryana, Rajasthan, Gujarat and Maharashtra.

The length of the western corridor is projected at 1,483 km while the total eastern stretch would be around 1,804 km covering three states: Uttar Pradesh (1,002km), followed by Gujarat (565km) and Rajasthan (553km). Funding for the project would be made from Japan International Cooperation Agency, Asian Development Bank, World Bank and others.

Work so far has begun on some part in the western corridor near Surat. The work, primarily comprising civil engineering works such as earth work, constructing bridges and station buildings, has also been undertaken in the easten corridor on the 105-km line between New Karwandia to New Ganjkwaja on Sonnagar-Mughalsarai section, of which 76 km falls in Bihar and 29 km in the state of UP, at a cost of Rs 781.06 crore. The proposed line will run parallel to the existing IR track from New Karwandia to Durgauati station. There are 23 major bridges, 182 minor bridges and 28 RUBs in this section.

Business plan

In concurrence with providing seamless running space to Indian Railways freight trains, DFC lays emphasis in making the project commercially viable. This is to ensure maximum return on investment for creation of the project. Overall, it lays total emphasis in making the infrastructure attractive for end users.

According to V K Pandey, deputy general manager, Operations and Business Development, DFFCIL, "our foremost emphasis as a greater part of our business plan is to make the facility attractive for the end users, by providing the requisite infrastructure in place for running seamless freight services from the

Upgraded Dimensions Of DFC

Feature	Existing	On DFC
Moving Dimensions		
Height	4.265 m	7.1 m for western 5.1 m for eastern
Width	3,200 m	3,660 m
Container Stack	Single Stack	Double Stack
Train length	700 m	1500 m
Train Load	4,000 ton	15,000 ton

Source: http://dfccil.org

"Land acquisition is the most significant challenge, which could delay project implementation. Shortage of trained engineers and suppliers is another impediment, global financial services provider BNP Paribas says in a report."

Free space: *Land acquisition for laying tracks parallel to the existing ones could throw up a puzzle.*

point of cargo origin to destination points. As this would allow users to reduce their unit cost in transporting the cargo and as a consequence reap commercial benefits in a large way." He further informs, "Providing commercial benefits to the users is of importance since no subsidy element would be involved on the part of DFC to the users."

DFC would assure its users, mainly comprising Indian Railways, Concor and private container operators, of sustained reliability of its infrastructure, which in turn would help them guarantee timely services to their customers. Additionally, it would provide rail operators, both government and private, liberty to market the facility. Since its revenue model is primarily based on collecting access charges from its users, it will actively promote the initiatives that ensure incremental traffic and optimum utilisation of the infrastructure.

Further, to provide cargo back-up support to the network and making the project commercially viable, DFC would create cargo aggregation points, essentially in terms of creating multimodal logistics parks, container rail terminals, warehouses etc. These efforts, apart from providing revenue support to the DFC, would also ensure the optimum utilisation of the the railway corridors.

As of now, DFCCIL has decided to build two multimodal logistics parks, one each at Kanpur and Ludhiana on the eastern corridor. It also has plans to build six logistics parks one each at Navi Mumbai, Wapi, Palanpur, Rewari, Vadodara and Ahmedabad. The logistics parks are expected to be built at a sum of Rs 200- 500 crores through public private partnership. Land for the parks would be provided by the states. Land acquisition for the DFC project is under process.

DFC, with its long corridors supported by the railway's existing feeder network, would play key role in the economic development of the nation.

The eastern corridor would facilitate the movement of not only exim cargo from north India that is destined to southeast Asia, but also cargo for domestic consumption through Kolkata and Haldia ports.

Also, it would facilitate the movement of coal traffic required by power plants to feed power-starved north India. Additionally, it would move steel traffic and other engineering items for industrial consumption in the northern India hinterland from east. On the other hand, the western link would help in moving northern container cargo through JNPT, MBPT or Mundra Port. It would also help in the transportation of petroleum, cement, fertilizer, steel etc. from north India for the consumption in western India hinterland as well.

The DFFCIL mega project and the business plan involved sounds quite impressive owing to its dimensional enormity, not heard before in logistics parlance in India. However, there are some critical challenges that need to be addressed.

They include decongestion of the heavily saturated feeder route that is connected to the main GQ link, the issue of ever-increasing haulage charges by the railways on the container rail operators, availability of land for setting up of ICDs and CFSs and providing cargo support to railway freight terminals.

All this would go on to make the mega connectivity project complete both in terms of creation and its subsequent operations. MG

Facility Features

Total Land Area	: 2.62 acres
Built-up area	: 100,000 sq ft
Storage capacity	: 7,000 pellets
Types of storage	: High value storage and temperature controlled storage
Stack and pick	: Very Narrow Aisle (VNA) G+7 Turret Truck Stock Picker

Contract Logistics

FSL Enters the Fray

In these trying times every organisation is vying to enhance cost savings through improved efficiency and better utilisation of resources. This is an ideal time for all corporations to have a relook at their logistics processes and many, in fact, are considering outsourcing their non-core activities like logistics to specialised service providers.

Moving ahead to leverage on this scenario, Dubai-based Freight Systems Group, with offices in 18 cities in India, has launched its contract logistics and supply chain division – LogEx – in Chennai to cater to the needs of the trade. It has established a state-of-the-art warehousing facility aimed at bringing greater efficiencies into its clients' supply chains and enabling it to provide cost-effective solutions.

"Warehousing & Distribution is a natural forward integration for FSL as this enables us to participate in every aspect of the customers supply Chain," says Manu R Bhalla, director, Freight Systems. "With the Launch of FSL's new Supply Chain Division LogEx, we will be better placed to close the loop of Global Supply Chains, right from the manufacturing facility to end users," adds Bhalla.

Explaining the immense benefits of the facility to the customers, Bhalla says that customers will be able to access the most advanced features, technology and processes deployed at their state-of-the-art Warehousing & Distribution Centre. With the huge scale of operations, customers will benefit from greater cost-effectiveness, efficiency and faster turnaround times. He says, "What we have found is that many enterprises use up key resources in non-core activities. Such organisations should consider outsourcing their logistics activities to professional 3 PL & 4 PL players like Freight Systems. This will allow them to free up key resources and thereby bring greater efficiency and productivity which will help improve bottom lines."

With the foray of LogEx into the contract logistics space, he foresees the company to grow through both organic and inorganic expansion opportunities. "In an industry like logistics these decisions have always been governed by the needs of the trade and it is our promise to continue to deliver value and exceed customer's expectations at all times," signs off Bhalla. MG

INTERNATIONAL

Captured PIRATES Pose Legal Snag

As navies from around the world confront Somali gangs off the Horn of Africa, a small legal issue is turning into a major problem for the mission and the governments involved: what to do with the captured pirates?

