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THE DRY PORT DRIVE

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Interview
**End-to-end
Value Enabler**
L R Sridhar
Managing Director, Sical Logistics

Environment

**Creating a Green
Port Culture**

Technology

PCS: Easing Data Flow

Taxation

DTC: A Welcome Move

Updates

**Priority Demands
Premium**

**Check to Monopoly:
Stalemate Continues**

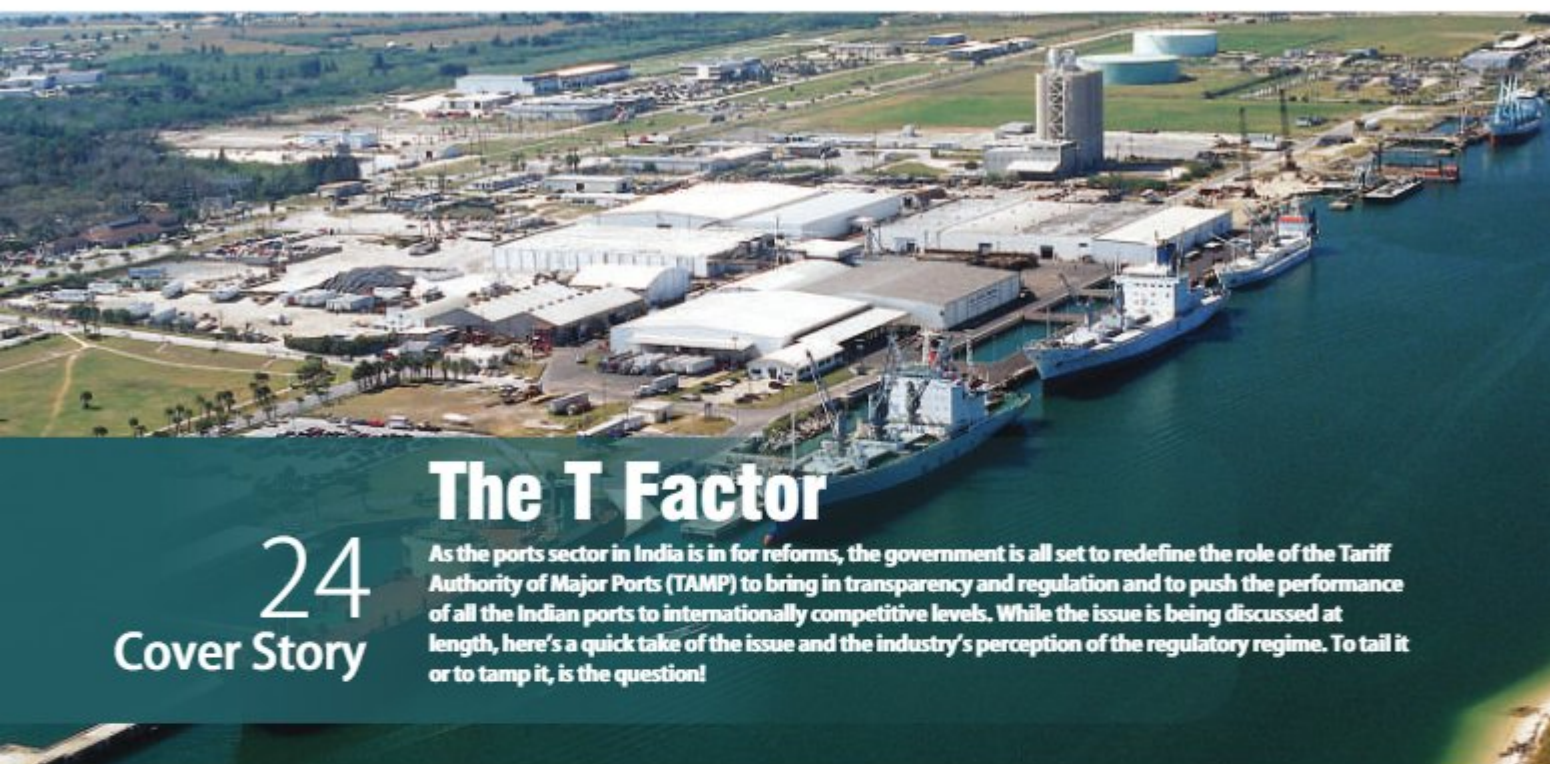
The T Factor

The government is all set to redefine the role of TAMP to bring in transparency and regulation and to push the performance of all the Indian ports to internationally competitive levels.



SICAL

snb:qan



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The T Factor

As the ports sector in India is in for reforms, the government is all set to redefine the role of the Tariff Authority of Major Ports (TAMP) to bring in transparency and regulation and to push the performance of all the Indian ports to internationally competitive levels. While the issue is being discussed at length, here's a quick take of the issue and the industry's perception of the regulatory regime. To tail it or to tamp it, is the question!

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L R Sridhar,
Managing
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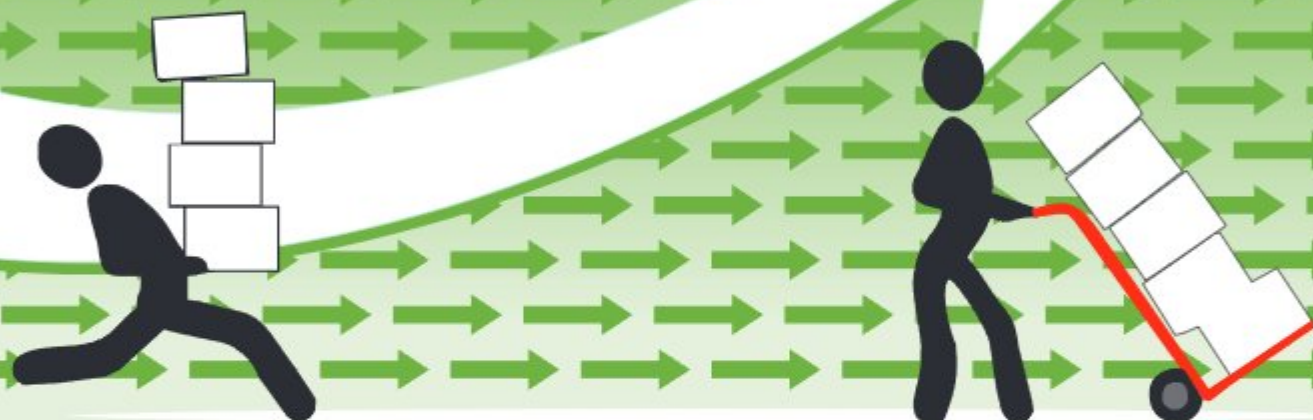
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Executive Diary

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Pro'missing Plans



Plans, policies, projects and promises – the 4Ps keeping the Ministry of Shipping in news of late. The latest plan is to rewrite the National Maritime Development Programme with a newer perspective for major ports. Experts will customarily revisit the plan and suggest flexible if not feasible changes such as new projects and targets to be fulfilled within the 2020 timeline.

Though the intent of the government was to formulate a policy to facilitate enhanced private investment, improve service quality and promote competitiveness, the programme has so far

seen the completion of only 50 projects worth Rs 5,717 crore out of 276 projects envisaged between the review period 2007 and 2012. While an additional capacity of 430.74 million tonnes was planned, only 55.88 million tonnes could be added till March 31, 2010.

Given these facts and the ambitious programme in front, one wonders if the new vision project is a tad higher in expectations in the midst of the ground realities or is it a sheer issue of commitment on the powers that be to work as per plan and deliver. Also, as the industry strongly feels that the policies are actually inhibiting private investment in the sector, should the ministry then involve all the stakeholders, value their views, weigh the options and move forward – a question worth mulling over.

In the wake of the world trade gathering momentum, there is a dire need for India's ports and shipping sectors to brace up to the growing capacity demand. As per the shipping ministry's estimates, ports will have to handle about 1.5 billion tonnes of traffic by the end of the Eleventh Five Year Plan in 2012. And this calls for an additional capacity of 800 million tonnes. But with private investors showing little interest in participating in port projects, will the project kick-start or remain a non-starter is anybody's guess.

An obvious deterrent seems to be the issue of tariff and the authority regulating it. This issue of Maritime Gateway presents a timely report on the TAMP's relevance. Since ports, while playing their role as catalysts of trade, are beset with issues in operations, technology and environment, the edition attempts to address various concerns of the port managements.

As problems arise to eventually get resolved, the government needs to review its 4Ps and pave way for the industry's progress. Without which, the plans shall remain tales of old wine in a new bottle.

Best Regards,

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

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Spicy Exports

The exports of spices and spice products from India have crossed 5,00,000 tonnes for the first time in the history of spice trade. Despite the economic slowdown in major consuming markets, the exports of spices have recorded an all time high both in volume and value in 2009-10.



During 2009-10, a total of 5,02,750 tonnes of spices worth Rs 5,560.50 crore (US\$ 1,173.75 million) were exported from India, as against the last year's figures of 4,70,520 tonnes worth Rs 5,300.25 crore (US\$ 1,168.40 million).

The spices exports during 2009-10 have also exceeded the target both in terms of volume and value. Against the export target of 4,35,000 tonnes valued at Rs 4,500.00 crore (US\$ 1,000.00 million) for the year 2009-10, the exports exceeded the target by 16 per cent in quantity, 24 per cent in value (in dollar terms, the achievement is 17 per cent). Indian spices and spice products reached more than 140 countries in world. Leading among them are USA (16 per cent), Malaysia (8 per cent), China (7 per cent), UAE (6 per cent), and UK (5 per cent). A detailed review on exports of major spices from India during 2009-10 is given below.

Pepper

India has exported a total quantity of 19,750 tonnes of pepper worth Rs 313.93 crore this year, as against 25,250 tonnes valued at Rs 413.74 crore last year, registering a decline of 22 per cent in volume and 24 per cent in value. The export of pepper to major destinations like USA, EU etc. have declined during the year. It is reported that the major US companies are keeping low inventories which resulted in low volume of imports. USA continued as the major market for pepper and has



imported 8,525 tonnes, accounting for 43 per cent of our total export of pepper. The other major buyers are the UK (1,600 tonnes), Canada (895 tonnes), Germany (880 tonnes), Italy, (835 tonnes) and Japan (600 tonnes).

Cardamom (small)

The exports of cardamom (small) from India recorded an all time high in terms of value during the year. India exported 1,975 tonnes of cardamom (small) valued at Rs 165.70 crore as against 750 tonnes valued at Rs 47.27 crore in 2008-09, registering an increase of



163 per cent in volume and 251 per cent in value. The reported decline in supply from Guatemala, the largest supplier, is the major reason for the increase in export of cardamom (small) from India. Saudi Arabia accounts for 1,115 tonnes (56 per cent) of our exports followed by UAE (300 tonnes), Kuwait (85 tonnes), Egypt (75 tonnes) and UK (55 tonnes). Our exports mainly consist of high quality grades like AGEB and AGB to Middle East markets especially to Saudi Arabia. The production of cardamom (small) during 2009-10 was 10,075 tonnes as against last year's production of

11,000 tonnes. Due to the low production in Guatemala, the average export price of cardamom reached Rs 839.00 per kg in 2009-10 from Rs 630.20 per kg in 2008-09.

Chilli

Chilli is the largest spice item exported from India in terms of both volume and value. During 2009-10, Chilli accounted for 41 per cent in volume and 23 per cent in value terms of total exports of spices from India. During the year, India has exported 2,04,000 tonnes of Chilli and Chilli products worth Rs 1,291.73 crore as against 1,88,000 tonnes worth

Rs 1,080.95 crore last year. The mandatory quality testing of chilli and chilli products by the Board has made the Indian chilli more acceptable in the international markets and helped it achieve higher level of exports.

The traditional buyers of Indian chilli – Malaysia (45,525 tonnes), Sri Lanka (34,800 tonnes), Bangladesh (28,175 tonnes) and Indonesia – were active in the market. However, exports to Pakistan have been reduced considerably during the year (175 tonnes) as compared to last year (22,375 tonnes).

Turmeric

The exports of turmeric from India recorded an all time high in terms of value during 2009-10.

Turmeric worth Rs 381.23 crore (50,750 tonnes) has been exported during the year (against Rs 248.58 crore previous year). During 2009-10, the average domestic price has gone up to Rs 127.47 per kg as against Rs 92.12 per kg in 2008-09. The major buyers were UAE (6,675 tonnes), Iran (4,255 tonnes), Bangladesh (4,120 tonnes), Malaysia (3,955 tonnes) and Japan (3,150 tonnes). India is the largest supplier of turmeric in the world market. The other major suppliers are Vietnam, Indonesia and Myanmar. It is reported that the medicinal and



“Compared to last year, the exports have shown an increase of 7 per cent in terms of volume and 5 per cent in terms of rupee value. In dollar terms, the increase is 0.5 per cent.”

V J Kurian
Chairman,
Spices Board



cosmetic use of turmeric is increasing significantly over the years

Seed spices

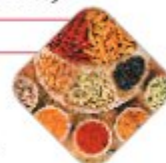
The exports of seed spices increased both in quantity and value terms during 2009-10 as compared to last year. The exports of major seed spices like cumin, coriander, fennel and celery recorded all time high in value terms during 2009-10. The exports of seed spices account for 29 per cent in volume and 18 per cent in value of the total exports of spices from India.

During 2009-10, 49,750 tonnes of cumin seed worth Rs 548.25 crore were exported from India (as against 52,550 tonnes worth Rs 544.00 crore in 2008-09). The major buyers are UAE (5,760 tonnes), Brazil (4,940 tonnes), USA (4,050 tonnes), Nepal (3,750 tonnes) and the UK (3,450 tonnes). The exports of coriander seed recorded an all-time high both in terms of volume and value during the year – 47,250 tonnes of coriander seed worth Rs 225.86 crore, as against 30,200 tonnes worth

Rs 203.79 crore last year, were exported, registering an increase of 56 per cent in volume and 11 per cent in value. The major markets for coriander seed during 2009-10 were Pakistan (10,700 tonnes), Malaysia (8,985 tonnes), UAE (7,175 tonnes) and Saudi Arabia (4,200 tonnes).

Processed spices

The export of processed spices like curry powder and spice oils & oleoresins, mint products and spice powders account for 53 per cent of the total exports. Major items among the processed spices are spice oils & oleoresins, curry powder & blends, mint products like menthol, menthol crystal and mint oils.



During the year 2009-10, a total quantity of 14,300 tonnes of curry powder and blends worth Rs 189.19 crore was exported, as against 13,250 tonnes valued at Rs 163.75 crore exported last year, registering an increase of 8 per cent in volume and 16 per cent in value. The exports of curry powder recorded an all time high both in terms of quantity and value during 2009-10. However, the exports of spice oils and oleoresins have registered a slight decline compared to last year – 6,750 tonnes of spice oils and oleoresins worth Rs 708.75 crore, as against 6,850 tonnes valued at Rs 720.50 crore last year, were exported. The economic slow down in major consuming markets like USA and EU has adversely affected the exports of this value added item.

Mint products – Mint oils, Menthol Crystal and Menthol Powder – is the second largest product group in the export basket accounting for 21 per cent of our spices exports. During the year, 19,000 tonnes of mint products worth Rs 1189.72 crore, as against 20,500 tonnes valued at Rs 1420.25 crore in 2008-09, were exported. 



Port traffic

Slow recovery in India

According to Indian Ports Association (IPA), the overall port traffic for May stood at 4.78 million tonnes against 4.66 million tonnes in April 2010, registering a growth of 2.5 per cent and signaling a weak rebound of export-import activity.

Data compiled by the IPA shows that traffic volume at India's 12 major ports grew, albeit modestly, on a yearly basis to 9.44 million tonnes in April-May, from 9.11 million tonnes in the same period last month, up 3.6 per cent. The data includes movement iron ore, petroleum, oil and lubricants, fertilisers and coal, besides container cargo.

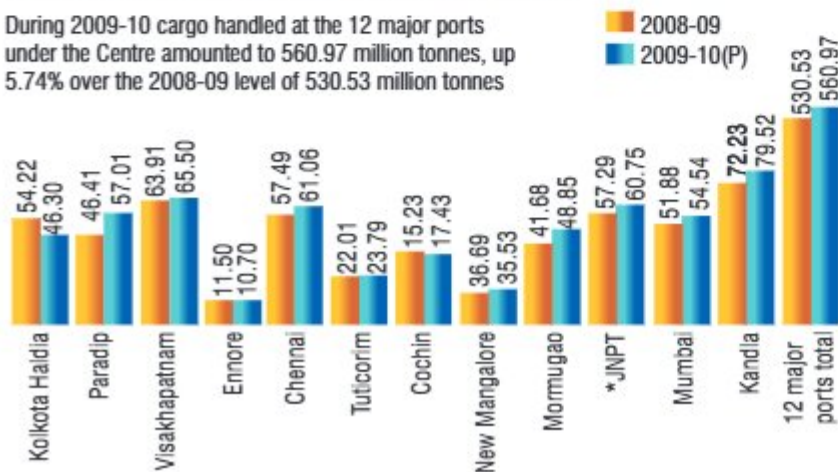
Most of the commodities handled by these ports reported growth in the two-month period, compared with the previous year, barring raw fertilisers and coal. For April-May, while coal volumes declined 14 per cent, fertiliser traffic slumped 22 per cent on a year-on-year basis. Since India's coal imports fell, the power plants and steel plants did not

work in full. On a yearly basis, Kandla Port and Chennai Port remained strong registering 20.22 per cent and 12.51 per cent growth respectively. Ennore saw a decline in port traffic by 23.29 per cent at 0.16 million tonnes, the lowest among the 12 major ports.

Baltic Dry Index: Meanwhile, the BDI has been on a downward journey, especially after touching a high of 4,209 points in the last week of May, its highest level in CY 2010 to date. As per analysts, slow scrapping of ships and addition of new ships on a faster pace has led to excess supply in the market. In May 2008, when the world economy was at its peak, the BDI touched 11,000 levels, an all-time high.

CARGO HANDLED AT MAJOR PORTS

During 2009-10 cargo handled at the 12 major ports under the Centre amounted to 560.97 million tonnes, up 5.74% over the 2008-09 level of 530.53 million tonnes



Jawaharlal Nehru Port Trust, Navi Mumbai

Source: Ministry of shipping

Petronet Kochi

LNG from Australia

The Australian consortium, Gorgan Projects, will supply 1.5 million tonnes of liquefied natural gas (LNG) to Petronet LNG Ltd.'s (PLL) 2.5-million-tonne-a-year terminal here when it is commissioned in early 2012.

According to Prosad Dasgupta, managing director and CEO of PLL, talks are also underway with RasGas, Qatar, for the supply of one million tonnes of LNG, while negotiations are continuing with the Australian team for additional quantities. Qatar had offered a long-term contract, but the price quoted was pretty high.

LNG terminal: Meanwhile, Secretary, Petroleum and Natural Gas, S Sundareshan, reviewed the ongoing work at Petronet's LNG Terminal at Puthuvypeen. He said the work has been progressing well and will be completed by the first quarter of 2012. The work includes construction of jetty, re-gasification facilities and tankers for LNG terminal, which is already part of the Kochi skyline.

The secretary hoped LNG Terminal will benefit Kochi and towards this end, GAIL Ltd. will lay pipeline connectivity for the distribution of LNG. In the first phase, pipelines from the LNG terminal will be laid to FACT and BPCL-Kochi Refinery and an undersea pipeline to NTPC, Kayamkulam plant will also be laid. The work will be completed by the end of 2011, he said.