After chasing and detaining the suspects of pirate attacks, counties are unclear about the next step. Many western governments are reluctant to bring suspects into their own countries, lacking the jurisdiction to do so or fearing the Somalis might try to claim asylum. Lawless Somalia is unlikely to give them a free and fair trial. Some forces simply set them free again.

For instance, confusion prevails over the trial of Abduwali Abdukhadir Muse, the sole surviving accused pirate from the foiled bid to hijack the huge US container ship Maersk Alabama, thanks to the language barrier and doubts if he is a juvenile. The trial has also raised legal questions about whether the US is going too far in trying to make an example of someone so young.

FBI agents escort Somalian alleged pirate Muse in New York.

Trying to solve the problem, the European Union, the US and a growing number of other pirate hunters have started outsourcing trial and prosecution to Somalia's neighbour, Kenya.

But Kenya, with an eye on its volatile neighbour, has made clear it cannot take all Somali suspects. There is already one German lawsuit challenging the Kenyan arrangement. Some lawyers say governments have got into a legal experiment that lays them open to compensation claims and raises questions about the maritime operation itself.

Maritime experts believe that successful prosecution will somewhat deter pirates, who pay attention to legal developments. But human rights activists question Kenya's suitability.

German lawyer Oliver Wallasch, whose links with human rights groups led him to represent a Somali caught by German forces and shipped to Kenya, said he should be tried in Germany.

"When I hear, oh but then they'll ask for asylum – so what! If Germany takes on the task of playing police down there, then it should also be able to cope with asylum requests from five Somalis," he said.

Whatever the result of the talks and legal tussles, lawyers, military officials and maritime experts agree that ultimately, none of this will solve the piracy problem. As Cyrus Mody, a piracy expert for the International Maritime Bureau, puts it: "At the end we all know that the problem lies with Somalia and its lack of a rule of law." *-Reuters*

Dubai Maritime

Exchanging Expertise

Dubai Maritime City Authority and Arab Sea Ports Federation (ASPF) signed a memorandum of understanding to identify and capitalise on joint opportunities for cooperation and mutual growth between the two parties.

The maritime bodies decided to set up a mechanism to ensure full capitalisation by ASPF of Emirates International Maritime Academy's offering, whereby the Academy will send details of its experts and trainers to the Federation, which in turn will share them with the different members.

In addition, the Academy will continuously update ASPF and its members on its course offerings and programmes. Commenting on the occasion, Abdulla Al Hayyas, Senior Manager - Emirates International Maritime Academy and Dubai Maritime City Campus, said: “Our partnership with the Arab Sea Ports Federation is an integral part of Dubai Maritime City Authority's programme to engage in long-term business relationships with leading regional and international maritime institutions and help expand our relationships and presence across the Arab world, especially within key maritime centres of the region.”

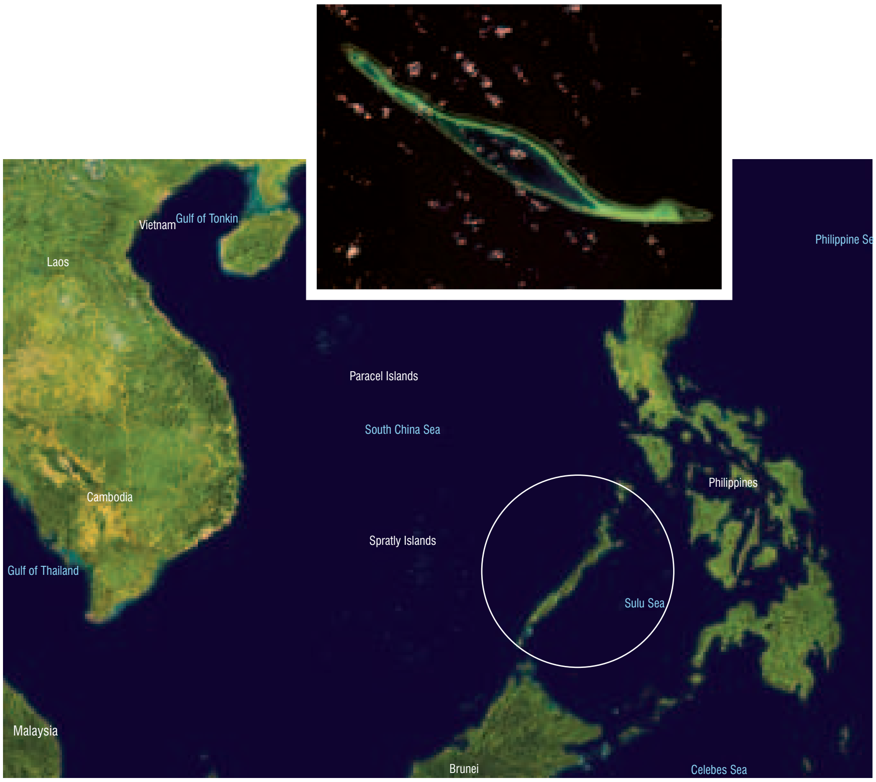


Photo: Wikimedia

Conflict Amid Crisis

Economic instability could arouse feelings of one-upmanship if the contention over maritime boundaries in Asia or sovereignty over islands is any indication. Simmering conflicts should lead to a compromise even before they can be allowed to snowball into contentious issues, say experts. But as history shows, issues are solved only with time and a clear resolve. A **Maritime Gateway** report.

The global economic crisis that has hit east Asian economies is now arousing the dormant geopolitical row. Thanks to the slump in trade, marine territorial disputes and sovereignty issues are getting aggravated in the region. The latest fallout involves China and its littoral neighbours Malaysia, the Philippines, Taiwan, Vietnam and Brunei over the Spratly islands – a group of more than 650 reefs that are rich in fishery resources and oil and gas reserves.

China has warned these neighbours to stay off disputed islands in the South China Sea, telling the United Nations it holds 'indisputable sovereignty' over the waters that are an arena for rising regional tension.

However, the international law governing sovereignty disputes differs from that about maritime boundaries, Daniel J Dzurek, president of the International Boundary Consultants tells *Maritime Gateway*.

Yet, the year 2009 will go down in history as a watershed for the expansion of China's global clout, writes Willy Lam in The Wall Street Journal Business. "This has been made possible by not only China's fast-growing economic and military might but also the decline of America's international influence in the wake of the Iraq war and the meltdown of its financial institutions," Lam adds.

Chinese Foreign Ministry spokesman Ma Zhaoxu said his government made a submission to the UN asserting that Beijing will not tolerate other countries claiming the islands, which lie near vital shipping lanes and which some believe may be rich in oil and gas.