By the end of 2012, there will be a pipeline from Kochi to Mangalore with a diversion to Bangalore. The entire pipeline network will cost around Rs 2,800 crore.

Promoter's exit

Gopalpur work goes on

The promoter of the Gopalpur Port in Orissa, Gopalpur Port Ltd, said the exit of Hong Kong-based Noble Group Ltd from the consortium developing the project would have no adverse impact on the project financials or schedule.

"Exit of NGL does not affect the financial position of the project. It will not be an impediment in the way of successful completion of the project in time," GPL Managing Director Mahimananda Mishra said.

Ruling out a new partner, he said the other two promoters – Orissa Stevedores Ltd. (OSL) and Sara International Ltd. – firmly believed that development of the all-weather port will continue as per the set timeline, as the financial position of the company was strong enough.

Mishra said NGL, which was part of the consortium that had successfully bid to develop the Gopalpur Port on a build-own-operate-transfer (BOOT) basis in 2006, had made little contribution towards the project since the beginning. It stopped being part of the board since 2007, Mishra said.

Since the exit of NGL does not violate any of the provisions of the concessional agreement signed with the Orissa government, permission for its withdrawal is expected to be granted soon, he said.

Asserting that the all-weather port project was surging ahead to meet the deadline of 2012, Mishra said Phase-2 has achieved financial closure. When fully developed, the Gopalpur Port will have the capacity to handle about 25 million tonnes of cargo.

The port handled 500,000 tonnes of cargo, including coal, iron ore, ilmenite and fertilisers, during the last shipping season, registering an increase of 90 per cent over the previous year, the GPL MD said.

To a query, he said, the empowered committee of the Union Ministry of Environment and Forests has granted environmental clearance for the project. Final approval of the Union Environment and Forests Minister was expected in the next few weeks, Mishra said.

GPL aims at constructing at least three berths to handle more cargo at the port in the next phase of expansion. The port had started operations within three months of signing an agreement with the state government in 2006. -PTI

Maritime Maharashtra

New port policy mooted

The Maharashtra government is contemplating a new port policy to attract private investment in the sector, chief minister Ashok Chavan said recently.

The proposed policy would be on the lines of the mega industrial project policy that the state has put in place to attract FDI. "The mega project policy for industrial investment has been immensely successful in the last four years. The state has bagged big-ticket industrial projects in virtually all sectors because we have been able to put in place a single window clearance system and also give customised packages to the investors. A similar policy could be formed for the ports," Chavan said.



He indicated the government's willingness to carry out legal changes if required to facilitate private investment in the port sector. "The sector needs to be incentivised and customised to attract investment. We will draft a comprehensive policy which looks at all these aspects and bring it before the state Cabinet soon," he said.

Property tax

JNPT gets soft verdict

The Supreme Court has instructed the state authorities to refrain from taking any coercive action against the Jawaharlal Nehru Port Trust (JNPT) with regard to the payment of property tax to village panchayats surrounding its port establishments. The state-owned JNPT had approached the Supreme Court, seeking relief from a Rs 129-crore village property tax demand by surrounding village panchayats for setting up port-related infrastructure in the area.

A vacation bench, comprising Justices Deepak Verma and K S Radhakrishnan, issued notices to 11 gram panchayats surrounding India's busiest container port located near Mumbai. The court also said, "Until the next date of hearing, no coercive steps shall be taken" against the Board of Trustees of the JNPT, which runs the port. The court also reassured the gram panchayats seeking payment of the tax by saying, "It (JNPT) is a government's undertaking and your amount (duty) is safe".

Industrial corridor**Plan to link JNPT to roadmap**

The Maharashtra government wants to link the largest container port JNPT to the ambitious Delhi-Mumbai Industrial Corridor project and said it would suggest the DMIC Development Corporation on the alignment of the route in the state. "We want JNPT, being a major port to be connected to the proposed Delhi-Mumbai Industrial Corridor instead of routing from within the busy financial capital as it already has several infrastructure projects on hand," Principal Secretary for Industry, A M Khan said.

The government is also considering a plan to develop four towns – Dhule, Aurangabad, Nashik and Dighi – which come within 150 km radius from the corridor alignment, as integrated mega towns under DMIC. "These towns would have economic activities rather than just industrial units and would also attract international investment," Khan said. A convention and exhibition centre has been planned at Shendra near Aurangabad. The town was chosen since it is being developed under some other projects also, he said.

Engineering and design firm Aecom has been appointed as consultants to study and identify projects and companies that can make investment in these townships, the official said. A high power committee under the Chief Secretary has also been appointed to look into the progress of the work. The committee would also help in providing logistics, power and water supply for the project.

The Delhi-Mumbai Industrial Corridor is a mega infrastructure project passing through six states—Uttar Pradesh, Haryana, Rajasthan, Gujarat, Maharashtra and Madhya Pradesh – covering an overall length of 1,483 km between the political capital and the business capital of the country. -PTI

Fertiliser clearance**More rakes for Kandla Port**

The Railways has agreed to provide 13 rakes every day for transporting fertilisers from Kandla Port, as against six rakes assured earlier. Food and Agriculture Minister Sharad Pawar reportedly took up the issue of fertiliser pile-up at the port with the Railway Minister Mamata Banerjee and therefore the decision for more rakes to fasten delivery time and clear the backlog.

It is learnt that nearly 8 lakh tonnes of fertilisers are lying at the port. To clear them, nearly 320 rakes are needed.

Mundra-Adipur line**MPSEZ starts additional line**

Mundra Port and Special Economic Zone has laid the foundation stone for the doubling of the existing Mundra-Adipur 57-km private railway line to meet the growing demands of the port. This additional line will be parallel to the existing one.

According to a stock exchange announcement, the new line will have four crossing stations and 99 bridges. It will be capable to handle 25-tonne axle load wagons at 100 km per hour. The line will be commissioned in two phases. The first phase of 30 km will be commissioned by June 2011 and the rest by the end of 2011-12.

With this, Mundra Port shall become the second port after JNPT on the west coast that shall be connected by double line rail corridor. In the year 2009-10, MPSEZ handled over 40 million tonne cargo at Mundra, out of which 10.75 million tonne cargo was moved by rail. With this de-bottlenecking of railway coupled with creation of newer terminals under the expansion plan, MPSEZ is expected to handle 100 million tonne cargo in 2012-13 from Mundra alone. MPSEZ is also developing terminals for handling variety of cargo at Dahej and Hazira in Gujarat and Mormugao in Goa.

**Echoing fears****Kandla contamination decried**

Anthropogenic activities at Kandla Port are contaminating water in its creek which could affect the marine sanctuary and the national park there, a study by the National Institute of Oceanography has said. "The Kandla Creek, a macro-tidal region in the eastern Gulf of Kutch is significantly influenced by anthropogenic activities of Kandla Port located along its western bank," the study for which data was collected between 2002 and 2006 said. The study 'Influence of Anthropogenic Activities on Existing Environmental Conditions of Kandla Creek (Gulf of Kutch)' was done by NIO scientists P V Shirodkar, U K Pradhan, Dearnyn Fernandes and Sonali Haldankar, besides G S Rao of Kandla Port Trust (KPT). -PTI



Pipavav dedicated

Nation gets another shipyard

The country's largest ship-building facility in the private sector was dedicated to the nation recently.

Prime Minister Dr Manmohan Singh, while dedicating Pipavav Shipyard to the nation, said, "I have often said India is destined to be a major trading nation of the world and if India is destined to be so, I think shipping, shipbuilding and management of our ports assume great importance in our scheme of development planning."

The prime minister went on to add that Pipavav Shipyard, on the Saurashtra coast of Gujarat, is one of the most modern shipyards in India. "I note the commitment of the management to provide our country with the best available shipyards anywhere in the world," he said.

The shipyard has been developed to have one of the largest dry dock and wet dock facilities in the world, with the state-of-the-art technology which can be used for the construction of vessels relating to oil, gas and defence sectors. "I hope this modern facility will set new benchmarks in quality and efficiency for our country," the prime minister added.

Biggest dry dock: Eyeing business from both domestic and international shipping lines plying through the busy sea route between Dubai and Colombo, the shipyard is planning to construct a new dry dock in Gujarat, tipped to be the world's biggest dock to undertake repair and maintenance

of vessels operating in the region. Roughly the size of seven soccer fields, the dock will be bigger than Hyundai's in South Korea, say officials.

Navy deal: Meanwhile, the shipyard has bagged a Rs 2,600-crore contract to build offshore patrol vessels for the Indian Navy. It will construct five such vessels, each with a displacement of about 2,000 tonne. With the Navy order in its kitty, the company's order books have swelled to over Rs 7,000 crore.

India-US route

Carriers to hike rates

Major ocean carriers are reportedly planning to raise rates on the India-US trade lane as demand picks up.

Effective June 15, China Ocean Shipping Co. will apply a peak-season surcharge for all cargo shipped from India to the United States and Canada. The surcharges will be US\$ 320 per 20-foot, US\$ 400 per 40-foot, US\$ 450 per 40-foot high cube, and US\$ 506 per 45-foot container.

Maersk Line, the largest carrier to and from India, will also impose a similar surcharge on the route, starting July 1 until further notice. The planned surcharges will be US\$ 340 per 20-foot, US\$ 425 per 40-foot, US\$ 480 per 40-foot high cube, and US\$ 540 per 45-foot container.

UAE-based United Arab Shipping Company has announced that effective July 1, it will implement a US\$ 300-400 general rate increase on all cargo from the West Mediterranean to the US East Coast. The US\$-300 increase is for TEU and a US\$-400 increase is for FEU.



Prime Minister Dr Manmohan Singh dedicates Pipavav Shipyard, India's largest world class shipbuilding and engineering facility to the nation, in New Delhi recently. Union Minister for Shipping GK Vasan (left), Nikhil Gandhi, CMD of the shipyard and Secretary K Mohandas (right) are also seen.

Photo: Press Information Bureau

Q4FY10 profit

Western India Shipyard grows

Western India Shipyard Ltd., India's largest composite ship & rig repairer, announced a 94.4-per cent jump in its total income to Rs 28.5 crore for the quarter ended March 31, 2010 as against Rs 14.6 crore in the same period of last fiscal. Net Profit for the quarter stood at Rs 66.4 crore compared to the loss of Rs 6 crore in the corresponding quarter last year.

For the year, Western India Shipyard clocked revenue of Rs 76.5 crore as against Rs 74.8 crore, registering an increase of 2.3 per cent. Net Profit for the year stood at Rs 49.8 crore as compared to the loss of Rs. 21.4 crore in the previous financial year.

During the year the company has repaired 38 vessels of which 32 are of Indian flag and 6 of foreign flag. Two deep water Oil Rigs have also been repaired during the financial year.

Q4FY10 vs. Q4FY09

- Total Income at Rs 28.5 crore; jumps 94.4 per cent
- Net Profit at Rs 66.4 crore against loss of Rs 6 crore
- Basic EPS at Rs 2.25

FY'09-10 vs. FY 08-09

- Net Sales at Rs 76.5 crore; gains 2.3 per cent
- Net Profit at Rs 49.8 crore against loss of Rs 21.4 crore
- Basic EPS at Rs 1.6

Another PSV at Cochin



Cochin Shipyard delivers another platform supply vessel VOS PRELUDE to Vroom Offshore Services. It is the 17th PSV built at the Cochin Shipyard.

Growing trade

CIMEX 2 Asia service launched



France's CMA CGM, has joined hands with Maersk Line to launch the new CIMEX 2 services linking Asia/China to India and Pakistan.

"The Asia to India/Pakistan trade, linking the two economies with huge population, is currently expanding and this trend is likely to continue and we, therefore, decided to develop the new CIMEX 2 to keep pace with our customers' needs and support these growing markets," Ludovic Rozan, CMA CGM's vice-president in charge of Asia said.

The port rotation for the proposed service will be:

Kwangyang-Busan-Shanghai-Hong Kong-Da Chan Bay-Tanjung Pelepas-Colombo-Pipavav-Nhava Sheva-Port Qasim-Port Klang-Tanjung Pelepas-Singapore-Hong Kong-Kwangyang.

The service, to be operated with six vessels of 5,500 TEU each, will start from Kwangyang on June 13 and the Shanghai call will start on July 8. The new service, the release points out, will complete the existing coverage of CMA CGM Group on the Asia, West Asia Gulf and India markets. Thus, the transit time between Shanghai and Pipavav will be 15 days, claimed to be the fastest.

Also, the service will connect the inland container depot at Dadri and other inland destinations in India.

OOCL service

Vessel tracking on mobiles

Orient Overseas Container Line (OOCL) has launched the mobile vessel tracking facility for its customers. The new solution offers the ability to search and track any OOCL vessel from the convenience of the mobile device.

Vessel arrival and departure dates and times are also displayed on the mobile screen. Customers can type in the vessel code or name to search for the vessel. Optional fields include the voyage number and port.

Decade plan

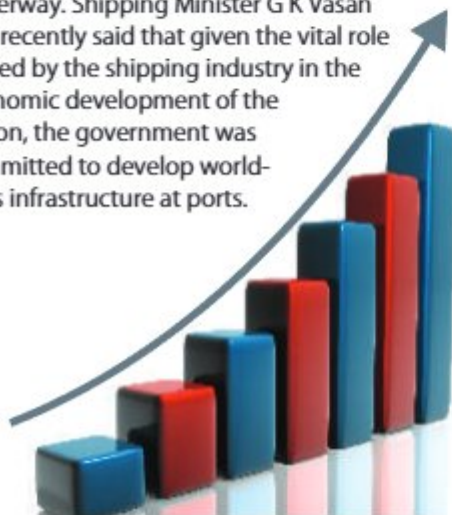
New NMDP on the anvil

The government today said it will come up with a new 10-year plan to boost the country's shipping sector in two months. The new plan will replace the existing over Rs 1 lakh-crore National Maritime Development Programme (NMDP), which constituted of a Rs 55,803-crore capacity enhancement scheme for major ports and a project for developing inland waterways with the remaining amount.

"We are doing an exercise to prepare a 10-year action plan for maritime development. It will be a new one and would be ready in about two months' time," Shipping Secretary K Mohandas said. The new plan, with a 2020 deadline, will set new targets as the existing NMDP has been marred with delays. NMDP, an ambitious programme conceived by the Shipping Ministry, envisaged taking the capacity of 12 major ports to 1 billion tonnes by March 2012 from the existing 574.77 MT. However, the major ports could only achieve a measly 10 per cent of their capital expenditure target of Rs 55,803 crore to enhance tonnage capacity in the first three years of the 11th Five Year Plan (2007-12).

As on March 31, 2010, only 50 projects of the 276 projects under NMDP stood completed, at an investment of Rs 5,717 crore. As against the projection of 430.74 million tonnes' capacity addition at the end of the programme in 2012, the actual addition as on March 31, 2010, was a mere 55.88 million tonnes.

The Comptroller Auditor General had also pointed out the tardy progress in NMDP, stating that the country loses over Rs 1,400-crore maritime trade per annum due to poor infrastructure at major ports – despite the over Rs 55,000 crore capacity augmentation programme that is underway. Shipping Minister G K Vasan had recently said that given the vital role played by the shipping industry in the economic development of the nation, the government was committed to develop world-class infrastructure at ports. /PTI



Divestment move

10% sale in SCI likely

The government may divest up to 10 per cent of its stake in Shipping Corporation of India. "The government in their list has included Shipping Corporation (SCI) for disinvestment in this fiscal. It is likely to happen. Disinvestment could be up to 10 per cent," SCI chairman and managing director S Hajara said on the sidelines a conference.



SCI selloff is part of the government's plans to raise up to Rs 40,000 crore this fiscal through disinvestment. Besides SCI, the government is looking at divesting its stake in three shipping-related companies – Cochin Shipyard and Dredging Corp of India.

The government currently holds 80.12 per cent in SCI, while over 10 per cent is held by LIC. The remaining 3.15 per cent is already with the public. Shipping secretary K Mohandas had said last month that the government was looking at various proposals for SCI, including a follow-on-public offer. Hajara said a part of the disinvestment proceeds will be utilised for further acquisition. Asked how much SCI plans to raise from divestment, Hajara said it will depend on the market condition. /PTI

Transshipment pact

Ashuganj a new port of call

Bangladesh signed a crucial transshipment agreement with India finalising an earlier deal to allow Indian goods to be transhipped to its isolated Tripura through the Bangladeshi territory.

"The agreement declares Ashuganj as a new port of call to transport Indian heavy consignments for their Palatana power project in Tripura," Bangladesh shipping secretary Abdul Mannan Hawladar said. Hawladar said with this, which is in line with an earlier decision taken during prime minister Sheikh Hasina's visit to New Delhi this January, Northern Ashuganj would be the second transshipment point and the fifth port of call in Bangladesh. New Delhi had sent in the signed agreement to be countersigned by Dhaka. New Delhi, in a reciprocal step, Hawladar said, had already declared Shilghat as a port of call on its side.



NEWS

Freight traffic

Railways records 9 pc growth

The Indian Railways have registered about 9 per cent growth in freight traffic during the first two months of this fiscal, earning Rs 10,044 crore.

During the period between April and May, it carried 146.41 million tonnes of freight traffic as compared to 141.63 million tonnes carried during the corresponding period last year, an increase of 3.37 per cent.

"It generated Rs 10,044.54 crore as compared to Rs 9,216.12 crore during the corresponding period last year, registering an increase of 8.99 per cent," said an official release.

In May alone, it earned

Rs 5,151.79 crore. Out of this figure, Rs 1,955.78 crore came from transportation of 33.61 million tonnes of coal, followed by Rs 774.22 crore from 9.79 million tonnes of iron ore for exports, steel plants and for other domestic user.

Other items it carried during the period included cement, food grains, petroleum oil and lubricant (POL), pig iron and finished steel from steel plants and other points.

Commodity	Profit (in crores of rupees)	Freight volume (in million tonnes)
Coal	1955.78	33.61
Iron ore	774.22	9.79
Cement	486.29	8.10
Foodgrains	381.37	3.48
POL	294.39	3.35
Pig iron	265.77	2.43
Fertilisers	236.71	3.26
Raw material for steel	90.03	1.05
Container service	3.06	262.77
Other goods	374.46	6.11



Logistics chain

SKIL draws up Rs 5K-cr plan



The Nikhil Gandhi-promoted SKIL Infrastructure Ltd. has drawn up plans to invest around Rs 5,000 crore in the logistics sector over five years. The company proposes to come out with a public issue to raise funds for the purpose. The group plans to become a complete door-to-door multimodal logistics player in the country.

"We were the first private players to enter the Railways network and now we plan to become a multimodal logistics firm," Nikhil Gandhi, Executive Chairman, SKIL Infrastructure, said. The group was the first to take up a Railway project involving conversion of metre-gauge into broad-gauge. Around Rs 2,000 crore will be used in three years for horizontal expansion in the logistics segment. Vertical expansion will entail investments of up to Rs 3,000 crore. The group is right now developing logistics facilities at two locations – Navi Mumbai and Jhansi.

The facilities are being developed on the hub-and-spoke model. In five years, SKIL expects to have around 60 such hubs all over the country. The group is also looking at the new rail freight privatisation schemes.