"China will continue protecting its maritime rights and interests based on its consistent position and stance," said Ma, adding that Beijing was open to negotiations on sea boundaries. Ma's statement marked no change in China's general stance on the islands, including what Beijing calls the Nansha and Xisha islands, also called the Spratly and Paracel islands.

According to Daniel Dzurek, island sovereignty disputes are many and long-standing. "China and Vietnam date their claims to most of the islands in the South China Sea back centuries, but the dispute, which also includes Taiwan, Malaysia, the Philippines, and Brunei, has been active since the 1930s," Lim says. "The United States and Canada have an island dispute that goes back at least a century. Other island disputes have existed for hundreds of years," he adds.

The Spratly row

Though the conflict de-escalated after 1995, it now shows signs of simmering, influenced as it is by economic, strategic and political interests. Commenting on the status of strategic and diplomatic status quo in the region, Ralf Emmers of the Institute of Defence and Strategic Studies, Nanyang Technological University says, "in the short to medium term, an armed conflict seems unlikely although risks exist of miscalculations or accidents that could lead to limited confrontation." In his research paper on the maritime disputes in the South China Sea, he says, "in the longer run, however, the maritime disputes could become a military threat and a primary security concern in Southeast Asia if China, or to a lesser extent the other parties involved, significantly increase their power projection capabilities."

Meanwhile, the UN Commission on the Limits of the Continental Shelf is taking submissions in an effort to clarify the outer limits of states' sea claims when the continental shelf – one marker used for such claims – extends more than 200 nautical miles beyond a baseline, such as their coasts. Often these claims overlap and clash with other maritime claims.

Vietnam has also recently pressed its claims over the South China Sea islands and in March the Philippines signed a law laying claim to part of the Spratlys. In March, too, Malaysia's prime minister landed on parts of the Spratly archipelago to assert his country's claim.

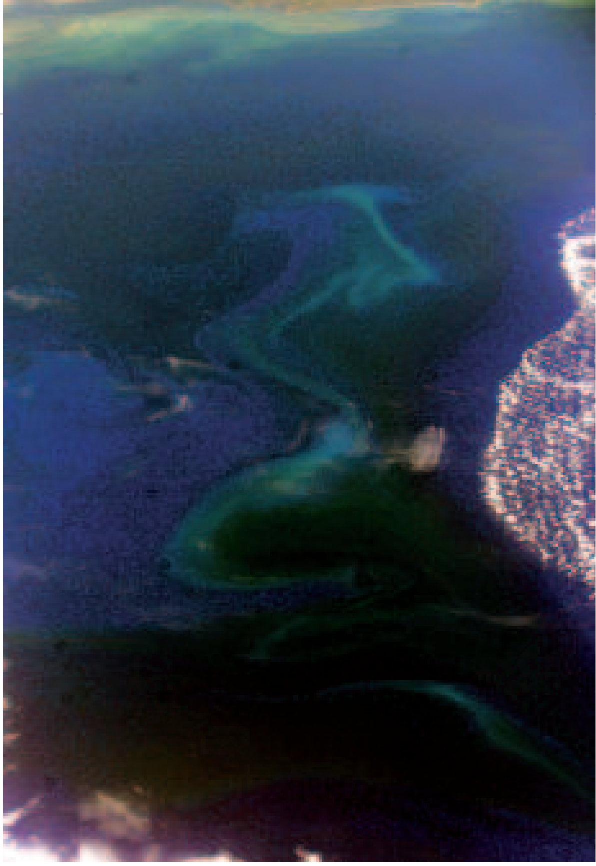
The South China Sea is the shortest route between the Pacific and Indian oceans, and has some of the world's busiest shipping lanes. Chinese ships have also recently jostled US navy ships in waters of its coast, warning Washington not to operate vessels in the seas Beijing says are part of its exclusive zone.

Indo-Bangla contention

Bangladesh has decided to seek UN intervention for settlement of its maritime boundary issue with India and Myanmar as its planned attempt for hydrocarbon exploration in Bay of Bengal were foiled by overlapping claims from New Delhi and Yangon.

"We are making preparations to put forward our objection at the UN by June to Myanmar's claim and by November to India's claim in the Bay of Bengal," an official said. Bangladesh is preparing its case for extraction of marine resources, especially gas exploration, in the upper reaches of the Bay of Bengal. While Myanmar has already submitted its claim on maritime delimitation to the Commission on the Limits of the Continental Shelf, a UN body, to deal with the law of the sea, India will be doing so soon.

Earlier this year, the Kenyan and Somali governments signed a memorandum of understanding on their maritime boundary that involves delimitation of their maritime boundaries for their territorial sea, exclusive economic zone and continental shelves by means of an agreement in order to achieve an equitable solution.



Jagged geopolitics: *Maritime boundary disputes are here to stay.*

The resolve

Factors such as territory, natural resources and power competition all impact on disputes and broader regional relations. "It is precisely the interplay of these geopolitical forces that can lead to the rapid escalation of a maritime territorial dispute or reversely to a diffusion of tensions," examines Ralf Emmers in his book *Geopolitics and Maritime Territorial Disputes in East Asia*.

The international law governing sovereignty disputes differs from that about maritime boundaries.

Sensing the growing geopolitical conflicts, maritime experts suggest territorial disputes should be resolved first before the exploration and exploitation of living and non-living resources can start. But again, in the pretext of the crisis, do nations really have the resolve to resolve issues? MG

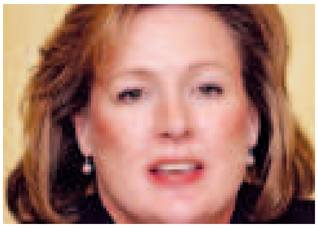
"Maritime boundary disputes are more recent, because extended jurisdiction (beyond the territorial sea) only dates to the 1940s. There are hundreds of maritime boundary disputes, and it will take a very long time to settle all of them."

- Daniel J Dzurek,
President, International Boundary Consultants

PEOPLE

Castrol MD quits

Naveen Kumar Kshatriya, the managing director of Castrol India Ltd. has resigned. The company, in a press release said that Kshatriya post his resignation has been nominated by Castrol Ltd. UK under the provisions of the Articles of Association of the Company, as the non-executive vice-chairman of the company.



Linda leaves Shell

Royal Dutch Shell Plc said Linda Cook was stepping down as the executive director of the oil group's gas and power division, after she lost out in the race to become Shell's new chief executive. The world's second-largest non-government controlled oil company by market value said in a statement that Cook, 50, is resigning as a director after 29 years with the company. The decision was by mutual agreement, a spokesman said.

The move likely reflects the desire of the incoming CEO, Peter Voser, the current chief financial officer, to shape a new team.

ENTRY

Sorensen exits APM

Financial chief Søren Thorup Sørensen resigns from AP Møller-Maersk at a crucial time in maritime sector, troubled with continuing organisational upheaval and financial losses. He joined APM in July 2006 as the group CFO and after almost three years, he quits, to protect himself from "the heavy work load that has been damaging his health".

The group's container unit, Maersk Line, ran up US$ 559 million in net losses in 1Q 09, from US$ 80 million in profits in the same period last year. The liner operator had losses of 14 per cent in freight volumes and a 24 per cent decline in average freight rates during the quarter.

EXIT

Kathrine joins Tankers board

Kathrine Fredriksen, the director of Frontline Corporate Services, has joined the board of Independent Tankers Corporation, following the resignation of Ajay Khandelwal, a director since January 2008. She is the daughter of John Fredriksen, the shipping magnate who is the largest shareholder of Norwegian tanker operator Frontline.

Vikas Khan steps down

Vikas Khan has resigned as chairman and chief executive of Emirates Shipping. His role as chief executive has already been taken over by Romi Kaushal, while with effect from May, his chairmanship role will be passed over to TS Chen, founder of TS Lines.

Khan will remain on the board of directors concentrating on strategic manoeuvring and alliances and arrangements that will help the company through the coming storm. Khan will focus more on strategy and by stepping down as a CEO he will be able to keep ESL above water.

TECHNOLOGY

Guiding Vessels

The phenomenal growth in world trade over the decades has induced more ships to venture into international waters and increase the number of calls at each of the world's ports. With such growth in vessel traffic, it has become a basic necessity for every port to have an advanced and robust vessel traffic management system.

by ***Cormac Gebruers and Ruslan Kravchenko***

A vessel traffic management and information system (VTMIS) is a comprehensive network of sensors, information processing technologies, display systems and trained operators that together provide support to ships navigating in busy or dangerous waters. VTMIS is a bit like air traffic control, but does not stretch the analogy too far. There are many important differences.

A typical VTMIS consists of radars, AIS transponders (a black box vessel tracking system), meteorology sensors, CCTV and so on, that are connected (often via a complex IT network that can include fibre, wireless and satellite connections) to an information processing and distribution system. At the heart of the system is powerful and sophisticated VTMIS software, for instance the Navi-Harbour VTMIS software written by Transas. This 'software brain' controls, manages, interprets and processes the sensor data. It provides a visual representation of the maritime navigation situation to VTMIS operators – either locally or remotely. The operators are situated in VTMIS centres where they monitor the movement of vessels and advise or instruct those vessels about the navigation situation such as the proximity of other ships or dangers, the weather situation and so on. These systems can range from single sensor, single centre systems to large-scale multi-sensor multi-site systems like Cochin VTMIS.

VTMIS systems have evolved over the years and there is a bewildering array of different configurations possible depending on the area, the functional requirements and so on. There are three general categories of VTMIS that are officially defined by the international maritime community. These systems are described in a series of documents produced by IALA – the International Association of Lighthouse Authorities, for example IALA v-128 'Operational and Technical Performance Requirements for VTS Equipment'. The systems are categorised in terms of the services they deliver to shipping and are named 'Information Service', 'Traffic Organisation Service' and 'Navigation Assistance Service'. Transas supplies all of these categories of VTMIS.

"A VTMIS provides three principal advantages to a port: enhances safety, provides additional security and brings operational efficiencies. An effective VTMIS gives the port a complete overview of what is happening in the port."

Benefits to a port

A VTMIS provides three principal advantages to a port: enhances safety, provides additional security and brings operational efficiencies. A VTMIS system will regularly prevent potentially dangerous situations developing in or near a port. For example, if a ship is drifting too close to a danger such as a submerged rock, the VTMIS system will alert the VTS operator who will then advise the vessel of the developing situation. In poor visibility or at night, a VTMIS ensures order and that a safe situation exists between all vessels navigating in or near the port.

An effective VTMIS gives the port a complete overview of what is happening in the premises. It can be used to detect and track unusual activity, to monitor remote areas and to track assets and personnel. It provides the port with the information needed to undertake powerful forward planning. For example, vessel arrivals can be scheduled (because they are tracked from significant distance out from the port) thus avoiding waiting or delays, pilots and tugs can be effectively fostered, berths allocated and so on. Increasingly VTMIS systems include tight integration to port finance and accounting systems. Automated invoicing etc. can therefore be carried out.

Software brain: *VTMIS controls, manages, interprets and processes sensor data.*

The Cochin experience

Delivery of a tool to increase efficiency, safety of navigation and traffic management was the next step on the way to achieving excellence by the management of Cochin Port Trust. The project is the result of a recent initiative to implement an Enterprise Resource Planning (ERP) programme known as 'E-Thuramukham'. During the tendering process, Transas was able to offer a turnkey VTMS solution that was in full and complete compliance with the terms of the tender and international guidelines for port VTMS. The solution offered had functionality beyond the requirements of the original tender and more significantly, was designed to facilitate future expansion and fully upgradable to meet future port requirements.

A unique type of coastal radar with a 19-foot antenna was installed on top

Men at work: *VTMIS system prevents potentially dangerous situations developing in or near a port.*

of a radar tower constructed in Puthuvypeen to monitor and control approaching traffic. Additional radar was also installed on top of an administrative building for better tracking in the immediate area surrounding the port. All information is now provided at the administrative building via three operators with four other stations provided to representatives of Cochin Port management. Cochin VTMS includes a number of hardware and software elements that have been carefully designed, constructed and combined to provide a robust reliable system that exhibits cutting-edge performance. VTMS at Cochin Port is built on the philosophy of using commercial off-the-shelf components that includes appropriate, state-of-the-art, custom-made hardware and software designed specifically to meet the demands of a mission critical marine VTMS. The system also includes Transas's tested and proven Navi-Harbour software, and the powerful ORS3 radar processor system. Transas Navi-Harbour and the ORS3 system are currently being used by more than 100 authorities, ports and harbours around the world.

After-sales warranty and a five-year post-warranty maintenance service will be provided through the local Indian company Elcome Marine Services Pvt. Ltd. This arrangement will provide significant piece of mind for Cochin Port Trust by enabling them to plan their maintenance budgets with certainty, while ensuring they have a reliable system, which through regular upgrades, will continue to be state-of-the-art for many years to come.

In addition to Cochin Port Trust, Transas supplied a number of systems in India to Hazira Port Pvt. Ltd., Kakinada Seaports Ltd., Tuticorin Port Trust, Gujarat Adani Port Ltd. and Kawar Port Trust.