Commodity logistics

Firm gets venture capital

Sohan Lal Commodity Management (SLCM), an agri-commodity logistics and procurement company based in Delhi, has announced that it has received a Rs 10 crore investment from a venture capital firm – Nexus Venture Partners.

"We plan to become the leading agri-logistics company in India covering the whole gamut from farm to port. The funding will help us expand our warehousing capacity and help us grow our pan-India presence," Sandeep Sabharwal, Founder and CEO, Sohan Lal Commodity Management.

SLCM provides comprehensive agri-commodity warehouse management and procurement solutions to farmers, processors, traders, agri-exchanges and government organisations across 70 locations and 12 states in India. Last year, the company handled over Rs 5,000 crore of agri-commodities ranging from grains, oilseeds, pulses and spices among others.

Sandeep Singhal of Nexus Venture Partners who will join the Sohan Lal Commodity Management board, said, "The agriculture supply chain in India is currently inefficient leading to huge losses in agricultural commodities in India." ICICI Bank was the sole advisor to this transaction.



Govt move

SEZ units to get sops under DTC

The government said developers of special economic zones as well as units therein will continue to get incentives like income tax exemption under the proposed direct tax code (DTC).

"The provision to protect profit-linked deductions of units already operating in SEZs for the unexpired period will be incorporated (in the DTC)," the revised DTC released by the Finance Ministry said. –PTI





India development

Fast growth projected

The World Bank says the Indian economy may grow at more than the projected level of 8-9 per cent in the next two years, but high interest rates, the rising rupee and lower demand from developed nations could come in the way.

According to the World Bank South Asia Economic Update, India's recovery after the slowdown is well under way. Growth is projected to recover to 8-9 per cent in the next two years. The recovery of Indian GDP could be even faster than what is projected.

The multilateral lending agency notes that rising interest rates, rupee appreciation and continued low growth in high-income nations could pose hurdles to the recovery. India's recovery could also be impacted by volatility in capital inflows and high inflation. "Risks to the (economic) outlook come from volatility in capital inflows, global recovery and inflation shocks," it notes.

On the back of a strong performance by the manufacturing sector, the Indian economy expanded by 8.6 per cent in the first three months of 2010. India

measures its economic growth on a fiscal year basis, rather than by calendar year as is done by the World Bank.

The country's economy grew by 7.4 per cent in 2009-10, compared to 6.7 per cent expansion in the previous fiscal, when it came under the ripple effect of the global financial meltdown.

Before 2008-09, the Indian economy grew by 9 per cent in the previous three financial years. The government expects that the 9 per cent growth rate will only resume in 2011-12. In the current fiscal, it projected that the economy will grow by 8.5 per cent.

With inflation still above 9.5 per cent in April, the RBI may further tighten money supply, which may result in higher interest rates.

Meanwhile, the World Bank has estimated that the South Asian economy will grow by around 7 per cent this year and by 8 per cent in 2011.

"South Asia is poised to grow by about 7 per cent in 2010 and nearly 8 per cent in 2011, thanks to the strong recovery in India, good performance in Bangladesh, post-conflict bounce in Sri Lanka, recovery in Pakistan and turnarounds in other countries, including Afghanistan, Bhutan and Maldives," the report adds. -PTI



Wheat exports

No decision to lift ban

The government has no plans to lift the three-year ban on wheat exports, despite record production this year. "There is no such proposal," Food and Agriculture Minister Sharad Pawar said.

The export of wheat, which is grown in the rabi season, was banned in early 2007. The government had imported 7.3 million tonnes of wheat in 2006 and 2007 to augment its buffer stock and meet the requirement for the public distribution system (PDS).

India is estimated to have harvested a record 80.98 million tonnes of wheat in the 2009-10 crop year, surpassing last year's record of 80.68 million tonnes. The government has ample stocks in its godown on the back of bumper procurement in the current marketing year. It has procured nearly 23 million tonnes of wheat so far against a record 25.4 million tonnes in the previous year.

High food inflation, which is hovering around 16 per cent, and the requirement of foodgrains for the proposed Food Security Act, are the main factors for the government to continue with the export ban, even though it has comfortable stocks in the central pool, experts feel.

Under the proposed act, the government will provide a fixed quantity of wheat or rice every month at Rs 3 per kg to below poverty line (BPL) families. Apart from wheat, exports of non-basmati rice, pulses and oilseeds are also not permitted. -PTI

Q4 growth

India leads top economies

India topped the list by recording the highest growth rate in value among the world's top 70 economies in merchandise exports by clocking a 13 per cent increase during the March quarter over previous quarter. India raked in 13 per cent more dollars from merchandise exports valued at US\$ 50,342 million during March quarter as against US\$ 44,417 million in the December quarter. It surpassed global majors such as China, US, Japan, France, the UK and Germany, in the growth rate during the quarter, according to the World Trade Organisation data.

The data for about 70 economies representing about 90 per cent of world trade show that merchandise trade declined in January and February 2010, then rose sharply in March. This trend was also seen in India. In March, exports rose to US\$ 19,908 million as against US\$ 16,091 million in February and US\$ 14,343 million in January. In imports, the merchandise that came in to India saw a three per cent increase during the March quarter as against the December quarter.

Merchandise exports of top countries (In million US\$)

	March 2010 qtr	December 2009 qtr	% Change
India	50,342	44,417	13
US	296,651	293,986	1
Japan	176,894	185,144	1
Germany	302,995	320,173	-5
UK	94,527	100,419	-6
France	129,796	131,104	-2

Source - WTO

Government nod

India rice for Maldives

The government has allowed exports of over 30,000 tonnes of non-basmati rice to the Maldives, even though there has been a ban on such shipments since 2008. The decision was taken by an empowered group of ministers on food, according to sources. Last month, the government also permitted export of 1 lakh tonnes rice to Bangladesh. Although there has been a ban on the export of non-basmati rice, the government permitted rice to be shipped to neighbouring countries and the African continent on diplomatic grounds on several occasions in the past. The EGoM also decided to continue with the open market sale of wheat and rice for bulk and retail consumers. -PTI

Apparel gloom

Target set for Tirupur exports

Although India managed to hold on to the \$1.10-billion apparel export figure in 2009-10 fiscal fresh data released by the Apparel Export Promotion Council (AEPC) indicates that exports from India dropped by 2.64 per cent to US\$ 10.64 billion in 2009-10 compared to US\$ 10.93 billion in the last fiscal.

Amid high prices of cotton yarn during the current crop year, Tirupur, one of the biggest knitwear hubs of India, saw exports falling by 2.17 per cent by 2009-10 end. Tirupur's exports stood at Rs 11,250 crore in 2009-10. According to exporters, the past four months have witnessed a 50-80 per cent increase in prices of basic raw material and so they seek the removal of import duty.

It is learnt that the price of yarn has increased to Rs 25 per kg and cotton constitutes 60 per cent of yarn prices.

Meanwhile, the government has set a target for augmenting exports of apparel knitwear from Tirupur, the textile manufacturing hub of Tamil Nadu, to Rs 30,000 crore in the next five years, according to Textiles Minister Dayanidhi Maran.

He said the Centre is providing Rs 200 crore to ensure that zero liquid effluent is discharged from Tirupur units. The Tamil Nadu government has also provided Rs 120 crore for setting up common effluent and discharge treatment plants.

Justifying the central grant to garment exporters in his home state, Maran said, "Tirupur alone contributes Rs 13,000 crore in the export basket of knitwear from the country. In fact, we would like exports of Tirupur to go to Rs 30,000 crore over the next five years." With regard to the difficulty being faced by exporters to repay their bank loans, Maran said his ministry was in talks with the banks for restructuring the loans.



Union Minister of Textiles Dayanidhi Maran at the release of a Booklet 'One year's Performance of Ministry of Textiles', in New Delhi recently. Secretary, Ministry of Textiles, Rita Menon is also seen.

EU trade

Sugar exports to resume

India may resume annual exports of 10,000 tonnes of duty-free sugar to the European Union following better crop prospects and a drop in domestic prices.

The shipments under a WTO rule were halted in February after the government bowed to criticism in the wake of a global surge in prices and lower domestic output. The trade ministry would like a panel of ministers to take a view on the availability of sugar before formally allowing shipments, the paper said, quoting an unnamed official.

Trade and government officials believe India's sugar output would be around 18.5 million tonnes in the year to September, up from 14.7 million tonnes in the previous year. Higher output estimates have helped domestic prices drop more than a third since a record high of Rs 3,972 (US\$ 84.6) on January 7.



Network growth

Nod to telecom gear imports

The Indian government has agreed to allow import of telecom equipment certified by international security audit firms. The Department of Telecom is preparing the modalities for the import of sensitive telecom gears to which the Ministry of Home Affairs agreed to. The move will prove to be a breather for Chinese vendors like Huawei and ZTE, as well as Indian telcos like Reliance Communications and Tata Teleservices that are looking for cost-effective telecom gear to expand their networks.

As per the proposal, telecom companies will be allowed to import the equipment from foreign suppliers only after an international certification agency visits the plant of the vendor and gives a security clearance. India currently does not have any certification agency so it was planning to rope in eight such global bodies to carry out the task.

Food storage

India, China to cooperate

India and China, the region's largest food grain producing and consuming countries, plan to cooperate in the area of food grain storage sector. The decision follows the recent visit of an official delegation led by K V Thomas, minister of state for agriculture, consumer affairs, food and public distribution, to China.

The minister said the delegation met officials of China's State Administration of Grain, which is the main agency for coordinating procurement and storage of food grains in China. The delegation also visited the Academy of State Administration of Grain, which specialises in grain quality control and research and is the apex grain-testing laboratory in China.

40-per cent rise

Surge in import of sensitive items

Import of sensitive items grew by 40.5 per cent in 2009-10 to Rs 65,564.59 crore from the previous year's Rs 46,667 crore. The rise is attributed to a surge in edible oils, pulses, milk, food grains and rubber brought into the country. According to official data, the import of edible oil grew 63.3 per cent from Rs 15,908 crore (2008-09) to Rs 25,975.34 crore (2009-10). Similarly, crude edible oil and refined oil too have gone up by 68.7 per cent and 39.7 per cent respectively.

The increase in edible oil import is mainly due to substantial increase in import of crude palm oil and its fractions, the official statement said. The country's annual edible oil demand is around 14.5 million tonnes. To meet this, over 8 million tonnes were imported on behalf of the government by state-owned agencies such as MMTC, Nafed, PEC and STC.

Pulses import increased by 59.1 per cent to Rs 10,391.29 crore in 2009-10 from Rs 6,529.73 crore in the previous fiscal. The production of pulses in 2009-10 crop year was estimated at 14.77 million tonnes. Since the annual demand for pulses is around 18-19 million tonnes, the country imported around 4 million tonnes of the item to meet the deficit. The government permits duty-free import of pulses and edible oil to ensure domestic availability and to rein in price rise.

Rubber imports grew by 70.9 per cent to Rs 1,601.12 crore in 2009-10 (Rs 936.81 crore). Import of milk and milk products jumped to Rs 290 crore in 2009-10 (Rs 77.6 crore), a 273.9-per cent increase.



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Sical Logistics

End-to-end Value Enabler

A stevedore, terminal operator, multimodal transporter and logistics service provider, Sical Logistics has been at the helm of port logistics on the east coast and the single largest company to handle a colossal 26 million tonnes of bulk cargo. With its container terminals and container train businesses fast catching up, Sical is today in the position to offer end-to-end services that enhance value to its customers.

L R Sridhar, Managing Director, Sical Logistics, beams a vibrant smile and looks back proudly at the achievements of the company. From the humble beginnings of 1955, Sical has come a long way to become the most dominant player in bulk logistics. In an interview with **Maritime Gateway**, he talks on the company's current activities and future plans. Excerpts:

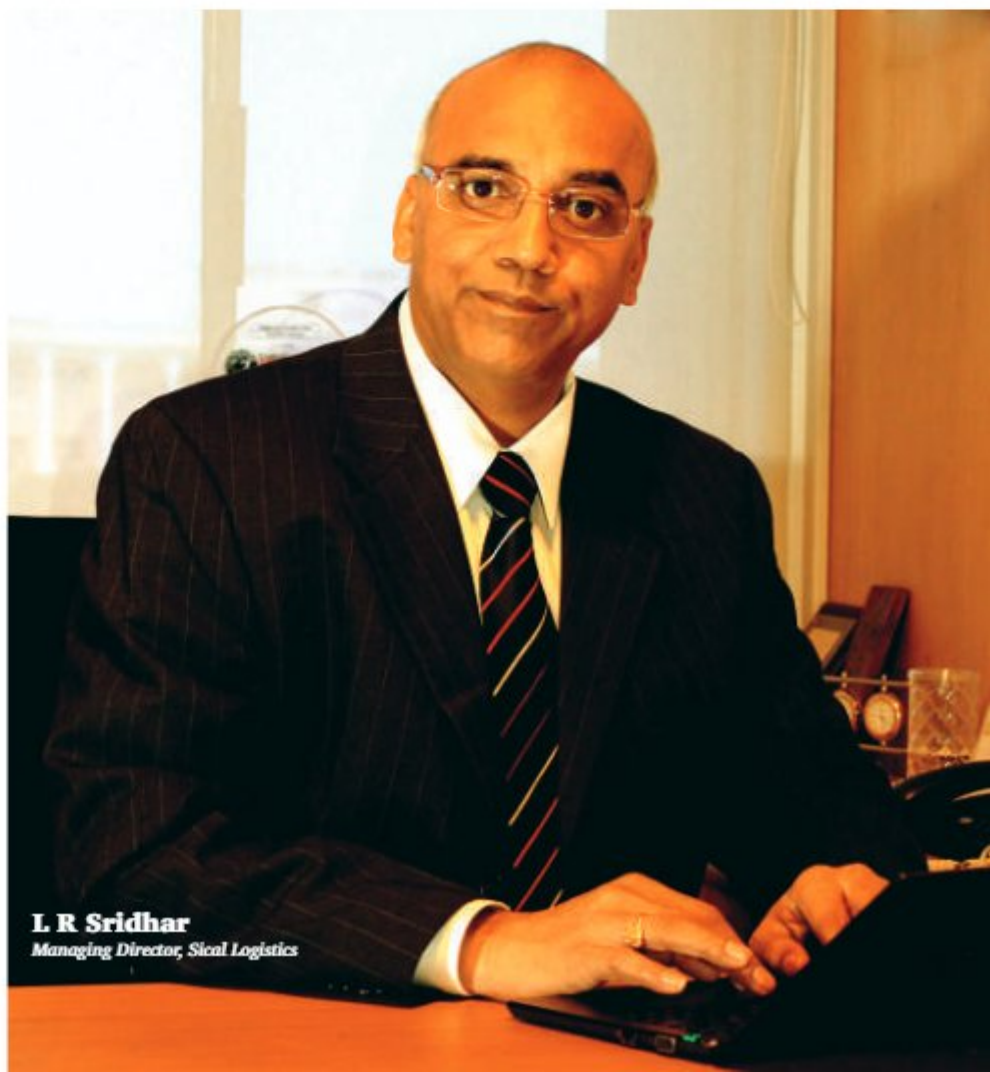
Q How do you position Sical in terms of creating value to the customer?

When we talk of the economy's core we mean the large activities that form the foundation of economic production. Most of the current buzz on trends and future scenarios in multimodal supply chains and logistics is centered around express or container cargo. But Sical is different. Unlike most of the rest, we don't move parcels or small items. We value-enable the supply chains of the key bedrock industries such as coal and minerals; fertiliser raw

materials; fertilisers; non-ferrous metals; ferrous metals; chemicals; oil & gas; and over-dimensional cargo. What Sical delivers not only determines the business prospects of the logistics provider and the immediate customer, but also the current and future efficiencies of the economy at large.

Q In other words, is this an end-to-end enablement of your customers' supply-demand chain?

Exactly. Sical's engagement with its customer is not limited to a single



L R Sridhar
Managing Director, Sical Logistics



Sical plans to keep up its lead in multimodal logistics in India.

component of the logistics chain. The engagement begins with the chartering of the ship, to port handling and terminal management, and delivering the cargo to the customer's doorstep by road, train, or conveyor. Currently, businesses are forced to depend on multiple vendors, those too mostly from the unorganised sector, in each step of the chain. With Sical, you get a single window. We are the single answer for businesses grappling to create a seamless chain across rail, road, port, and sea.

Q Any one concrete example of Sical's "value-enablement" proposition?

A very good example would be the contract we won in December 2009 from Hindustan Copper Ltd. The contract was for the multimodal port, train, and road logistics of copper concentrates, cathodes, and continuous cast copper wire rods. The contract deliverables include:

- Port handling and customs clearance for copper concentrate imports.
- Container train-cum-road logistics linking Port; the copper mines at Malankhand in Madhya Pradesh state; HCL's smelters at Ghatsila in Jharkhand state and Khetri in Rajasthan state; and HCL's continuous cast copper rods plant at Taloja, Navi Mumbai, in Maharashtra state.

- All-India distribution of the finished products to major commercial centres by container trucks.

Q Your focus seems to be on bulk logistics. What about container logistics?

At nearly 25 per cent of our consolidated revenue, container logistics – ICD/CFS, container terminals, container trains – is an important part of Sical's service folio. For what was a fringe business for us until 2006, container logistics has grown into a Sical mainstay and will be a thrust area given our container train, ICD/CFS, and terminal operations. The container terminal at Tuticorin, in JV with PSA, was a pioneering model for India. As you said, bulk cargo has been our core proposition since our founding in 1955.

Q What is the role of Sical in bulk logistics segment?

As pioneers of bulk terminal management 10 years ago with the Ennore coal terminal, a 30-year BOT project to handle coal for TNEB's power plant at Ennore, Sical has the track record of success in this line. Despite the global economic downturn, Sical has registered a 7 to 8 per cent growth in the bulk business. The large part of this was coal and iron ore. We handle over 20 million tonnes from all the major ports on the eastern coast, which

contributes a market share of 25 to 30 per cent. At Ennore, we handle 90 per cent of the traffic volumes. In India's east coast, Sical is the market leader by a long shot.

Q So, what are your future plans in this segment?

Plenty. We dominate the multimodal bulk logistics scene in India and plan to keep it that way. We believe that bulk provides us with some exciting new opportunities. As of now we handle close to 26 million tonnes of bulk cargo annually. We are all set to commence operations in the current fiscal of the iron ore terminal at Ennore in Tamil Nadu. At full strength, this terminal could add 12 million tonnes per annum to our bulk-handling volumes. Next will be the iron ore terminal at New Mangalore which has the potential to add another 8 million tonnes every year to Sical's annual bulk-handling volumes.

Q Do you have any plans for container logistics and container trains? We also hear that you plan to get into freight forwarding.

Currently Sical handles over 125,000 TEU. Our growth target in this segment is to achieve 200,000 TEU by end-2012. Sical is also planning to expand nationally with presence in west and north India. Also on the cards are CFS/ICDs at Mumbai and Delhi. After the additions, container



logistics revenues will grow substantially over the next three fiscals.

For our container trains business, Sical has six rakes. We are investing Rs 100 crore for another nine rakes in the next three years. By the end of this period, we will have 15 rakes for domestic and exim cargo.

We will launch our freight forwarding business this fiscal year. This was the only missing link – even if it's a minor proposition of end-end logistics. With freight forwarding coming into our service portfolio, our value proposition will be fully integrated, end-to-end, and complete.