Global competition

Competition in the VTMIS marketplace is intense with over 30 companies operating internationally. However, Transas is considered one of the principle players in this domain. Besides VTMIS systems, Transas also supplies some of the world's leading ship-borne navigation systems like ECDIS and radar, and is perhaps the world's best known maritime training simulation provider.

Transas VTMIS has many advantages over competitor offerings – many are technical in nature i.e. the ability of their systems to identify and track hard to see targets even in poor sea conditions. Transas VTMS is acknowledged as having the most effective multi-sensor integration and tracking (e.g. determining that an AIS and radar target are the same vessel), and the best multi-radar integration (creating a single coherent radar picture from different radars) available in the industry today. When combined with the Transas TX-97 marine vector charts, the result is a precise operator display that presents accurate and real-time situational awareness in the VTMS centre. Transas is fast becoming the provider of choice for ports who seek high-quality, cost-effective VTMS. The success of recent VTMS installations such as Aberdeen, United Kingdom, Fremantle Ports, Australia, and larger national scale systems including the recently completed Malta National VTMIS System, are testaments to the company's focus on delivering exactly what the customer wants.

Perhaps the single biggest difference between Transas and its competitors however is commitment that Transas has towards its customers. Transas has an enviable record of customer loyalty in all our business areas – VTMIS, Navigation and Simulation. It considers a sale as the beginning of a long-term relationship with a customer. This belief is reflected in many ways; the approach it takes to technical support, service, upgrades and ensuring that its customers are happy. For the past 17 years this approach has served it well and allowed Transas become a world leader in maritime navigation and one of the best brands in the business. It has always set the standard and let's hope it will continue to do so. MG

Cormac Gebruers *is International Sales Manager, Shore Based & Offshore Systems of Transas Ltd. and*

Ruslan Kravchenko *is Sales Director, VTS and Simulation, Transas Marine Pacific Pte Ltd.*

Tax clearance for FSC

Practical Challenges

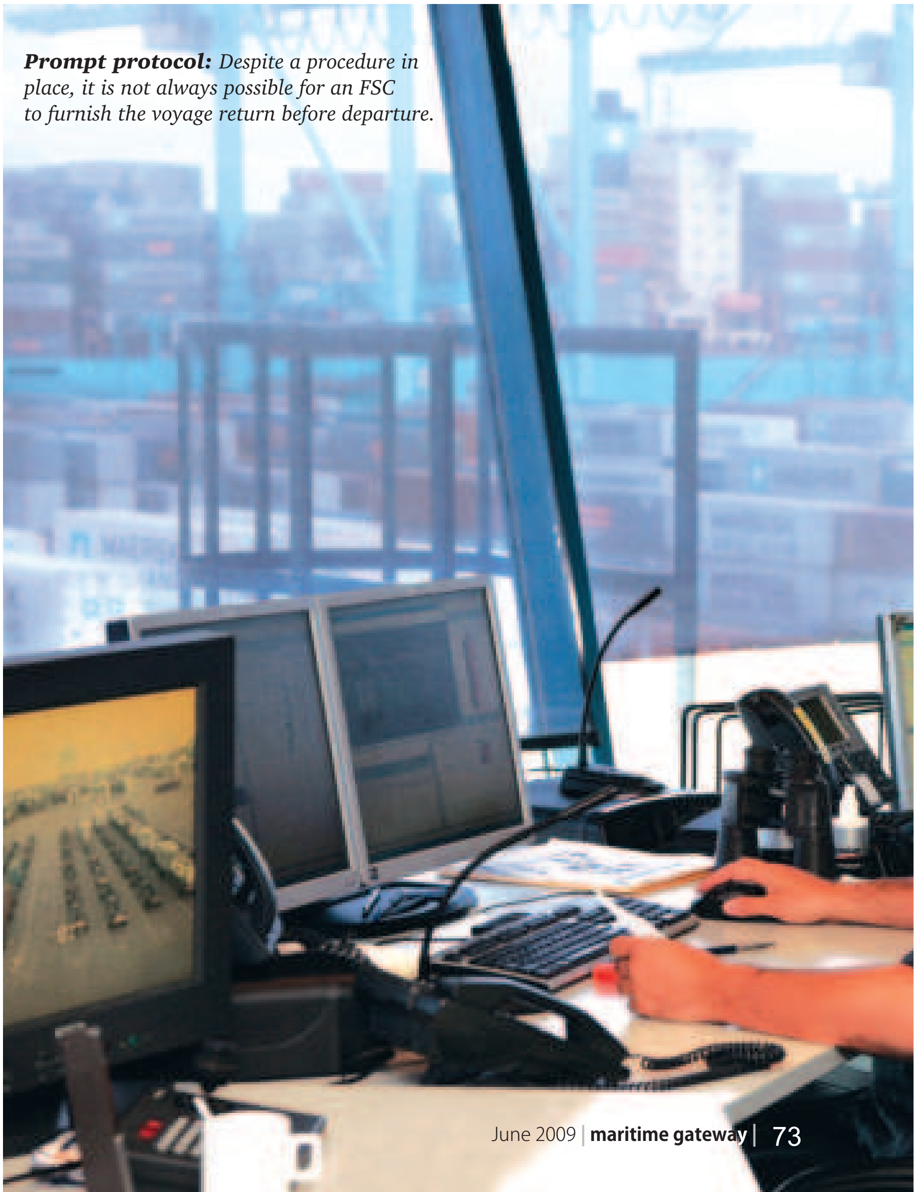
In the previous edition, the authors discussed the taxability of Inland Haulage Charges and other incidental income, in the backdrop of some recent developments. In this article, they look at certain procedures required to be followed by Foreign Shipping Companies (FSC) under the Income Tax Act, 1961 (IT Act) and the practical challenges faced by them in this regard.

by ***Girish Mistry and Nikhil Rohera***

One of the peculiar features of foreign shipping industry in India is that their day-to-day running of business is dependent on tax clearances such as the Port Clearance Certificate (IT-PCC). As such, any delay in obtaining the IT-PCC can increase the ship turnaround time and costs and, consequently, can impact the smooth business operations of FSC in India as well as globally. Therefore, it is imperative for all FSC to obtain necessary and timely clearances from tax authorities to enable smooth sailing of their vessels out of India.

It may be noted that once a vessel is allowed to sail out of India, the ability of tax authorities to collect tax from FSC is limited. Hence, to ensure collection of tax revenues, Sections 44B and 172 of the IT Act provide for taxability of FSC. The procedure for obtaining tax clearances is prescribed in Section 172 which applies to FSC engaged in 'occasional' shipping business. However, FSC which are governed by Section 44B are also required to follow the same procedure of obtaining tax clearances as prescribed in Section 172; although, Section 44B which governs regular FSC does not lay down any such procedures.

There are several practical challenges that come along with such clearance procedures especially for such regular FSC, some of which are discussed herein below:



Prompt protocol: *Despite a procedure in place, it is not always possible for an FSC to furnish the voyage return before departure.*

Smooth sail: Timely clearances from tax authorities enable easy exit of FSCs.

> FSC engaged in 'regular' shipping business can be brought on par with other non-resident companies doing other businesses in India.

Clearance procedures under Section 172

- *Voyage-wise IT-PCC from Income Tax Officer (ITO)*

  The vessels of FSC calling upon Indian ports obtain IT-PCC from the ITO having jurisdiction over the Indian port where the vessels call. Based on such certificate, the Port Customs Authorities issue the Customs Port Clearance Certificate (Customs-PCC).

  An IT-PCC is granted to FSC by the ITO only if he / she is satisfied that either the tax assessable under Section 172 has been duly paid or satisfactory arrangement for payment of tax has been made.

- *Procedure practically followed by all FSC*

  Step I: Before arrival of ship at Indian port, an application is filed by FSC / their Indian agents with the ITO (having jurisdiction over concerned port) requesting for grant of vessel voyage IT-PCC. Along with this application, certain documents viz. Charter Party Agreement and Ship Registration Certificate of ship, guarantees towards satisfactory arrangement for payment of taxes etc. are also enclosed. An undertaking is also provided to file vessel voyage return within 30 days of departure of ship and make payment of tax, if applicable.

  Step II: On the basis of this application and supporting documents, a vessel voyage IT-PCC is granted by the ITO.

  Step III: The above IT-PCC is submitted to Port Customs Authorities, which in turn, grant a Customs-PCC to the vessel allowing it to sail out of India.

  Step IV: Within 30 days of departure of ship from Indian port, a vessel voyage return along with tax payment evidence, if any, is filed under Section 172(3) of the IT Act with the concerned ITO.

- *Filing of vessel voyage return*

  As per Section 172(3), the Master of Ship is required to file a voyage return of the full amount paid or payable to owner or charterer or any person on his behalf on account of carriage of all passengers, livestock, mail or goods shipped at that port since the last arrival of ship. Generally, voyage return needs to be filed before departure of ship from Indian port.

  However, practically, it is often seen that where the ITO is satisfied that it is not possible for the Master of Ship to furnish the voyage return before departure of ship and if the Master has made satisfactory arrangements for filing of voyage return and payment of tax by any other person on his behalf (say, the Indian agent), then the ITO deems the voyage return filed within 30 days of departure of ship as a sufficient compliance.

Practical difficulties faced by FSC

- *Procedures prescribed under Section 172 also applicable to FSC engaged in the business of shipping regularly*

  Section 172 applies only to FSC engaged in 'occasional' shipping business. However, it is seen that FSC engaged in 'regular' shipping business (i.e. governed by Section 44B) are also required to comply with above clearance procedures prescribed under Section 172. Consequently, all FSC are required to file vessel voyage returns at different ports after every voyage. These vessel voyage returns are, thereafter, assessable to tax by the different ITOs at respective port jurisdictions.

  It is pertinent to note that FSC engaged in 'regular' shipping business are also required to file an Annual Return of Income under Section 139 of the IT Act in respect of their total freight collections from all Indian ports with their jurisdictional Assessing Officer. As such, the all-India freight income disclosed in this Annual Return of Income is assessable to tax with the jurisdictional Assessing Officer.

Since, all-India income is assessable with the jurisdictional Assessing Officer, filing of vessel voyage returns at various ports results in multiplicity of assessments as freight collections can also be assessed voyage-wise by the ITOs at various port jurisdictions.

- *Different procedures followed by ITOs at each port jurisdiction for granting IT-PCC*

Circular No. 732 dated December 20, 1995 issued by the Central Board of Direct Taxes (CBDT) has empowered the ITOs to grant an Annual no Objection Certificate (NOC) where freight income is not taxable in India under the provisions of the concerned Double Taxation Avoidance Agreement ('Tax Treaty'). However, it is seen that instead of an Annual NOC, another certificate, popularly called the Double Income-tax Relief (DIT Relief) Certificate, is issued to the FSC.

The DIT Relief Certificate is a certificate similar to an Annual NOC and provides that freight income of FSC is fully / partly exempt from tax in India having regard to the specific provisions of the relevant Tax Treaty. However, unlike in case of Annual NOC, in case of a DIT Relief Certificate, the FSC or their Indian agents do need to obtain vessel voyage IT-PCC before every voyage.

- *Format of DIT Relief Certificate*

There is no legally prescribed format of DIT Relief Certificate and, therefore, there is no uniformity in the format of DIT Relief Certificate issued at different port locations. In some cases, a blanket DIT Relief Certificate is granted which provides that shipping profits of a FSC are exempt from tax in India having regard to specific provisions of relevant Tax Treaty. In other cases, a list of vessels owned / chartered / pooled by FSC that are likely to call Indian ports are mentioned and freight income derived only on these vessels is exempted from tax in India. In the latter case, approaching the ITO time and again becomes unavoidable, as it may not be possible for FSC to include all its vessels in the initial application at one go owing to undetermined vessel sailing schedules.

Needless to mention that if specific vessels are not included in the DIT Relief Certificate, then freight income derived from carriage of cargo on such vessels can be held to be taxable in India and the FSC may be required to either pay tax or furnish appropriate guarantees till such time vessels are included in the DIT Relief Certificate.

Need for streamlining procedural compliance aspects

The shipping industry in India has been sailing through rough weathers owing to global economic slowdown and falling freight rates. To add to the woes, FSC (especially, those engaged in regular shipping business) are required to comply with the above procedural requirements, the non-compliance of which adversely impacts their business operations in India.

It is the desperate need of the hour that appropriate amendments are made in the regulations to eliminate or dilute the above practical challenges faced by FSC at the ground level, e.g. FSC engaged in 'regular' shipping business could be exempted from such clearance procedures viz. obtaining vessel voyage IT-PCC and filing vessel voyage returns, and such a requirement could be restricted only to FSC engaged in 'occasional' shipping business. The objective should be to bring the FSC engaged in 'regular' shipping business at par with other non-resident companies doing other businesses in India, which are not saddled with onerous compliances for doing business in India.

Moreover, there is no reason why there should be any discrimination against FSC engaged in 'regular' shipping business, especially since the Indian Shipping Companies are not burdened with as many clearance procedures for their ships in India.