Q You keep saying that Sical's prime differentiator would be innovation. Any example?

Instead of just hoping for volumes to rise, Sical has chosen innovative value-added alliances. In November 2009, we signed a JV with Japan's MOL for setting up a yard management facility at Ennore Port. The JV, Ennore Automotive Logistics Limited, will handle export cars of Nissan as well as other interested parties. The JV is our entry into

automotive logistics, and we plan many such innovative offerings.

Q The cost of logistics in India is tremendously high compared to other countries. What do you think are the reasons behind this?

Many, but the prime reasons are:

- Inadequate port capacities
- Poor road and rail infrastructure
- Poor warehouse infrastructure
- Inefficiencies caused by the dominance of unorganised, bits-and-pieces providers in the logistics chain – few integrated single-stop solution providers
- Multiple taxation at central, state, and local levels. For example, currently, Central Sales Tax (CST) is levied on inter-state sale transactions. This forces manufacturers to keep inventories in each state, thus raising warehousing and supply chain costs
- Human skills gaps in logistics-specific functions and value-added services.

Q What role can the government play in terms

“At the national level, we need a comprehensive strategy and short-, medium-, and long-term plans and budgets to lift our logistics efficiencies to global benchmarks.”

of policy and development for the Indian logistics industry?

According to the World Bank, a 0.5 per cent decrease in logistics costs leads to 2 per cent growth in trade and 40 per cent increase in the range of products that get exported out of the country. The high cost of logistics has a direct impact on retail, manufacturing and trade, impacting India's economy adversely.

The government should see logistics as the key enabler that raises the competitiveness of the entire Indian economy, and not as a mere stand-alone industry. At the national level, we need a comprehensive strategy and short-, medium-, and long-term plans and budgets to lift our logistics efficiencies to global benchmarks.

Q What's your outlook for the logistics industry?

India is still to catch up with the developed world in terms of growth and maturity of the logistics and supply chain industry. Going by the current revival in logistics volumes, and the outlook for the Indian economy, we can expect the rate of growth of the overall logistics industry to be 16-20 per cent per year, with integrated multimodal providers growing at a faster pace. **MG**

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

Session I : Business Track

Theme : Bulk Cargo: Opportunities and Challenges

Session II : Transportation Track

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

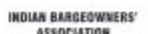
Session III: Project Cargo Track

Theme : Keeping Pace with Demand

Session IV: Technology Track

Theme : Bulk handling: Operational Efficiency through Technology

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by **Radhika Rani G**

The world maritime trade has never been blessed as now, with a growing economic order calling for more port capacities and shipping volumes. The Indian ports sector, which shows promise and potential of driving trade if propelled by practical policies, is being governed by various laws to address specific areas and issues of concern to maritime governance such as shipping and port operations. The laws that are currently in force are port laws, shipping laws, port labour laws and environment-related laws.

Under the port laws, the Indian Ports Act 1908 applies to all the ports in India, including minor and intermediate ones and the Major Port Trusts Act 1963 applies only to designated major ports. While these laws have been helping ports to overcome operational issues, the Ministry of Shipping, as part of bringing in rationalisation of port tariffs, has come up with two broad approaches, namely cost-based and market-based.

Tariff regulation

While all the major ports in India have been following the cost-based pricing, where the Tariff Authority for Major Ports (TAMP) has been responsible for setting the tariff, the minor or private ports have been ruled by market-driven forces.

"TAMP," reiterates Shipping Secretary K Mohandas, "determines the tariff after a thorough analysis of the proposals from the major ports." For the other ports, he says, there is no tariff regulation. Since more than a decade, TAMP has been following cost-based pricing that takes into account operating costs incurred by the port operator for providing services as well as the operator's cost of capital. Ever since it was set up in 1997 under the Ministry of Shipping, TAMP has been working as an authority to fix tariffs with no other



THE T FACTOR

As the ports sector in India is in for reforms, the government is all set to redefine the role of the Tariff Authority of Major Ports (TAMP) to bring in transparency and regulation and to push the performance of all the Indian ports to internationally competitive levels. While the issue is being discussed at length, here's a quick take of the issue and the industry's perception of the regulatory regime. To tail it or to tamp it, is the question!



Stakeholders in the Port Tariff Determination Process

Government
Port Planners/Economists
Tariff Regulator/TAMP
Public Ports

Private Port Developers/Operators
Industry Associations
Shipping Association/Conferences

Individual Shipping Lines
Freight Forwarders
Shippers/Exporters

Dock labour Boards/Unions
Customs House Agents
Inter-Modal Operators

regulatory function though.

Also, the scope of jurisdiction of TAMP has been restricted to only major ports with no powers to regulate tariffs in minor ports.

The second approach – market-based pricing – being used by privatised minor ports to fix tariffs involves correlating the port tariffs to the potential market demand and the

sensitivity to attain good utilisation of facilities, counter competition, simulate market growth, and maximise profits for the port.

Port pricing

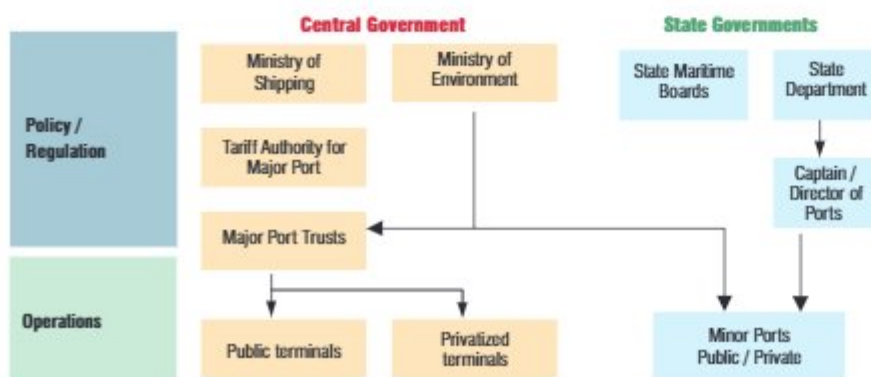
According to experts, the competition within ports is still weak. A report by The Energy and Resources Institute says, the port user does not in practice have the option to shift his

goods from one port to another or between service providers within the same port except for JNPT where there are two competing agencies handling container traffic. Similarly, most of the private ports in Gujarat, says iMaritime Research, are captive jetties and not multi-user facilities. “In fact, fearing replacement of public monopoly by private monopoly, there are talks of extending TAMP’s jurisdiction to minor ports as well,” it says. And this has become an issue of debate with stakeholders voicing their view.

The Asian Development Bank, in its study on ports, states that the best form of tariff regulation is market regulation, the second best is through the terms of the contract that identify the non-competitive services requiring regulation, state the maximum rates and devise the formulae for escalating these rates over time, and the arbitration procedures for discriminatory behavior in excess of that justified by commercial pricing. The third best, it says, is the establishment of a regulatory agency outside of the port which would apply a pricing formula related to cost recovery. “All of these are preferable to a vague procedure for negotiating future changes in tariffs,” the expert body adds.

Industry observers too agree that there is a need for substantial changes in the regulatory framework governing the port sector in India, in

Indian Ports Sector : Institutional Framework



view of the growing private participation in port management.

In an exclusive interview with *Maritime Gateway*, Shipping Secretary Mohandas says, "Any service sector has to be subject to an appropriate regulatory framework; it cannot be left to exploit the consumers." The need becomes more important at this juncture when there is a dire need to improve efficiency in the working of ports, drive investments into port development projects and perceive port regulatory authority as an independent body. Also, as workforce-related policies are being rationalised and restructured to suit the changing nature of port operations, they call for a substantial change in the regulatory framework.

Redefining role

The government is examining how the tariff authority can have a new redefined role, informs the shipping secretary.

The port sector, say experts, lacks an independent regulator. Under the present system, the port authority

grants contracts or concessions and also performs the function of the

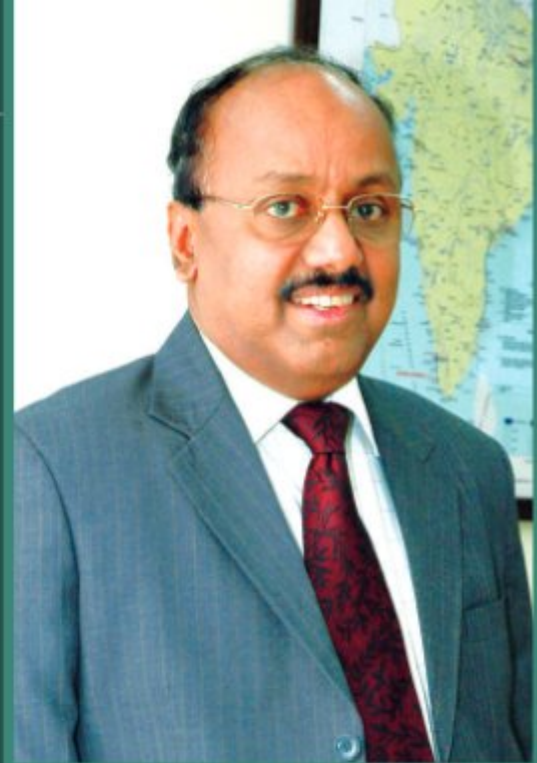
Tariff,

K Mohandas

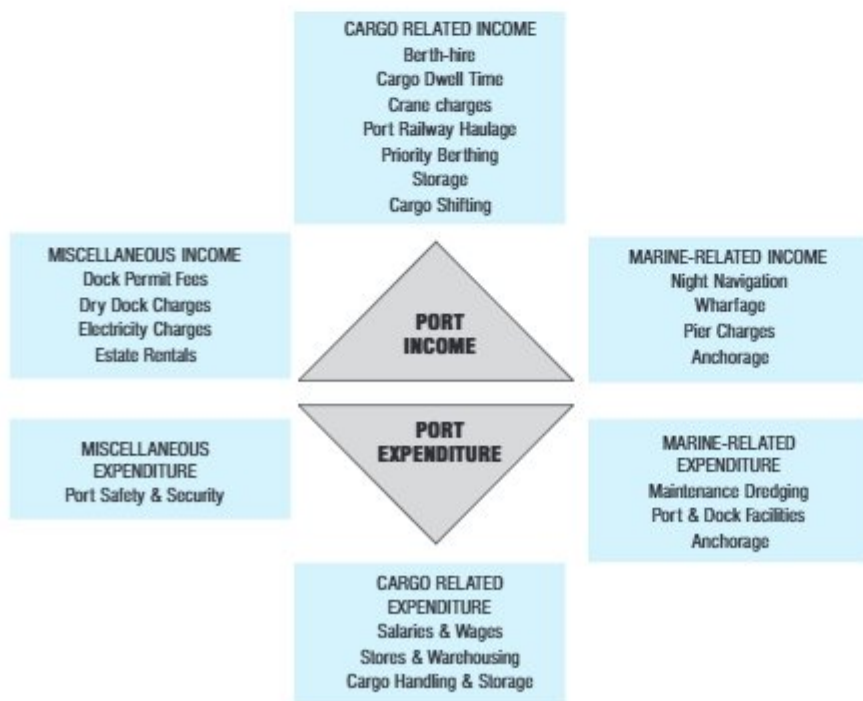
Secretary, Ministry of Shipping

TAMP determines the tariff after a thorough analysis of the proposals from the major ports. For the other ports, there is no tariff regulation. We do not really propose to introduce more restrictions. On the other hand, we are examining how the tariff authority can have a new redefined role. Views are being exchanged at this stage and no final view has yet been taken in the Government. But what has been generally proposed is that the Tariff Authority should play the role of a supervisor, a monitoring agency or a watchdog on the pattern of other regulatory authorities, instead of it going into the minute details of tariff execution.

So the pros and cons of this are being examined and we will take a final view in the matter very soon.



Structure and Components of Port Income and Expenditure



regulating body for resolving disputes or addressing issues. However, to ensure fair decision making, it is necessary to have an independent regulator to oversee both major and non-major ports, they add.

TAMP by definition is for major ports, says Dhamra Port CEO S K Mohapatra. "A regulatory authority for all ports is not a bad idea as port is an infrastructure and the users and investors may need an independent grievance redressal authority. But regulating tariff would kill the entrepreneurial interest in new ports," he adds.

Commenting on the port tariff in India, iMaritime quotes a World Bank report in its India Port Report that states that "with limited powers vested in TAMP by law, inadequate definition of its role and functions as a regulator of tariffs, and limited professional and industry-specific resources, this regulator faced significant challenges in discharging its primary responsibility of ensuring fair prices and a level-playing field

Trade 'n Transparency

At the same time, there is a lot of port expansion taking place in the country. This is a welcome move and has to be supported. While being proactive on port development, there are issues concerning national security and the quality of service on which it is necessary that there are certain prescribed norms and standards. So, there will have to be some standards under which all ports operate and also transparency in tariff. So it would be necessary to have some system under which all the ports operate under the same type of regulatory regime.

In other words, while there will be no imposition of tariff regulation on the ports, our effort is to remove the restrictions which are now applying to the major port trusts. In fact, the interesting thing is that when we corporatise ports, they go out of the purview of the TAMP. For instance, if JNPT is corporatised, the TAMP will no longer have a role in tariff execution in the port. But the point is that any service sector has to be subject to an appropriate regulatory framework. But any decision will be taken in consultation with all the stakeholders and in public interest. At the cost of repetition, I must say that the intention is not to stifle investment or functioning of the ports.

Read the July issue of Maritime Gateway for an exclusive interview with Shipping Secretary K Mohandas and his thoughts on key policy issues.

for all users and service providers at the major ports." For example, there are no provisions for enforcing TAMP orders. Further, the Central government can invalidate TAMP's tariff rulings, says iMaritime.

Industry take

Reasoning out on the rationale behind rationalising tariffs, B V Shivaramu, project manager at Pratt & Whitney comments that Indian ports need to identify the wastes

Traffic Forecasts For The Indian Port Sector

Past growth in traffic

Period	Traffic Volumes (million tonnes)	10-year growth (million tonnes)	CAGR
1950-51	22.5		
1960-61	44.0	21.5	6.9%
1970-71	66.0	22.0	4.1%
1980-81	90.5	24.5	3.2%
1990-91	165.6	75.1	6.2%
2000-01	367.8	202.2	8.3%

Forecasts for 2011-12

Alternative Parameters	Traffic Volumes (million tonnes)	Growth over 2000-01 (million tonnes)	Expected CAGR
- Trend (Past 50 yrs growth)	680.1	312.3	5.7%
- Trend (Past 10 yrs growth)	884.8	516.9	8.3%
- Trend (Increasing)	978.9	611.1	9.3%
- Worst-case scenario	520.3	152.4	3.2%
- Trend (commodity-wise, Past 10 yrs growth)	973.1	605.3	9.2%
- Trend (commodity-wise, Past 5 yrs growth)	988.3	988.3	9.4%
- RITES (Vision 2020) +	895.8	528.0	9.3%
+ Projections for 'Low scenario'			

Source : iMaritime

within their processes and eliminate them to make the system more efficient. "This will help improve the service quality and take tariffs to international competitive levels," he says in response to a report on competitive tariffs. "The move," says Anil Patil, senior general manager at Meck Pharma, "will help both importers and exporters to make supply chain function most effective in terms of cost and timely deliveries." This is the ultimate for customer satisfaction, he adds.

The time is just right for tariff rationalisation, say other industry experts. "Indian ports need to start looking at becoming world-class ports in terms of service and turnaround time rather than operating in traditional way looking at return on investment. The moment this happens, it will improve their throughput and optimal utilisation of assets thereby attracting more liners as transshipment point like in Singapore and Colombo. This will improve overall business and profits, he adds.

Since Indian ports need to pull up their socks and take stock of the global trade to remain competitive, there is a need, says Naresh Parekh of V R Associates, to work on par with global counterparts. "We must keep tariffs and the performance of Indian ports to international competitive levels, so that we can improve service quality, cost factor, logistics and economic development in infrastructure."

As the 13 major ports are projected to double their capacity to 1 billion tonnes (BT) by 2012 and the 200 minor ports are likely to another 0.58 BT, there is a dire need to cut down on the transaction costs. And the matter once again boils down to rationalisation of port tariffs. There is, therefore, the need to review the returns on capital employed (ROCE) regime and revise it in favour of a competitive tariff regime. Tamping the tariff regulation to suit trade needs seems the wise decision for the powers that be. **MG**

Check to Monopoly: Stalemate Continues

A government policy aimed at restricting the monopoly of private terminal operators has drawn flak from different stakeholders. If implemented in the present form, this policy can harm the future interests of the existing private terminal operators. Even as the Ministry of Shipping has approached the Ministry of Law for addressing the intricacies, the stalemate between the ministry and the private players continues.

by Jagadeesh Napa

The benign objective of the Ministry of Shipping in restricting the monopoly of private operators at major ports has moved a step forward. It was a while back that the government announced it would take appropriate measures to restrict the monopoly of private terminal operators (which includes both bulk and container terminals) at all the major ports. To this extent, it has recently come out with a draft policy to address this issue, which is currently forwarded to the Ministry of Law for recommendations and

approval. However, there are some issues that may considerably impact the operations of the existing terminals, especially the container terminals. Keeping the future interests of stakeholders in mind, the proposed policy needs to be re-examined before it is implemented.

It all started in 2007 when PSA Sical bid for a second and consecutive terminal at Tuticorin Port and the bid was cancelled by the shipping ministry fearing that a monopoly scenario may arise. This was followed by PSA Sical challenging

the government decision in the court of law leading to a legal battle. This prompted the ministry to bring out a monopoly restrictive policy that oversees such issues.

On the face of it, it is the naïve objective of the government to bring such policy so as to provide equal chance to all the stakeholders. Though the ministry claims that the draft policy was prepared in consultation with private players, the stakeholders like private terminal operators say that such a policy is regressive for the port sector. Indian Private Ports and Terminals Association (IPPTA), an association that caters to the interests of private ports and private terminals, strongly feels that there is no need for these policy guidelines. According to IPPTA, there can be a cause of apprehension of monopoly when PPP projects are awarded based on open and public global bidding.

According to the policy, a private player cannot operate or bid for two consecutive berths of the same cargo. For instance, if a player X is operating a coal berth at a port, X cannot bid for the consecutive coal berth in the same port. Secondly, the policy will also not allow the same private player to bid for a terminal within 100 km radius of an existing one. This means if the company X is either operating a terminal or even has a minor stake in it, then it is not



Photos Courtesy: Port de Roux



eligible for bidding for a second terminal within 100 km radius of this terminal.

While the motive of the government behind the policy is well appreciated in restricting monopoly and providing room for more players to participate in port PPP projects, the above said issues call for some serious concerns for the existing players.

On the legal angle, Capt Sriram Ravi Chander, COO, Visakha Container Terminal, says that concession agreements of the container terminals that are in effect currently, have a clause for future expansion of terminals, which is agreed to by the government. "Therefore, when the monopoly policy comes into effect, these clauses will be overridden, rendering the terminal operators to be content with their existing berth infrastructure. This will be a direct violation of the concession agreements that are already in effect," says Capt Sriram.

This is a very critical point that both the shipping and law ministries need to consider before implementing the policy.

Thirdly, in terms of operations, it is a common fact that the more the quay length of a container terminal, the greater the efficiency of the container terminal. "The said policy will eliminate all the chances of increasing the quay length thereby hampering the overall efficiency of the container terminal," says Capt Sriram. Further, when this scenario is projected along the lines of future demand, the repercussions – in terms of throughput/efficiency enhancement and financial performance – will be serious.

While there is no restriction on the quay length as of now, industry wants the policy to judge the bidding process based on the quay length. IPPTA is of the opinion that the policy should apply for private terminals with quay length of more than 2000 m. The policy is also expected to put a limit on the capacity and number of terminals that a terminal operator would have.

IPPTA also stressed on the fact that the term "berth" in the draft is confusing and therefore needs to be deleted. Because, a terminal can have more than one berth and many existing private operated terminals have multiple berths. Therefore, this

term is leading to confusion as to whether it is referring to a single berth or a terminal.

There are only a handful of big and experienced container terminal operators. At the global level, the big four – APM Terminals, Hutchison Ports, DP World and PSA – control the majority of container terminals in the world. Back home, excluding Hutchison, the remaining three majors operate container terminals in the country, with DP World garnering more than 70 per cent of the container traffic. Given the scenario, the government, through this policy, is trying to bring in more domestic players into terminal operations and make it a market-led competitive sector.

A stakeholders meeting was also convened by the ministry soon after the draft was prepared, which was attended by the Indian Private Ports and Terminal Association. While association made clear its objections, some stakeholders remained neutral. However, it resulted in a stalemate between the government and the association. Unless the aforementioned issues are addressed, the stalemate is expected to continue. [MC](#)



Vizag Port:

Alternative Gateway

For countries like Bhutan and Nepal, which are landlocked and depend on Indian ports for their exim trade, Kolkata and Haldia ports were the only preferred gateways earlier. But shipping companies in recent times are planning to divert cargo to Visakhapatnam Port as operating costs are spiralling on account of falling draft at Haldia and at the Hooghly River.

The situation is also threatening accessibility to the Kolkata Port. According to the Association of Shipping Interests in Calcutta (ASIC), operating costs at Haldia have increased by 30 per cent in the last two years.

ASIC vice president S B Mazumder complained, "A bulk carrier requires a draft of one cm for 50 tonne of cargo it carries and with the average river draft falling over the last few years, ships are now not able to carry cargo at full capacity. A 50,000-tonne ship is now carrying around 18,000-20,000 tonnes of cargo to enter the channel. The port authority,

As things are becoming harder for the shippers and shipping companies alike at Haldia and Kolkata docks, other ports like Vizag and Paradip look to be viable alternatives. Nepal and Bhutan, which were entirely dependent on Kolkata Port, are now beginning to use Vizag as their alternative gateway, writes **Susenjit Guha**.

nevertheless, charges a ship according to its full tonnage."

From six days of turnaround time for vessels, it now requires more than 13 days and the frequency trips for delivering cargo have also shot up at Haldia. Lock gates too are getting congested on account of the large number of container and feeder vessels.

Members of the ASIC were of the view that Vizag Port is a better bet comparatively as it has a deeper draft and the turnaround time did not exceed more than a single day.

Cargo destined for landlocked Nepal and Bhutan can reach by rail and air faster if it is diverted through Vizag Port, whereas costs can escalate otherwise and traders as well as the

consumers will be at the receiving end of the blowback in the end as shipping companies will ultimately end up passing the burden on them.

Sand bar formations at Haldia have been mainly due to inadequate dredging which has led to the raising of the river bed and a resultant shallow shipping channel.

From the Bay of Bengal, the ships cannot come with cargo into West Bengal because of inadequate channel depth. Ramakant Burman, the secretary of the Haldia Dock Officers' Forum, said, "To tell the truth, the port is as good as closed. It's functioning somehow on the skills of river pilots who know the sand bar formations and navigate ships through the channels and a disaster is waiting to happen."

The situation worsened further a couple of months back when the Dredging Corporation of India (DCI) pressed into action just two to three dredgers of which one worked at only 50 percent capacity.

Even though the port trust has taken short-term measures of reducing the navigable channel from five tracks (1,500 feet) to four tracks (1200 feet) to increase the draft by 0.4 m, ASIC president Nopany felt long-term measures like capital dredging at the Balari bar together with continued maintenance dredging for ensuring that the draft remains above 8 m were long overdue.

ASIC members felt the Kolkata Port Trust should press foreign dredgers into action quickly in the channel if the DCI does not have adequate dredgers at Haldia.

Earlier, in the 1990s, Ham Dredging of Holland had worked in the channel and the central government has proposed funding of a port at Sagar Island to solve the problem. The politics in West Bengal, where land acquisition for development can easily snowball into a political slugfest leading to stalling of



“Local industries rerouted bulk cargo from Haldia to Paradip Port in Orissa and Vizag in Andhra Pradesh in recent times which has led to congestions in rail freight.”

operations and a brutal setback for the industries dependent on the facilities, could further worsen the problem.

Traders and shipping companies opting for Vizag Port to circumvent the typical state-specific problem that exists in West Bengal and with a possible change of government in 2011, the situation could get worse.

The situation is evident from the fact that even after the Union Shipping

Ministry's technical advisory committee (TAC) threw a lifeline to the Haldia Port for bypassing the heavily silted navigation channel last October, the Kolkata Port Trust (KoPT) was sitting on the tendering project.

The Kolkata Port Trust which manages both the Kolkata and the Haldia ports proposed cargo-handling facilities at Sagar Island way back in 2002, but the project failed to get up and running even though the government of Japan agreed to fund the project.

Local industries rerouted bulk cargo from Haldia to Paradip Port in Orissa and Vizag in Andhra Pradesh in recent times which has led to congestions in rail freight.

Experts feel that dredging can effectively bring the draught to 12 m, but then again, it is the lack of getting things done on time which is the bane of both the ports and facilities in West Bengal, pushing the industry towards Vizag, as it is a viable alternative.

On the contrary, the port of Vishakapatnam is fast enhancing its

capacity to handle more cargo and brace up to the competition. According to the chairman of Visakhapatnam Port Trust Ajeya Kallam, "Clearance had been obtained for six public-private partnership (PPP) projects during the past four to five months, the total estimated cost of which would be Rs 1,250 crore."

Among the projects that are lined up are the development of WQ-6 berth for bulk cargo and EQ-10 berth for liquid cargo in the inner harbour, upgradation of general cargo berth to cater to 2,00,000 DWT vessels, coal-handling facilities and their mechanisation, installation of mechanical fertiliser-handling facilities at EQ-7 berth and development of WQ-7 and WQ-8 berths with mechanised facilities for alumina, caustic soda and other bulk cargoes. Ajeya Kallam said, "Six more berths would be added and contracts for some of the projects have already been awarded and by June-July the rest would also be cleared."

The third phase for the 14-m draft will be taken up and would reach the

VPT signs 3 deals

The Visakhapatnam Port Trust (VPT) has signed three agreements with Sterlite Industries Ltd, SAIL and Essar. With Sterlite, VPT signed an agreement for mechanisation of coal handling facilities at a cost of Rs 443 crore. An MOU was signed with Balmer Lawrie & Co Ltd for setting up an integrated logistics hub. The general cargo berth in the outer harbour would be upgraded to handle 2 lakh DWT vessels and it would be able to handle 10.18 million tonnes per annum (mtpa). The project will be executed by Sterlite and it expected to be fully operational by 2012.

The MoU with Balmer Lawrie & Co Ltd envisages setting up of a multi-modal logistics hub in an extent of 65 acres in exim park area on a joint venture basis.

target set by the Union Shipping Ministry. There is no problem for stevedores during a strike at Vizag as they can engage cheap private labour without any problem, a move unthinkable in West Bengal.

For landlocked Nepal and Bhutan, Vizag is fast emerging as a lifeline for their cargo when both Kolkata and Haldia are saddled with problems that show no signs of getting

resolved in the near future.

Even amicable settlements had taken place as the port authorities had taken a sympathetic view of the workforce and offered concessions when work stoppages occurred. Instead of deadlocks in such cases as is common in West Bengal, the matters get settled and the strikes are lifted in no time.

Kallam was of the view that the unions had to be realistic and cooperate with the management for smooth functioning of the port. It is the attitude that is making the industry career towards Vizag and get out of the deadlocks of Haldia and Kolkata ports as business is done at competitive prices on the basis of cost-effectiveness at the end of the day.

And that is exactly why the landlocked countries are looking at Vizag Port in Andhra Pradesh. It is connected to the sea by a channel cut through solid rock and sand. The outer harbour that is ideal for handling iron-ore, petroleum and general cargo is a boon to Nepal and Bhutan. **MG**

Balmer Lawrie to set up multimodal logistics hub at Vizag Port

The Visakhapatnam Port Trust (VPT) has signed a memorandum of understanding (MoU) with Balmer Lawrie & Co. Ltd., a Central government undertaking, for establishing a 'logistics hub' in the Port area.

The MoU was signed by Satyakumar, Deputy Chairman of VPT, and Viren Sinha, Executive Director of Balmer Lawrie. Ajeya Kallam, Chairman of VPT, and S K Mukherjee, Managing Director of Balmer Lawrie, and several officials were present during the trade deal.

The MoU envisages the setting up of a multimodal logistics hub covering an area of 65 acres in exim park area on a joint venture basis. It will include an inland

container depot/offdock container freight station with rail connectivity, warehouses and distribution centres catering to various types of cargo. The hub will also include a mega distribution centre with a railhead and cold storage facilities.

With major industries coming up in the pharma, steel and alumina sectors, several industries planned in the petrochemical complex (PCPIR) region and the ongoing conversion of bulk and break-bulk cargo into containerisation, a good logistics hub will be able to cater to the anticipated container growth through Visakha Container Terminal (VCT) which has recently achieved the one-lakh TEU mark in handling boxes in an operational year.

In this connection, Mukherjee, V L V S Subba Rao, Joint Advisor, Ministry of Petroleum and Natural Gas, and Sinha, accompanied by Capt Sriram Ravi Chander, COO of VCTPL, visited the container terminal.

Curbing Emissions

Nazery Khalid, discusses efforts to address the issue of climate change in the shipping sector.

The issue of global warming has become a topic that requires urgent attention by individuals, industries and governments. Visible adverse impacts of an increasingly stricken Mother Nature demand that concrete actions are taken to mitigate global warming. The spate of signs and disasters related to climate change painted a grim picture of a world whose balance has been upset by changing weather patterns.

Human activities have contributed much to the problem. As world population grows and demand for natural resources, commodities, space, goods and services grow, humans have exerted enormous strain to the earth's resources and atmosphere. Analysts have expressed doubts if the earth can absorb further economic and population growth without

serious repercussions of destabilising the natural order of things.

As concerns about global warming grow, there is growing discourse on curbing emissions from merchant ships. Merchant shipping, which is one of the key activities in the maritime sector, is the most carbon-efficient mode of transportation. Shipping, by far, offers much greater payloads per trip compared to land and air transport, and emits far less CO₂ per tonne/mile of cargo than any other modes of transport.

Despite this, shipping's contribution to global carbon emissions cannot be taken lightly. Underlining the seriousness of the issue, the International Maritime Organisation (IMO) has warned that in the absence of regulation, CO₂ emissions from shipping is predicted to rise from the current 3.3 per cent to 6 per cent of the total global emissions by 2020.

The demand for ships and shipping services, and the accompanying supporting equipment and services, is set to increase in the years to come as global seaborne trade and maritime-related activities grow. This will naturally result in the emissions of more harmful elements into the atmosphere and marine environment arising from the burning of fossil fuels from ships and other activities in the maritime sector. Shipping, therefore, cannot 'hide' behind its environmental advantage over other transport modes and cannot afford not to take serious actions to reduce its carbon emissions.

Shipping's response to curb emissions

Various efforts have been made by shipping stakeholders to face the challenge of climate change and to reduce the sector's carbon footprint. However, much more needs to be done to rally industry players to agree on a consensus on how to attain a low-carbon future.

It is a matter of concern that there is an absence of a definite timetable

and a clearly spelled-out roadmap for the shipping sector to reduce its carbon emissions. A report published by *Lloyd's List* in December 2009, titled 'Future of shipping' emphasises that shipping must adapt to a low-carbon future and not delay any further to take actions to deal with the changes that lie ahead in a world that demands industries to curb carbon and GHG emissions. When one considers the fact that in 2007, shipping emitted 870 million tonnes or about 2.7 per cent of the global emissions of CO₂, one shudders to think the impact of unabated emissions from shipping in the foreseeable future.

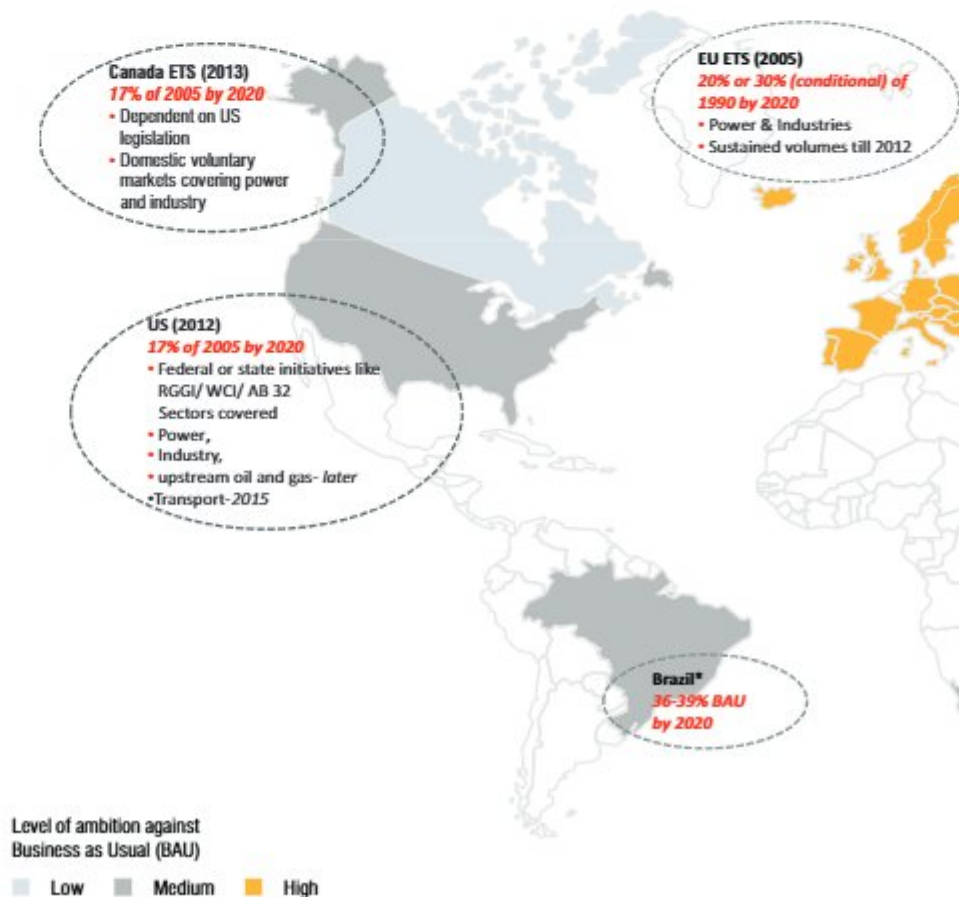
The disappointing outcome of the 15th Conference of Parties in Copenhagen in December 2009 has increased expectations for the maritime sector to take action to

curb its emissions. While various measures have been initiated by industry players and related institutions such as the IMO, much more needs to be done for the maritime industry to significantly reduce its pollution and carbon emissions.

To this end, IMO has initiated some measures to reduce carbon emissions from shipping by way of introducing technical and operational measures and market-based instruments. It has also proposed reducing the sulphur content of bunker fuels starting 2010 on all ships and measures to limit nitrogen oxide emissions from engines on new ships starting 2011.

The Marine Environment Protection Committee (MEPC), the senior technical body on matters related to marine pollution, is crucial to IMO's

Emission reduction commitments & mitigation actions



work in protecting the marine environment. MEPC meets regularly to discuss environmental issues related to merchant shipping. It is assisted by a number of sub-committees overlooking every facet of merchant shipping, from the construction stage to operations and scrapping.

IMO has introduced several international conventions and laws that regulate the activities in the maritime sector to ensure that shipping activities are carried out in an environmentally friendly manner. Beside the conventions, IMO has established what it has described as an 'ambitious and achievable' action plan to regulate emissions from shipping on a global basis. It has made laudable progress under MEPC to introduce green practices in shipping, namely by developing an

Energy Efficiency Design Index for newly-built ships, a Ship Energy Management Plan and an Energy Efficiency Operational Indicator for new and existing ships.

Other efforts at various levels to curb pollution from shipping activities are also worth noting. At the industry level, there are measures to introduce green ship recycling by associations such as International Chamber of Shipping and BIMCO. Regional efforts include the adoption of air pollution standards under the North American Emission Control Area by the governments of Canada, the United States and France; and the adoption of a Green Paper on Shipping by the European Commission. National efforts include the introduction of an environment-friendly ship recycling strategy by the United Kingdom and France. There

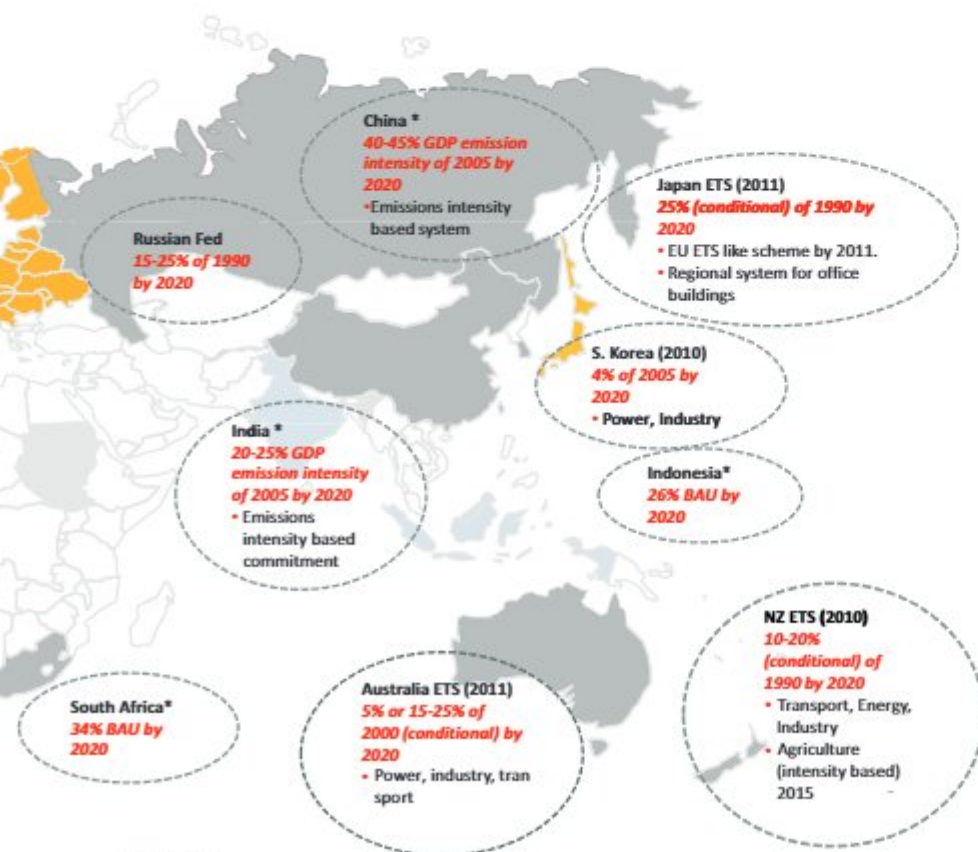
are also efforts by other agencies such as the International Atomic Energy Agency (IAEA) which has introduced Regulations for the Safe Transport of Radioactive Material, and International Labour Organisation (ILO) which has adopted technical guidelines on ship dismantling focussing on the safety and health of workers at ship breaking yards.