The results of the elections in India are out and the prospect of political instability has now receded. It is expected that the new Government would fasten the pace of reforms to ensure that the business is carried out smoothly. Given the high level of expectations from the corporate sector, it will be interesting to see how the above onerous clearance procedures for regular and occasional FSC are streamlined in the forthcoming Union Budget of 2009.

In the next article, we will discuss tax holiday benefits to ports, container freight stations and inland container depots under the provisions of IT Act in the backdrop of certain recent developments. MG

Girish Mistry *and* **Nikhil Rohera** *are Executive Director and Associate Director, respectively, of PricewaterhouseCoopers Pvt. Ltd. They can be contacted at girish.mistry@in.pwc.com and nikhil.rohera@in.pwc.com*

EXECUTIVE DIARY

MAY 2009

13-15

LTI (Logistics and Transport India) 2009

At Pragati Maidan, New Delhi

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

www.lti2009.com

JUNE 2009

03-04

7th ASEAN Ports & Shipping

At Shangri La Hotel, Jakarata, Indonesia

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

www.transportevents.com

25-27

FFFAI 19th Biennial Convention

At Park Hyatt Resort & Spa, Goa

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

www.fffai.org

SEPTEMBER 2009

24-26

INMEX India 2009

At Bombay Exhibition Centre, Mumbai

Hundreds of Indian and international manufacturers and suppliers are expected to come together at this business event and exhibtion to form lucrative new partnerships.

www.inmexindia.com

OCTOBER 2009

20-22

India Shipping Summit 2009

At Grant Hyatt, Mumbai

The exhibition and conference will bring together over 500 decision-makers in the maritime sector from around the world to network and discuss the issues of the day.

www.indiashippingsummit.com

EVENTS

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

APR 21-23

Sea Asia 2009
At Singapore

Co-organised by he Singapore Maritime Foundation and Seatrade, the region's leading maritime conference and exhibition will focus on 'The Asian Voice in World Shipping - Clearer and Stronger.'

www.shippingriskandinsurance.com

MAY 20 - MAY 28

Private Equity & Logistics Forum
At Shangai & Mumbai

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

www.seatradeasia-online.com

JULY 10

71st Annual General Meeting of Calcutta Freight Brokers Association
At Kolkata

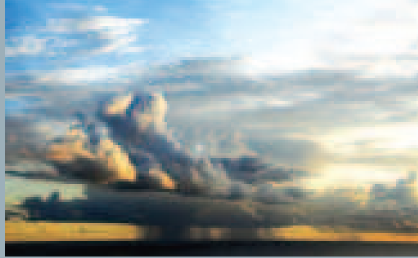
Dignitaries from the shipping industry and CFBA members will attend the AGM. Mukesh Oza, president of Samsara Group will be the chief guest.

SEPT 24-25

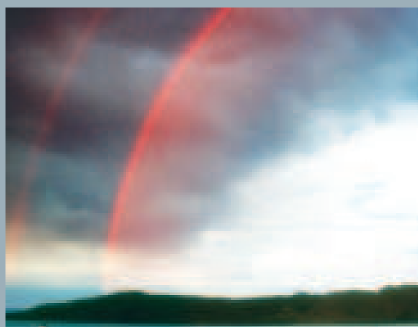
4th Southern Asia Ports, Logistics and Shipping 2009
At Chennai, India

The programme will feature 35 world-class international business leaders who will analyse latest global transport and logistics developments in Southern Asia and the impact on global shipping and trade.

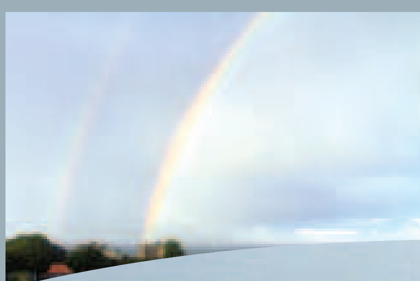
www.transportevents.com



Jendayee



Bill Gracey



Oosp

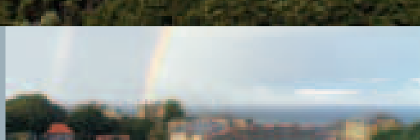
As monsoon sets in, multicoloured arcs are a common sight. Rainbow effect is commonly seen near waterfalls or fountains. But the continuous spectrum of light dispersing in seven colours can form the perfect bow over the sea – an illusory bow to shoot at. As rainbows do not actually exist at a particular spot in the sky, it is rather the observer's location and the sun's position that makes these colours shine through droplets of moisture.

In contrast, moonbows or lunar rainbows are a rare sight when the evening sky is lit up its best. Relatively faint due to smaller amount of light coming from the moon, these lunar bows often appear to be white.

In all, these bows can leave us with a 'haloed' feeling.

The Perfect Bow

Photo: http://www.flickr/photos/stone_scarab



Q MARK

Fact file: Cabotage

Navigation within boundaries, now calls for foreign participation.

1 What is cabotage?

Cabotage refers to the transport of passengers and goods between two points in the same country. Originally starting with shipping, cabotage now also covers aviation, railways and road transport.

2 What is it for?

Many nations have cabotage laws which dictate the terms for carriers to follow when transporting people or materials within their borders. Most countries do not permit cabotage by foreign companies and use cabotage laws to protect their economies and to promote a strong national shipping industry.

3 How cabotage works?

If you board a plane in India which is operated by an Indian airline, the plane will be allowed to fly you to any international airport in the United States. If the plane lands in Chicago but continues towards New York, you can choose to disembark in either city. However, the plane may not take on new passengers in Chicago, because this would violate cabotage laws by transporting passengers domestically within the United States.

6 How the relaxation can work?

A foreign vessel that calls at Nhava Sheva from China with full load, on the return leg is practically empty all the way till China. If cabotage is diluted, she can carry transshipment and domestic boxes from Nhava Sheva to Tuticorin, Cochin or even to Chennai at a low price, while rationalising the freight levels from China.

5 What is the argument?

Several countries like China, Indonesia, Malaysia, and Brazil have significantly modified their cabotage laws to allow transshipment of containers by foreign vessels. Allowing foreign flags to participate in coastal shipping shall cut costs of both coastal and exim cargo without damaging India's national tonnage.

4 What it means to shipping?

In terms of shipping, cabotage laws are very important. In India, cabotage laws are governed by Section 407 and 408 of Merchant Shipping Act, 1958 which states that no ship other than an Indian ship or a ship chartered by a citizen of India shall engage in the coasting trade of India except under a licence granted by the Director-General.