Even NGOs have initiated efforts to clean up the shipping industry, as evident by the work of Basel Action Network, Greenpeace and Robin de Bois in ship recycling and ship breaking. These efforts complement those of IMO to introduce green practices in the shipping industry and related activities.

Challenges on the horizon

It has become increasingly obvious that adjusting to a low-carbon future is imminent and the maritime sector needs to do the needful to cap its carbon emissions and play its part to address the issue of climate change. With seaborne trade and maritime activities such as offshore oil and gas set to increase in the years ahead, it is fair to expect carbon emissions from the sector to increase in tandem. This is set to add to existing pressure on the marine environment and beyond. As such, serious efforts must be taken by industry players to endeavour to reduce their carbon emissions to mitigate the risks faced by the marine environment.

However, attaining a 'clean and green' operating environment in shipping is a gargantuan task. Many challenges such as lack of resources, weak regulatory framework, lack of consensus among stakeholders and technological limitations must be overcome before the maritime sector can agree on a workable global regime to significantly reduce its carbon emissions. Developed nations must endeavour to assist developing countries which lack resources, technology and technical know-how to comply with green standards. Proposed measures such as market-



* Voluntary in nature
Source of Commitments: UNFCCC

based instruments must take into account their limitations and must not deny them the opportunity to carry out seaborne trade and conduct shipping activities at a competitive disadvantage.

IMO's Greenhouse Gas Study updated in 2009 reported that the application of 'known technology and practices' could make vessels more efficient between 25 to 75 per cent (depending on the type of vessels). However, adapting such technology and practices may open a Pandora Box of other issues. In the event that shipowners pass the costs incurred from 'going green' onto their customers, the latter will in turn pass their costs down to end users and consumers of the cargo they ship. This, and other concerns, must be exhaustively addressed to mitigate the potential adverse impacts of going green.

It can be debated that given the considerable costs involved in practicing 'green shipping', there may not be much of an incentive for shipowners to increase efficiency of their ships to a level that will make a difference on a global scale. Unless they can gain competitive advantage by 'going green', or at least can avoid competitive disadvantage, it is hard to imagine that shipowners are going to adopt a voluntary technological revolution to change the entire shipping industry to a greener one. What more at a time when many of them are reeling from the crushing impact of global recession, credit crunch and falling demand for shipping services.

The way ahead

One way or another, industry players must prepare themselves for a lower carbon future, and that future will come sooner or later. Hence, the onus is on industry players and other stakeholders including the IMO, shipowners, port operators, shipyard operators, ancillary services providers and users of maritime services to work hard to attain this target. They must make reducing



carbon emissions a priority and must aim to put in place measures to attain a low-carbon environment.

Future 'green initiatives' to cut down carbon emissions will have an indelible impact on international trade, investment, production, transportation, supply chain management, consumption of goods, regulation, business philosophy and social behaviour. These will certainly be felt in the shipping sector which has extensive linkages with many economic activities and facets of life.

No doubt, there are enormous challenges that stakeholders in shipping must overcome in going green and to operate in a sustainable manner. But becoming green is not a means to an end. They must realise that it makes business sense – as much as environmental sense – to go green. By taking a long-term and socially responsible view of going green, they will open their vistas to new opportunities and align their business with a greater emphasis on innovation and sustainability.

Given changing paradigms, shipowners and operators must no longer measure business growth by

quantitative means alone. Serious efforts must be initiated to shift towards clean, renewable energy instead of fossil fuel. They must balance the need to operate efficiently and profitably with the need to care for the environment and Mother Nature.

Eventually, going green in shipping is not going to be a matter of choice. Already, there are regions which have adopted measures requiring shipowners to comply with green standards or be refused entry into certain waters and ports. Once IMO's conventions and standards on green shipping are enforced, nations and industry players can no longer find excuses to delay going green. Hence, the sooner they make the effort to comply with the criteria for emissions and efficient energy consumption, the more prepared they will be to operate in a low-carbon environment. Maintaining the status quo is no longer an option! 



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Asia is home to 11 of the world's top 15 ports, handling over 175 million TEU per annum. In South China, the Pearl River Delta (PRD) region has the largest concentration – with Hong Kong, Shenzhen and Guangzhou together accounting for 12 per cent of global container movements. In line with gradual economic recovery, container volumes in China and the Asia region will continue to grow over the medium to long term, albeit at somewhat slower rates than in recent years.

However, continuing growth in port activities will have an adverse impact on our health!

by Mark Millar

Health warning on port activities

According to a recent study by Hong Kong-based Turnkey Consulting, many Asia-based ports are lagging behind leading ports in the USA and Europe in the area of 'sustainability'.

Specifically, we need to increase the environmental considerations in relation to the development and deployment of port initiatives; otherwise the port emissions will increasingly compromise the health of the general public.

The Turnkey report quotes a recent study which found that inhalation of toxic fumes from ship and port emissions has resulted in over 60,000 deaths worldwide – 37,000 of which were in Asia. Countries with high population density levels are likely to

Creating a Green Port Culture

Top environmental priorities of the European port sector over time

	1996	2004	2009
1	Port development (water)	Garbage / Port waste	Noise
2	Water quality	Dredging: operations	Air quality
3	Dredging disposal	Dredging disposal	Garbage / Port waste
4	Dredging: Operations	Dust	Dredging: Operations
5	Dust	Noise	Dredging: Disposal
6	Port development (land)	Air quality	Link with local community
7	Contaminated land	Hazardous cargo	Energy consumption
8	Habitat loss / degradation	Bunkering	Dust
9	Traffic volume	Port development (land)	Port development (water)
10	Industrial effluent	Ship discharge (oilge)	Port development (land)

Source: ESPO Survey



suffer the most and therefore this becomes a topic of critical importance for the South China port cluster, where we have a highly concentrated urban population of over 32 million people. Mumbai, Chennai and Ho Chi Minh City are other examples where health will be at risk from ever increasing levels of port activities within close proximity to dense populations.

Whilst ports in South China have already implemented some initiatives to support environmental compliance measures – such as the signing of the Marpol Annex 6 Agreement – thus far there has been limited investment in environmentally sustainable technologies such as Cold Ironing (shore to ship power supply) or Ultra Low Sulfur Diesel (ULSD).

The low-grade bunker fuel used in even the most modern ships has 2,000 times the sulfur content of a modern automobile. Indeed, research has shown that one giant container ship can emit almost the same amount of cancer and asthma-causing chemicals as 50 million cars.

Similarly, we have witnessed limited active engagement with ISO 14001 – the global certification standard that supports a roadmap for continuous

“On a global basis, it is encouraging to see increasing commitment from port operators to implement sustainability programmes that lead to tangible improvements in port operations.”

sustainable improvement.

We need industry-wide commitment to increase the importance of sustainability and limit the dangers to our communities who are facing increased health threats from toxic ship and port emissions.

On a global basis, it is encouraging to see increasing commitment from port operators to implement sustainability programmes that lead to tangible improvements in port operations.

Importance of adopting international standards

Many ports in North America and Europe have already implemented initiatives to invest in certification programmes, demonstrating their commitment to environmental sustainability. However, in Asia there has been somewhat less enthusiasm to adopt certification initiatives that meet recognised global standards. This is one of the key findings in Turnkey's new industry white paper entitled 'Creating a Green Port Culture' published recently.

The white paper identifies that the port of Hong Kong, whilst still the third largest port in the world, has yet to leverage its industry leadership position to become the pioneer of sustainable port cultures in Asia – typically involving globally recognised certifications such as ISO 14001.

Mainland ports to the north have already taken the lead in environmental standards certifications – in Shenzhen, Chiwan Port achieved ISO 14001 in October 2009 and, also in Shenzhen, Yantian Port's subsidiary holding partner Yantian ChuKong Logistics has achieved ISO 14001 certification.

Further afield to the south, Malaysia's West Port is one of the most recent Asian ports to successfully achieve the ISO 14001 standard, implemented as an integral part of their strategy to leverage best practices in sustainability to better compete with their competitors in the ASEAN region.

Tony Wines, CEO of Turnkey, commented that "Hong Kong Port still has great potential to lead the Pearl River Delta region into the next era of port management excellence, but needs to fully embrace sustainability as a strong value-add in its competitive differentiation and strategic positioning."

Environmental management by voluntary compliance

The 'Green Port Culture' concept has successfully evolved in the Europe region, where they have adopted industry-specific certifications to help

drive compliance to international environmental standards. The maritime-industry-specific Port Environmental Review System (PERS) from Ecoport is fast becoming the recognised standard for port operations in Europe, where 33 ports have already achieved PERS certification. Here in Asia, port operations in Cambodia and Vietnam are now exploring the process for obtaining PERS certification.

Adopting ISO 14000 / 14001 is widely regarded as an effective approach to manage and monitor regulatory compliance – the USA ports of Long Beach, Seattle, Houston and Virginia have all implemented ISO 14001 programmes to enhance their environmental sustainability performance.

The white paper explains how the importance of adopting international environmental standards through

these certification programs is not just about being able to implement measurable performance of the port's sustainability practices and ensure compliance.

Typically, the associated business practices will also lead to process improvements that increase efficiency, together with related reductions in energy consumption and waste – resulting in tangible cost reductions. Compliance to environmental standards – together with available technologies that will be explored in the next article – demonstrates that it is indeed feasible to become more profitable as a result of becoming more green! **ME**

Logistics industry veteran Mark Millar

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Port-led development offers cumulative and comprehensive benefits. Andhra Pradesh is a fit case for integrating its growth through port-led development for which the dry port model is the best fit.

by Surendra Sharma



Courtesy: Malcolm Hobson

The Dry-Port

India is geographically blessed with a 7,517 km coastline and is also historically recognised as a leading maritime nation. It is a country which has an ocean (Indian Ocean) named after it. This necessitates the proper development and utilisation of the natural coastline resources for the country.

Ports act as an interface between the land and sea front, facilitating trade, commerce and logistics activities. This leads to growth and overall prosperity. The development of ports acts as a catalyst for the growth of the region, state and the country. A state with a coastline without adequate ports cannot grow up to its

desired level and may lead to overdependence on other resources.

A port has a primary and secondary hinterland with which better connectivity in the form of road and rail links can be efficiently achieved. Adequate and proper connectivity enables a port to increase its influence to a larger area, thus increasing the socio-economic benefits to a greater proportion. A distance of 100 km from the port can be considered as the captive area of the port – a geographical area from where cargo would flow to the port for export or be imported through the port, while a distance of up to 300 km can be covered by a port

with adequate road connectivity, a secondary hinterland of up to 500 km and beyond can also be covered with efficient rail connectivity.

Benefits of port-led development

In India, there are 12 major ports and 187 minor/ intermediate ports on the main coastline. While the major ports are governed by the central government; the minor/ intermediate ports are controlled by the state government. It is the minor and intermediate ports which have the greater potential to grow with private participation under the Public Private Partnership (PPP) mode and require political will and a consistent



OTHER MARITIME STATES



West Bengal

Limitation of deep draft and land for development.

Orissa

Good hinterland within own state and proximity to bulk mineral trade.



Tamil Nadu

Limited hinterland overlapping with Karnataka and Kerala.

Kerala

Limited hinterland and very eco-sensitive environment.



Karnataka

Limited hinterland connectivity due to uneven and mountainous terrain.

Goa

Tourist oriented state.



Maharashtra

Limited hinterland connectivity due to Western Ghats and mountainous terrain.

Gujarat

Longest coastline and suitable land for industrial development with hinterland connectivity extending 1500 km up to Punjab state.



Drive

policy to be formulated and implemented by the respective state governments.

The state of Gujarat, which is on the western coast of India, has successfully demonstrated port-led development by drafting and implementing a port policy which has helped in the development of minor ports with active private participation. This has led to a comprehensive growth with industries which require heavy cargo traffic movement along with export oriented units (EOU) setting up plants near the port. Port development has led to Gujarat handling 206 million tonnes of cargo

in the year 2009 -10, which accounted for 75 per cent of the total cargo handled by all the minor ports of India.

Mundra Port in Kutch district of Gujarat has been a catalyst of growth for an area extending beyond 60 km up to Bhuj town with new manufacturing plants setting up base there (using the port and supported by the tax incentive policy of the central government). Bharat Forge, Electrotherm (India) Ltd., Surya Group's Steel Tubes plant, Gujarat NRE, Gallant metals, Kutch steel, Welspun, Man industries are some of the companies which have a Kutch address among others.

Port development leads to growth of port-based industries like oil refineries, power projects, ship building, marine products, cement plants, chemical plants etc. It indirectly leads to supporting infrastructure development like roads, railways, housing colonies, transport terminals, warehouses, cargo hubs and SEZ. For the government, it translates into more

revenue, better infrastructure, more power generation and employment opportunities for the local population. Better infrastructure leads to increase in the land prices benefiting the land and property owners and also leads to more direct and indirect investment in the region.

Andhra Pradesh: A fit case for port-led growth

Andhra Pradesh, centrally located on the east coast of India, is surrounded by Chhattisgarh and Orissa in the North with Maharashtra in the West and North West and Karnataka in the West with Tamil Nadu in the South. It has a curved coastline which improves the possibility of developing deep-drafted ports.

The hinterland of Chennai Port effectively extends up to Bengaluru city in Karnataka state, a distance of above 340 km. Cargo collected from Bengaluru and Mysore district via Whitefield Inland container depot (ICD) run by Container Corporation of India (CONCOR) moves by a daily

scheduled train to Chennai Port for onward loading on container vessels.

Thus, with proper connectivity, the reach of the port can be enhanced to cover a wider area, which Andhra Pradesh can efficiently ensure to cover its districts.

Moving forward

Andhra Pradesh located centrally on the east coast of India faces threat from cyclones; hence, a dry port model would be best suitable for developing its coastal ports. This model also supports hinterland development which is needed for the state to have a comprehensive growth.

A dry port model allows for basic vessel handling facilities to be developed along the coast while moving the cargo storage and



“A dry port model allows for basic vessel handling facilities to be developed along the coast while moving the cargo storage and distribution activities at an interior location that is best suitable for developing a logistics hub.”

Andhra Pradesh has a coastline of 972 km north to south, with the distance from the east coast to the western border at a distance of about 500 km especially in the central part of the state. This offers sufficient hinterland in its own state for development which can be linked to the port.

- The state has a Department of Ports with trained manpower and sufficient expertise in port and cargo handling to handle larger volumes.
- Good density and connectivity of rail and road network across the state.
- Good mineral deposits to develop port-based industries.
- The state plans to handle 173 million tonnes of cargo by 2020.
- The state offers ready choice for port development under PPP with two intermediate ports – namely Kakinada Port and Machilipatnam Port – and ten minor ports:
 - Vadarevu Port
 - Krishnapatnam Port
 - Bhavanapadu Port
 - Kalingapatnam Port
 - Bheemunipatnam Port
 - Gangavaram Port
 - Mutyalammampalem Port
 - Rawapadu Port
 - Narsapur Port
 - Nizampatnam Port

distribution activities at an interior location that is best suitable for developing a logistics hub. This allows the port to be only used for vessels operation and essential minimum storages of goods (similar to an airport type working where passengers arrive and depart only before and after the flight allowing the terminal to be put to maximum use). Ports like Mumbai Port Trust (MbPT) in Maharashtra have large area of land for warehouses allowing storage of cargo up to months which would not be possible in a dry port model.

Andhra Pradesh can have a feasibility study done to explore the possibility of developing a centrally located logistics hub preferably bordering Mahbubnagar and Prakasam districts. It is also important that NH-09, which connects the region, be six-laned from Machilipatnam up the border of Andhra Pradesh.

This hub can be connected with a multimodal freight corridor with rail and road links to the coastal ports. The multimodal freight corridor can have rail link, benchmarked with the standards adapted by the dedicated freight corridor being developed in

India, and a six-lane expressway to ensure efficient cargo and traffic movement.

The logistics hub can be further linked to the western and northern parts of the state with industrial zones and SEZs to ensure encompassing development to take place. Supporting infrastructure can be put in place with phase-wise development. This would ensure that the industrial development is not confined to the coastal region or at the cost of encroaching fertile land, but is developed at selected places utilising semi or unfertile land to reduce the price of land and benefit the state in a cumulative manner.

The master planning would result in industries spreading all over the state especially in the western districts away from the coast but connected with an efficient multimodal freight corridor to benefit from the ports. **MG**

Surendra Sharma, FNMIS, T.E.M., is a veteran in the maritime industry with two decades of working experience in port-led logistics in major Indian companies and top global consulting firm Deloitte in strategy and operations.





Capt Dastoor

to head DP World Egypt

Capt Rustom E Dastoor, CEO of DP World Nhava Sheva, will head Egypt's DP World Sokhna, a multipurpose port located at the southern entrance of the Suez Canal. Capt Sujeet Singh will take over as the acting CEO of DP World Nhava Sheva. Joining NSICT as general manager in early 2004, Capt Dastoor played a pivotal role in setting new benchmarks for cargo handling.



Vivek Sahai

to head Railway Board

Vivek Sahai, a senior Railway official who earned accolades for his deft handling of suburban train operations in the wake of the Mumbai terror attacks, has taken over as the new Chairman of the Railway Board. An Indian Railway Traffic Service (IRTS) officer, who was the Railway Board (Member) Traffic, Sahai succeeds S S Khurana, who retired.



Rajiv Agarwal

CEO of ESPLL

Essar Shipping Ports and Logistics Limited (ESPLL) recently announced the appointment of **Rajiv Agarwal** as the CEO and wholtime director of Essar Shipping Ports and Logistics Limited. He is also nominated as the managing director subject to the approval of members of the company in the ensuing AGM. Rajiv Agarwal, prior to this appointment, was the CEO of the MobileStore Limited.

Jamie McPhail

to steer GML

Global ship spares logistics specialist GAC Marine Logistics (GML) has named Jamie McPhail as its new Marketing & Sales Manager to oversee its growing business in Europe.



Osmo Härkönen

new head for Wärtsilä quality

Osmo Härkönen, vice president, Project Management in Wärtsilä Power Plants, has been appointed vice president, Group Quality in Wärtsilä as of August 1, 2010 responsible for enhancing the quality of the products, services and operations.



M L Meena

appointed KoPT chairman

M L Meena, the Principal Secretary in the Department of Environment, West Bengal has been appointed Chairman of the Kolkata Port Trust (KoPT). A 1983 batch officer of the IAS, Meena was the deputy chairman of Haldia Dock Complex for four years till 2006 and earlier worked as the director (Port Development), in the Ministry of Shipping.

Ajey Ranade

deputy chairman of KoPT

Ajey Ranade has taken over charge as the deputy chairman of Kolkata Port Trust. An IPS officer of the 1995 batch, he was earlier the DIG of Police (Operations), CID, West Bengal. He also served as the SP of South 24-Parganas.