EVENT

Private equity & logistics forum

Investors' day out

The India Supply Chain Council's first summit on private equity in the Logistics sector was successfully concluded in Mumbai recently. The theme being private equity investment in the wider field of logistics and supply chain was apt given the emerging investor interest in deploying capital in the sector and encouraging acceptance on the part of promoters to use external equity capital to drive growth. Over a dozen top executives from funds, logistics companies and advisory firms including AllCargo, TCI, Elbee Express, Innovative B2B, Tuscan Ventures, India Equity Partners, Kotak Private Equity, KPMG and Times Private Treaties delivered power-packed presentations, workshops and brainstorming sessions at the event.

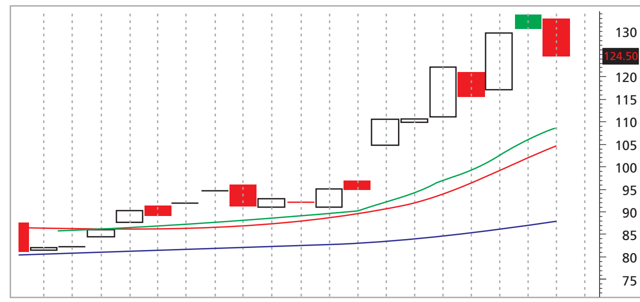
Executives from funding, logistics and advisory firms discuss the emerging trends during India Supply Chain Council's summit in Mumbai.

MARKETS

Shipping Corporation of India

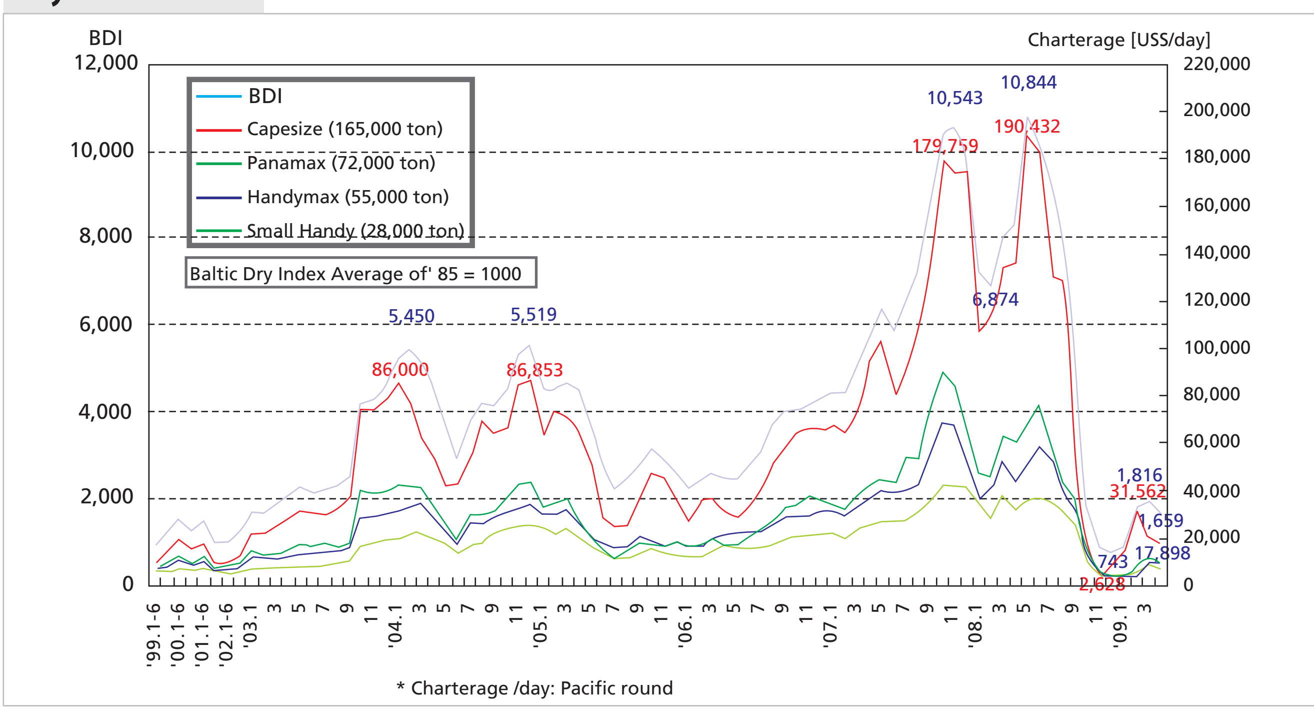
Market Price on May 26, 2009
NSE: Rs 130.75
BSE: Rs 124.35
SCI has made a good rally at the bourses in the 30 days. The stock was trading at around Rs 85 during the end of April and from the mid of May it started its climb. It reached Rs 132 at NSE on May 22 and Rs 130.65 at BSE on May 25 indicating that it has the potential to go up further. While some profit bookings were made at this level, one cannot ignore higher profits in days to come.

During the month of June, this stock is likely to be traded in the price band of Rs 112 to Rs 149. While the resistance levels are likely to be seen at Rs 145.17, the support levels can be expected at Rs 105.70.



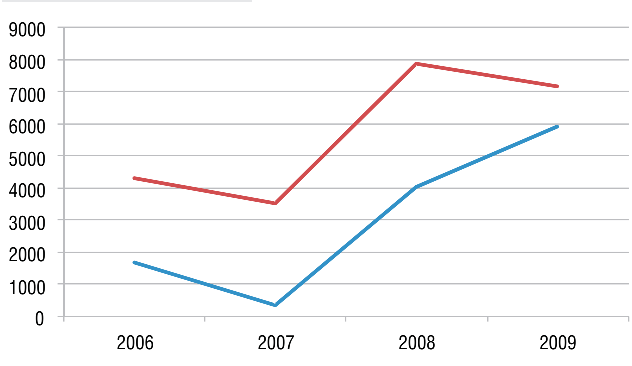
Analysis provided by: Damodar Sai, Expert Advisers, Hyderabad

Dry bulk market



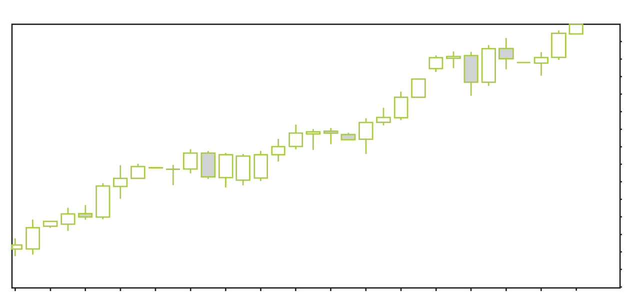
Source: Tramp Data Service

Ship demolition



Source: Drewry Shipping Insight

Crude oil price moment



Crude movement between May 3, 2009 and June 10, 2009. And it stood at US$ 71.51 as on June 10, 2009.

Source: Expert Advisers, Hyderabad