United States

BP captures more oil

Oil continues to flow into the Gulf of Mexico from BP PLC's (BP) Macondo well, affecting hundreds of miles of coastal beaches and marshes in Louisiana and Alabama. The spill was triggered by an explosion on April 20 that destroyed the Transocean Ltd. (RIG) drilling platform Deepwater Horizon, killing 11 crew members. BP has been scrambling to cap the well and contain the spill since. BP will deploy a second storage ship to the site of the well that will allow it to potentially capture another 5,000 to 10,000 barrels of oil a day of the leak. The company says it is confident it will be able to capture the majority of the leak using the cap attached to the well head once the extra vessel is in place.

CMA CGM adds Asia service

French leading shipping group CMA CGM has added a weekly call in Durban, South Africa in a bid to directly link South Africa to Asia. The supplement stop, a part of its present WAX service (West Africa Express), is to address the increasing trade from China to South Africa and the growing demand from South African exporters towards Asia and will begin operation since June 11, the beginning of the World Cup Game. WAX service, which deploys 11 vessels of 2,600 TEU capacity, will offer worldwide connections to CMA CGM services from Durban, in addition to those already available from Port Kelang or Colombo, the Marseilles-based company said in a news release. The new rotations will include Qingdao, Shanghai, Ningbo, Fuqing, Chiwan, Port Kelang, Durban, Walvis Bay, Tema, Apapa, Lome, Abidjan, Durban, Colombo, Port Kelang.

France

Iran's shipping industry likely to face US sanctions

As the UN Security Council prepares to debate placing new sanctions on Iran, its shipping industry seems to be one of the main targets. A draft of the sanctions proposal recently leaked to the media contains tough language appealing to all states to help keep track of the activities of Iran's state-owned fleet of vessels. The leaked text requests "all member states to communicate to the [Sanctions] Committee any information available on transfers or activity by...vessels owned or operated by the Islamic Republic of Iran Shipping Lines (IRISL)...that may have been undertaken in order to evade the sanctions." The New York Times reported recently that Iran's state-owned ships have changed their names, the flags under which they operate, their registered owners, or their registered operators at a staggering rate since 2008, when Washington slapped financial sanctions on the IRISL and 18 of its affiliates.

Argentina

Iron ore piles up at China ports

Iron ore inventories at major Chinese ports rose by 2.1 per cent week on week as falling steel prices prompted some mills to cut production and buy less of the raw material. Stockpiles at 23 major ports increased by 1.43 million tonnes to 70 million tonnes from a week ago. Smaller mills continue to cut production, curbing demand for imported ore. The market will remain weak over the short term. Most traders held off sales as bidding prices from the steelmakers were too low.

Samudera Shipping adds vessel to Indian route

The Singapore-based integrated transportation group Samudera Shipping Line says it is adding another vessel to its Indian route in its Kolkata-Haldia Express service. The move is in response to increasing demand for cargo to and from Kolkata. With this addition, Samudera says it is able to offer customers an improved frequency of one sailing every week between Singapore and Kolkata. Previously, it used to sail through Kolkata every 16 days. Currently, Samudera also serves the other ports of the Indian sub-continent, such as Chittagong, Chennai, Colombo and Karachi.

China, India to lead Asian recovery

Led by China and India, most of the Asian economies are expected to expand this year and the next, although uncertainty over the global recovery threatens to derail growth, Moody's Analytics said recently. The report underlined the need for Asia's policymakers for maintaining balance between inflation and growth. "China will lead (growth in Asia this year), expanding around 10 per cent followed by India and Vietnam at around 8.5 per cent," Moody's said, adding South Korea is expected to grow around 6 per cent, despite the deteriorating relationship with its northern neighbor. The report further said the Asean economies (except Thailand) are expected to grow solidly this year, following impressive first quarter results.

Asian shipowners want to be heard

The Asian Shipowners' Forum (ASF) has called for a complete halt to piracy. "The situation has become a crisis – one that deeply affects seafarers and their families and the carriage of world trade," Chairman of ASF's Safe Navigation and Environment Committee S S Teo said. At its 19th annual meeting in Hong Kong recently, ASF urged the world's navies to increase protection for ships passing through the Gulf of Aden and the Western Indian Ocean. The Gulf of Aden is dubbed 'Pirate Alley' because of the high number of attacks there. According to Kenneth Koo, chairman of the 19th ASF, any lasting solution can only be found on land – not at sea. "But it seems little is being done on land in Somalia by the world's governments to stop the activities of these pirates," he said.

Priority Demands Premium

Thanksgiving, Christmas and New Year – off the bow and ahead is the peak season, which every container line in the world eagerly waits for. Along with the peak season comes the steep increase in freight rates due to the surge in demand during the season. Like all other lines, Maersk Line too looks forward to leverage on this demand through its new premium pricing strategy. **Jagadeesh Napa** looks at the pros and cons of liner's new tool.

Thanks to the rising demand and controlled supply of tonnage, shipping lines are once again beginning to smile after their worst nightmare during 2008 and 2009. Liners across the world have now got the opportunity to increase the freight rates and surcharges. General rate increase (GRI) has become common these days for every container liner in addition to surcharges like fuel surcharge, port congestion surcharge, peak season surcharge etc. It appears the shipping companies are striving to rake in maximum moolah for what they lost during the recession.

In line with this is the new pricing strategy from the world's largest container liner, Maersk Line. It recently introduced a new programme/scheme called as "Priority Product Upgrade" (PPU) – a money-back, priority loading option. Under this pricing strategy, the liner accommodates shipments, which do not have prior space commitments, at a market price premium. Maersk claims that this is a new, unique and first of its kind pricing strategy and is aimed at helping customers who simply can't afford to take "no" for an answer for certain key shipments. "It is driven by a need expressed by our customers to always have an opportunity to get cargo loaded even in a situation where there may be some constraints in a given trade," says Uffe Ostergaard, director in Maersk Line.



It has been introduced in select services from June 1 and will be implemented on majority of Maersk Line's services during the month of June. Maersk further clarifies that PPU is only a loading priority option offered to a customer and it is available only at the time of booking and only for vessels where the market demand is greater than the capacity available.

A press statement released by Maersk in this regard explains how this initiative works. If a shipper has a contract to move 100 containers on a voyage, Maersk would continue to honour its commitment and ship those boxes at the agreed price. But if the same shipper has to move an additional 20 containers on a ship where space is constrained, it has to pay a premium when the cargo is booked. If for some reason, Maersk cannot load the cargo on the planned vessel, it will refund the cost of the upgrade and schedule the cargo for the next available departure with a free upgrade to Priority Product.

Going back in time by one year, shipping lines were struggling to find cargo and freight rates were at all time lows. But an eventful year has changed the business environment a lot – rather reversed the fortunes of the shipping lines. Survival strategies like ship idling, slow steaming were introduced during this adverse period. In fact, super slow steaming has helped the liners to reduce fuel costs and at the same time add idle

Photos Courtesy: Ebbe Holting

tonnage to the loops. "It is interesting how quickly fortunes have changed in container shipping. This time last year, carriers were begging for cargo; this year they are able to implement GRIs, PSS and even new charges like this one from Maersk Line," says John Doble, Vice President, Sales and Marketing at LAC Shipping, Canada.

Back to PPU, shipping industry experts feel this is an interesting development and one which the container shipping lines have been contemplating for a long time. In the scenario of increasing demand, for shippers with low value products and looking for lower rates, it is literally a battle to load their cargo on to the vessel. But for those occasional urgent shipments or high value shipments, PPU is an opportunity which the shippers can use to move their cargo sooner than it might be otherwise.

Maersk Line's fleet has anywhere between 10 to 90 per cent of space booked in advance through long-term contracts and other commitments. The remaining space is usually booked on first-come-first-serve basis. Maersk reveals that the benefits from PPU will be more in the North/South routes, say Latin America and Africa where contractual commitments are much lower and the market moves more on spot trading. But Doble adds that this is not spot market pricing, but an option for clients who have a contract with Maersk but perhaps no allocation, or have exceeded their allocation and have an urgent need to load.

At the face of it, the premium charge of the PPU will have less effect on the large customers of Maersk as they have long-term contracts. It is small and medium-sized shippers who will be the most likely ones to take up this offer. The peak season is fast approaching and demand is already soaring at the moment on major routes like the transpacific and the Asia-Europe.



“There is an apprehension that despite a premium is charged, there is no guarantee that the cargo will be loaded on the specified ship. Some industry experts believe that the money-back clause is strengthening this apprehension.”

Apprehensions

However, there are also various apprehensions on how this would result in practice. This also points out towards manipulation of supply side of the equation. Such pricing strategy may also result in controlling and restricting tonnage supply and escalating the artificial demand. "Perhaps this is just the ultimate free market irony, as Maersk themselves wanted to dominate container shipping by taking over their biggest rivals (P&ONL and Sealand)," says Martyn Benson, Principal at Cambrian Maritime. "Some might see a priority surcharge as a cheeky move to cash in on their self-created market shortage," he adds.

There are also questions about honouring the contractual commitments. The major one is

about not bidding the already confirmed booking slots that are booked under this scheme. There is an apprehension that despite a premium is charged, there is no guarantee that the cargo will be loaded on the specified ship. Some industry experts believe that the money-back clause is strengthening this apprehension. For instance, if a second shipper bids for a higher premium on the already booked premium slot, then there are chances that the first shipper's cargo may not be loaded on the specified ship. Or if for some reason, the booked containers arrive late to the port, the liner may load other clients' containers on the booked slots at a higher premium. Though the line refunds the premium amount, this does not address the question of bidding for an already confirmed booking for a higher premium.

Benson feels that in container liner shipping, there has always been a delicate balance of priorities between service, costs and operations. "Therefore, it is difficult to see how such a system of priority pricing could be operated in reality in such a complex world and with a huge company structure," he says. Further, though the amount that will be charged as dynamic premium is kept under wraps, experts feel that it can be anywhere from US\$ 2,000 to US\$ 4,000 per TEU.

Way ahead

While the PPU is a unique and interesting development that a shipping line has ever come out with, it is relatively difficult to tell how it may work in practice. Shipping lines have been anticipating such a pricing strategy since long from someone or the other. It is Maersk Line that has come up with the strategy at the right time – in the face an upcoming peak season and increasing demand. Though questions remain on certain issues like cargo booking, this pricing strategy will be seen as a fillip to Maersk in recovering at least some of the losses that it incurred in the last two years. 

Private Rail Freight Terminals Policy in Place

Finally, a breather for private rail terminal operators along the Delhi-Mumbai corridor! The Ministry of Railways, in consultation with the private sector, has finalised a policy on private freight terminal (PFT), to come into effect from May 31, 2010.

The policy seeks to supplement the in-house programme of the Ministry of Railways by opening the area of terminal development with participation of major logistic service providers to create world-class logistics facilities in private land. The document promises in-principle nod within 100 days.

The objective of the draft policy is to:

- Enable rapid development of network of freight-handling terminals with the participation of the private sector
- Enhance the presence and share of railways in the transport chain
- Divert high-rated traffic and attain increased rail freight volumes by offering integrated, efficient and cost-effective logistics and warehousing solutions to users.

The policy, say industry experts, will aid in the rapid development of

If more than one applicant applies for a PFT at the same location, the quantum of traffic to be handled at such PFT and the consequential revenue to be earned by the Railways will form a parameter in selection of suitable applicant.



Salient features of PFT

- Terminals (green or brownfield) to come up only on private land.
- Depending on traffic proposed, appropriate rail infrastructure and equipment to be provided to conform to EOL function.
- Can handle all traffic except outward coal, coke and iron ore.
- Application fee of Rs 1 crore and security deposit of Rs 1 crore to ensure timely commissioning of PFT. Can provide value-added logistics related services.
- In-principle approval within 100 days.
- Period of agreement for 20 years extendable by one period of 10 years. Further extension permitted on the basis of extant policy at the time of such extension.
- Revenue sharing to 50 per cent of terminal charge or Rs 10 per tonne whichever is higher with a moratorium of 2 years for brownfield and 5 for greenfield PFTs.

freight terminals and attract private investment in freight terminals.

The pact is for 20 years and can be extended by another 10 years on request. The deal is based on 50 per cent revenue share of terminal charges.

Private operators have been barred from outward coal, coke and iron ore traffic. Investors can handle third-party cargo and provide value-added logistics services.

The decision to formulate such a policy was announced by the Railway Minister Mamata Banerjee in her Railway Budget last year. Mamata held pre-budget discussions with the representatives of the chamber of commerce and industry, followed by a post-budget workshop between the Railway Board and private sector representatives to obtain their feedback on a number of such policy initiatives involving private sector participation.

As for the benefits to terminal management companies, they can rail access to handle third-party cargo and can recover various charges from customers for the use of PFT including terminal charges, wharfage charges and charges for other value added services provided at the PFT. Depending on the market, the investing company will be free to fix tariff for services it owns at the PFT. Also, the terminal management company will not be required to pay wharfage charges to the railways.

In case of any dispute in interpretation of the policy, the decision of the Ministry will be binding, the draft policy notes. All disputes regarding implementation of the agreement between the Zonal Railway and the terminal management company will be referred to a sole arbitrator nominated by the general manager of the zonal Railway. **MC**

Traditionally, exchanging data or information, getting updates of shipments, business transactions with other stakeholders were done manually. This resulted in multiple entries of the same data into the systems at every stage of the chain. PCS was precisely developed to remove this unwanted duplication of work and reduce the processing time and costs.

The primary objective of PCS is to integrate the electronic flow of trade related information and function as the centralised hub for various stakeholders of ports for information exchange and business transactions. The stakeholders include shipping lines, shipping agents, surveyors, stevedores, banks, container freight stations, customs house agents, importers, exporters, Indian Railways/CONCOR, government regulatory agencies etc.

PCS consists of a centralised web-based application, which acts as a single window for all exchanges of

exchange of information and ease monitoring. And hence, the ministry entrusted the task of developing a common EDI system for all the ports to the IPA. That's how PCS came into existence," he says.

Prior to PCS implementation, many of the major ports were using terminal operating systems like Novis, IPOS and CETOS for

managing their day-to-day terminal operations. These systems typically exchange EDI messages with the customs and in some cases with big shipping agents and shipping lines. But the biggest drawback with these systems was that it was difficult to interface them with other EDI systems. For instance, if cargo needs to be shipped from one major port to

Heaps of paperwork, redundant and manual data-entry procedures, uninformed shippers, bureaucratic hurdles – all will be things of the past when the state-initiated Port Community System (PCS) is implemented to its full potential. With all the major ports implementing the PCS, many of the manual and redundant processes are already brought under automation and valuable time is saved. But there are still some processes that need to be brought under the PCS fold. Overall, it also requires a change in traditional mindsets and a proactive approach to successfully run this state-of-the-art system.

by Jagadeesh Napa

PCS: Easing Data Flow

information and payments in a highly secure manner. It aims at reducing the transaction time and cost and achieving a paperless regime in the port sector. Managing Director of Indian Ports Association A Janardhan Rao, who is also the project chief of PCS development, reminisces on how the idea actually came up. It was during the turn of the century when Government of India was contemplating on implementing electronic data interchange (EDI) among all its departments, he recalls. "It was also the time when ports were implementing their individual EDI systems. Then the Ministry of Shipping thought that it would be better to have all the major ports on a single platform to improve



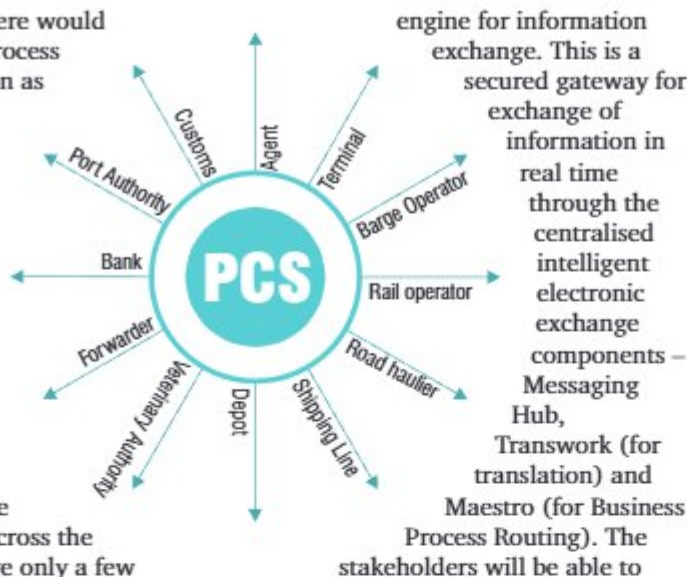
another, then there would be a labyrinth process of documentation as a result of non-integration between EDI systems of these ports. But PCS was originated and designed with the idea of providing seamless and secured data integration not only between the ports, but also across the world. "There are only a few systems in the world as advanced as PCS like in Singapore and Rotterdam," says Rao.

Before going ahead with the designing part, IPA performed a detailed study on how the business flow happened at ports and how it affected the port users. Then the systems flow was analysed and a process flow was developed. Actual development of PCS started only after the IPA submitted this to the government and got the approval to go ahead.

Architecture

At the core, the entire PCS is divided into six components – PCS Portal, PCS Web Application, Messaging System, Payment Services, Web Services and Administrative Services. The PCS Portal provides built-in portlets with controlled access to publish the information for subscribers only. The second component, PCS Web Application is the front-end of the PCS and is what a port user uses to interact with. Any port user can simply login to the application and transact with the port, banks, as well as their business partners. It can be a simple vessel update to tracking of a shipment to a highly secured payment of port charges – everything is integrated into one application.

Messaging System in PCS is the



Another highly secured and important feature is the e-Payment Gateway. It facilitates the integration of PCS with payment gateways of different banks. Users can make payments or transfer funds directly through bank and also top up their port deposit accounts. Therefore, users can sit in the convenience of their homes to transact business without actually visiting a port or bank.

Technology

To make PCS a globally visible accessible system, Web-based application development was taken up. Java 2 Platform Enterprise Edition (J2EE) is core platform upon which PCS is built. It breaks the barriers that are inherent between different enterprise systems providing for seamless integration between them. In terms of messaging and reporting, PCS uses universally accepted data formats. They include XML, TXT and UN-EDIFACT (United Nations Electronic Data Interchange for Administration, Commerce and Trade).

Implementation

Implementation of PCS began in 2007 and as of now, all the major

PCS at a glance

Objectives

- Develop a centralised Web-based application, which act as single window, for the community members/stakeholders to exchange messages electronically in a secure manner
- Reduce transaction time & cost in port business
- Achieve paperless regime in port sector
- Implement on e-commerce portal for port community
- Data repository for research and analysis

Components of PCS

- PCS Portal
- PCS Web Application
- Messaging System
- Payment Services
- Web Services
- Administrative Services

Major issues addressed

- Non-uniformity of message formats across different ports
- Non-standard directories and codification
- Unstructured form of information exchanged
- Interface with all major ports as various technologies are used by ports for their internal systems
- Physical submission of documents

Technology used

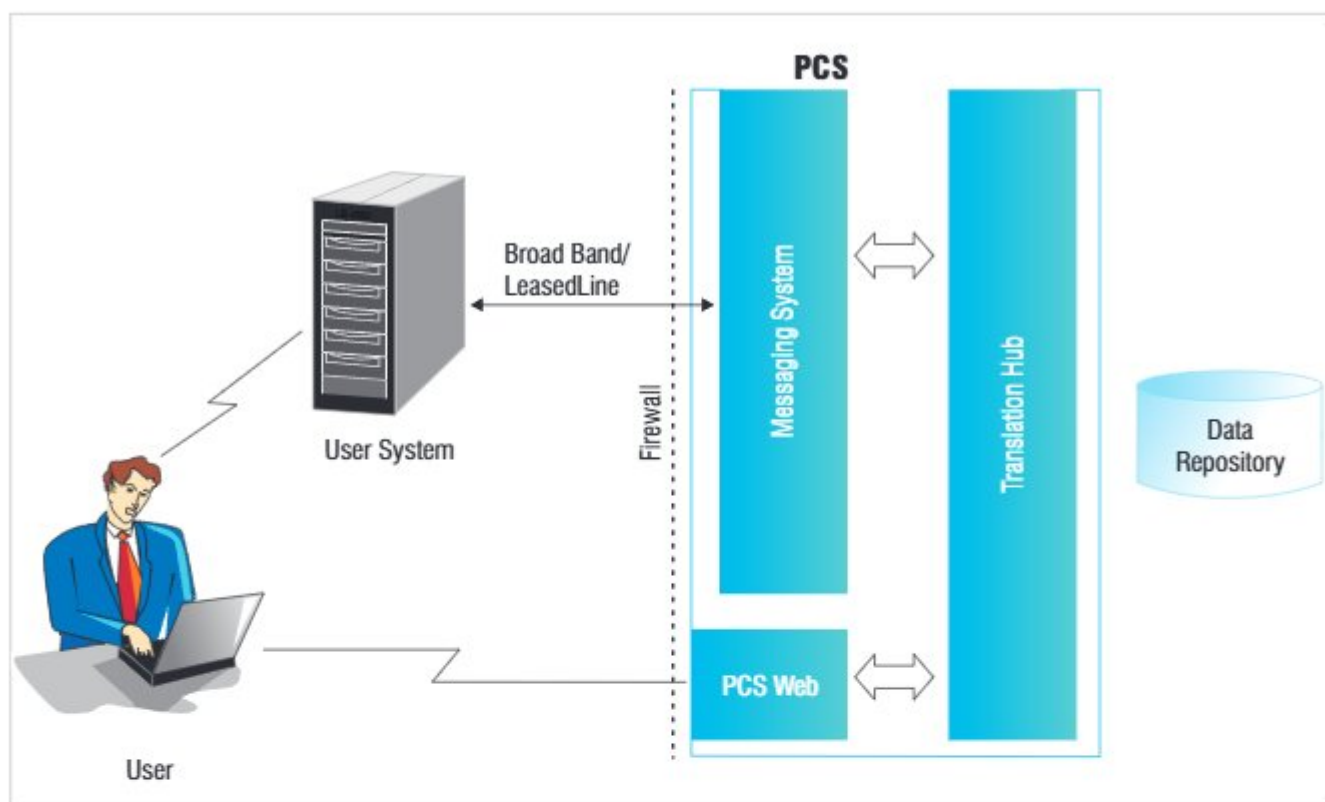
- Base platform: Java Enterprise Edition (J2EE)
- Open source framework: Struts
- Spring and logging utility: Log4J
- Reporting tool: Jasper
- Web application: AJAX
- Data formats allowed: XML, TXT, UNEDIFACT (United Nations Electronic Data Interchange for Administration, Commerce and Transport)

Benefits

- Single Window System
- Common information to multiple agencies
- Standardisation of information exchanged
- Convenience 24X7 submission
- Timely alert during exception through e-mails
- On-line request and payment for services
- Management Information System for reporting

Who could benefit from PCS

- Port administrations
- Shipping lines
- Shipping agents
- NVOCCs / Freight forwarders
- Customs / Custom house agents
- Importers / Exporters
- Container Freight stations
- Indian Railways
- CONCOR and private rail operators
- Private rail operators
- Main line and feeder operators
- Stevedores
- Banks
- Surveyors



ports have adopted the system. The entire implementation that took place in phases is divided into three modules, viz. vessel & container module (that handles all vessel-related transactions), cargo module (links the transporters and Indian Railways/CONCOR) and customs & government related module (that links all the customs-related and other government departments-related transactions). The three modules are implemented in phases – first on the trial server and then on the real-time online server.

For instance, Paradip Port, one of the major ports, is implementing PCS for the last one year. It uses vessel related module and customs related module as of now and cargo module is yet to be implemented. Rakesh Mohapatra, Dy. Manager - Management Services, who is the in-charge of MIS at the port, says he is a happy man these days as paper-based documentation at the port has come down drastically in the last one year. "As of now, PCS is used majorly by customs, shipping agents and

banks. Railways are yet to start using the system," he says. It has reduced the paperwork considerably and brought down the costs too. "It has reduced the working time and the hassles of running from one counter to another. Now people are sitting at home and doing everything related to their goods – tracking the vessel position, payment of charges and customs procedures," adds Mohapatra.

However, there is also a shady side for this rosy picture. It reveals the shortcomings in the implementation of PCS. Not all the port users are happy with the implementation process. Capt Dinesh Gautama of Sea Consortium, a popular shipping agent based in Mumbai, feels that though PCS is meant for automating processes, manual interference is still seen in certain processes. "In spite of submitting all the documents electronically, certain departments still ask for hard copies of the same – which defeats the very purpose of installing PCS in the first place," adds Capt Gautama.

He strongly feels that there is a need for change in the mindset of port operators for the successful implementation. Though PCS is up and running at the Mumbai Port, the customary Operations Group review meeting still happens daily at 10:30 am. "Why at all should there be a need for a manual daily routine when the same is automated through PCS?" asks Capt Gautama.

Way forward

Well, considering Capt Gautama's remarks, there are still some teething problems in leveraging the benefits of PCS to the fullest. Though this is mostly related to the mindset issues, it clearly restricts the full potential of PCS. With such an ambitious project, there is also a need to provide proper orientation to the staff of the port administrations. While the IPA played the active role of designing, developing and implementing the PCS, the ball is now in the court of the ports to run it successfully. What is really needed now is a change in the mindsets and a proactive approach. **MG**

Round-the-clock bunkering terminal at JNP

The first international bunkering terminal at Jawaharlal Nehru Port (JNP), developed by Bharat Petroleum Corporation Ltd. (BPCL), which operates the liquid jetty at Jawaharlal Nehru Port, has developed the first international bunkering terminal at the port. It was inaugurated recently by Ashok Sinha, chairman and managing director of BPCL.



Accredited with ISO 9001:2008, the terminal will offer bunkering of furnace oil - 180 cst/ Bonded FO - 380 cst, light diesel oil, high flash high speed diesel and lubricants to domestic and international vessels at competitive rates. The facility is geared to offer its services to vessels docking at the Port round-the-clock and, in exigencies (tide permitting), fuel vessels at the outer anchorage through barges. The specifications of bunker fuel offered by BPCL at JNP meets the specifications as laid down in ISO 8217: 2005, IS: 1593 - 1982 and IS: 1460 - 2005.

RIL likely to bid for Surguja project

Reliance Industries (RIL) is reportedly planning to bid for the Surguja ultra mega power project (UMPP) in Chhattisgarh. The government has set July 5 as the deadline for submitting the bid. The Chhattisgarh entry would be RIL's second major diversification plan after the Ambani brothers last month cancelled the non-compete agreements that barred them from entering each other's businesses.

A Reliance Industries spokesperson, however, declined to comment on the company's plans to enter the power sector.

NHDC bags thermal power project in Madhya Pradesh

The Madhya Pradesh government has decided to hand over the 1,320-Mw Shahpura thermal power project in Shahpura (Jabalpur) to Narmada Hydroelectric Development Corporation, a joint venture company of state and National Hydro Power Corporation (NHPC). This would be the second thermal power project for the nation's hydel power giant.

Earlier, Madhya Pradesh Power Trading Co Ltd. had planned to set up the project and had applied for coal linkage in 2007 after identifying government land and obtaining environment clearances. Both the state government and the NHPC are likely to pick equal equity in the project to a maximum of 30 per cent as NHDC is likely to exhaust its internal funds in the recently obtained 1,320-mw Rewa thermal power project in Khandwa district.

Gammon to acquire coal-based power plant

Gammon Infrastructure Projects has announced that the company has recently entered into a memorandum of agreement for the acquisition of an entity, which is setting up a 250 MW coal based power plant, in Western India.

The entity has submitted the requisite bank guarantee, to ensure adequate coal linkage for the plant. It has also received a letter of allocation for supply of water for its operations. Further details of the acquisition will be announced in due course. This marks the foray of the company into thermal power generation. The company already has hydro and biomass power projects under various stages of implementation.



Panel to probe coal mines

The coal ministry plans to set up a high-powered committee to deal with environmental hurdles in mine allocation. The high powered committee will study the problems faced in coal mines allocation and is likely to be set up in the next 15 days to assess the scope of Coal India activities in "no go" areas earmarked by the ministry of environment.



The coal ministry will ensure that the impact of CIEs projects in such areas was minimal, according to Coal Minister Sriprakash Jaiswal. The committee will also look into the issue of mines that had been allocated but were flagged off by the environment ministry as they included forest land. The ministry has classified 30 per cent of the area in nine coal fields as "no go" zones for mining. The coal ministry has sought the Prime Minister's intervention to remove the roadblock. The environment ministry's classification will put 619 million tonnes of coal production annually out of reach. The nine coal fields are North Karanpura and West Bokaro (Jharkhand), IB Valley (Orissa and Chhattisgarh), Singrauli (Madhya Pradesh and Uttar Pradesh), Talcher (Orissa), Wardha (Maharashtra), Mandirgarh and Hasdeo (Chhattisgarh), Shoagpur (Chhattisgarh and MP), as per a national daily.

PFC invites tenders for Bedabahal in Orissa

State-run Power Finance Corporation has reportedly invited preliminary bids for the 4,000-mw ultra mega power project at Bedabahal in Orissa, even as the fate of a similar project in Chhattisgarh remains undecided due to non-receipt of environment clearance.

This project in Orissa would be the sixth UMPP after successful allotment of four such projects to their successful bidders. PFC is the nodal agency for these projects. Sasan in Madhya Pradesh, Krishnapatnam in Andhra Pradesh and Tilaiya in Jharkhand have been bagged by Reliance Power and Mundra in Gujarat by Tata Power.

Investments to go into Mundra SEZ

India's largest SEZ by area, the 6,400-hectare Mundra SEZ, will soon see a fresh round of investment, with as many as 21 companies committing to set up projects.

The Adani group-owned SEZ that has come up in the barren Kutch district of Gujarat and is the leading port-led development model in the country, will soon see Rs 3,000 crore coming its way even as more companies conduct viability studies.

While early entrants include Thermax, Kalyani Alstom Power and Alstom Bharat Forge Power, some 18 more companies have finalised plans and have received departmental approvals. While Alstom Bharat Forge will invest Rs 1,300 crore to set up a turbines and generators manufacturing unit, Kalyani Alstom will pump in Rs 450 crore for a heat exchangers and condenser-making unit.

Mangalore SEZ project on track

The Mangalore Special Economic Zone project, promoted by both the state and the central government is very much on track, according to R S Sharma, chairman and managing director, ONGC Ltd. A press release from MSEZ here quoted Sharma stating at the recently concluded Global Investors Meet that ONGC is keen to invest in Karnataka, while expressing happiness at interest evinced by top delegates in its stall.

ONGC is a 26 per cent stakeholder in MSEZ. Rajiv Banga, managing director and chief executive officer, MSEZ stated that except for 500 acres, the entire land in phase one had already been allotted. A G Pai, executive director and chief operating officer, MSEZ stated that more than 80 companies had already evinced interest in the project and the GIM at Bangalore had added many prospective companies to the list.



Direct Taxes Code Exemptions & Expectations

The Ministry of Finance (MoF) is proposing to replace the existing Income-tax Act, 1961 (the Act) by way of a significant transformation. A simplified tax code is what the MoF had envisaged for and to meet this objective, the Finance Minister had unveiled the draft Direct Taxes Code (DTC) along with a discussion paper on August 12, 2009, for public comments. **Girish Mistry** provides an analysis of the changes proposed in the revised discussion paper.



The Central Board of Direct Taxes (CBDT) received several representations from various industry associations, (including shipping associations, both foreign and Indian) and professional bodies against some of the provisions of the draft DTC. The CBDT has inter alia addressed some of the major issues and has recently come out with a revised discussion paper proposing some changes in the proposed provisions of the DTC.

Discussed below are some of the key proposals contained in the discussion paper impacting the port, shipping and logistics industry vis-à-vis the earlier draft DTC and the existing provisions of the Act:

Tax incentives

The draft DTC has proposed to replace the profit-linked incentive provisions with an expenditure-based incentive for companies engaged in infrastructure development. The impact of these provisions can be understood from the following example:

An infrastructure company which is engaged in the business of development of any infrastructure facility, such as a port, is currently eligible to claim tax holiday under Section 80-IA of the Act for a period of 10 consecutive Assessment Years (AYs) out of 15 AYs. However, under the draft DTC, the port developer will be eligible for tax holiday only for the period till it recovers its

capital investment (which period could be shorter than 10 years). The table (next page) would clarify this aspect.

As visible from the table, profit of Rs 3,000 and 4,000 earned in the last two years would have been exempt under the existing provisions of the Act. Against this, expenditure-based deduction proposed by the DTC is merely allowing the claim of capital expenditure. For an infrastructure company engaged in the development of port (where there is a long gestation period to earn profits), the tax holiday incentives existing under the Act seem to be more beneficial as compared to the proposed deduction under the draft DTC.

This could be detrimental to the development and growth of infrastructure facilities which is one of the key aspects for the economic growth.

Minimum Alternate Tax (MAT)

Under the Act, companies which are not liable to pay income-tax under normal provisions are required to pay MAT based on its book profits. However, the draft DTC had proposed to substitute this with an Asset-based MAT levy, the same being computed at 2 per cent of the value of gross assets.

This proposal could have had a significant impact on the port, shipping and logistic industry which involves a huge capital investment in its business assets. Also, it was not clear as to whether and how a Foreign Shipping Company ('FSC') would be liable to MAT given the fact that typically, the FSCs are taxed on a presumptive basis and it is virtually impossible to prepare a balance sheet for their India operations and hence computing gross assets for the purpose of MAT levy.

Further, loss-making companies and companies having a long gestation period (port developers) could have been liable for payment of MAT based on assets owned without deriving benefit for such payments of tax.

However, the revised discussion paper proposes to restore computation of MAT with reference to book profits thereby providing a huge relief to various companies across various industries including the infrastructure companies.

Special Economic Zone (SEZ)

While the current provisions of the Act prescribe profit-linked incentives for enterprises (Developers) engaged in the business of developing SEZ as well as to units operating in the SEZs, the initial draft of the DTC intended to discontinue with such profit-linked incentives. However, the code had proposed for grandfathering provisions for the Developers (i.e. provisions wherein existing SEZ Developers claiming profit-linked deductions continue to be eligible to claim deduction for the unexpired period of tax holiday) the draft code had not specifically provided for any grandfathering provision for units operating in the SEZs.

The revised discussion paper has now extended the grandfathering benefits to units operating in the SEZs to claim deduction for the unexpired tax holiday period.

However, while grandfathering the tax holiday benefits for units in SEZs is a welcome move, the proposal of discontinuing with the profit linked

deductions and not extending tax holiday benefits to new units being set up in the SEZ after 1 April, 2011, is something which the MoF may still need to reconsider.

Residence

The DTC had provided for a very wide definition of residence to cover within its ambit an Indian company or a company whose place of control and management is situated wholly or partly in India. The proposed definition was a very wide and could have ultimately resulted into litigation.

A FSC, whose personnel may occasionally visit India, could have been covered under the wide definition, thereby making the FSC subject to tax in India on its worldwide income. It could also have created hurdles for enterprises engaged in the business of construction of Inland Container Depots ('ICDs') or development of ports in India which involves visits of some key personnel, which could expose the enterprise getting covered under the definition of resident leading to taxation of global profits.

The CBDT has now proposed to introduce the concept of 'Place of effective management' ('PEM') for determining residence of a foreign company in India. The determination of residence based on PEM of a foreign company is recognised internationally and that most of the tax treaties entered into by India have recognised this concept.

This proposed change is a welcome measure and would avoid the anticipated litigation.

Treaty override

The draft DTC had provided for treaty override provisions wherein the provisions of the DTC or the Treaty, the one which is later ought to have prevailed. This could have led to situations wherein FSCs which are presently claiming treaty benefits under Article 8, may have been denied the benefits of the tax treaty. This provision to disregard the tax

Year of claim	Profits earned	Capital expenditure incurred	Deduction under the Act	Deduction proposed under the DTC	Deduction carried forward under DTC
1	100	5,000	100	100	4,900
2	200	2,000	200	200	6,700
3	300	500	300	300	6,900
4	400	100	400	400	6,600
5	500	50	500	500	6,150
6	800	50	800	800	5,400
7	1,500	25	1,500	1,500	3,925
8	2,000	25	2,000	2,000	1,950
9	3,000	10	3,000	1,960	0
10	4,500	10	4,500	10	0
Total	13,300	7,770	13,300	7,770	

treaty which has been agreed bilaterally between the governments of two countries could have had a negative impact on the credibility of India in the international trade.

The CBDT has proposed to mellow down the provisions of treaty override to retain only limited treaty override provisions which are in line with international practice.

Accordingly, as per the revised discussion draft, domestic law or the relevant treaty, whichever is more beneficial will apply. However, the CBDT has provided that treaty shall not have preferential status in the following cases:

- when the General Anti Avoidance Rules (GAAR) is invoked, or
- when Controlled Foreign Corporation (CFC) provisions are invoked, or
- when the Branch Profit Tax (BPT) is levied.

This revision implies that FSCs will be eligible to claim treaty benefits, provided it does not fall under any of the above-mentioned cases.

GAAR

The draft DTC had also introduced anti-avoidance provisions whereby it was proposed to provide discretionary powers to the tax authorities to characterise an arrangement as an impermissible avoidance arrangement. This could have led into a situation whereby tax authorities could have questioned every genuine business arrangement arguing that the transaction was entered with a view to avoid tax and could have disregarded the entire business arrangement.

The CBDT has clarified that it is only in a case where the arrangement, besides obtaining a tax benefit for the assessee, is also covered by one of the four conditions namely – it is not at arms length; it represents misuse or abuse of the provisions of the Code; it lacks commercial substance; or it is entered or carried on in a manner not normally



Courtesy: David Merchant

employed for bona-fide business purposes. Only then the GAAR provisions would come into effect. However, after appreciating the possible consequences of any misuse of such an exclusive power, the CBDT has proposed the following safeguards for invoking GAAR provisions:

- The CBDT will issue guidelines to provide for the circumstances under which GAAR may be invoked.
- Threshold limit of tax avoided to be specified for invoking GAAR
- Dispute Resolution Panel route would be available for resolving GAAR related disputes.

While the provisions proposed above are stringent, it is still appreciated that the CBDT has laid down certain administrative safeguards to prevent misuse of an exclusive power.

Others

The CBDT has proposed certain changes in the levy of wealth tax by providing that only specified 'unproductive assets' will be subject to tax and that it will be payable by all tax payers except non-profit organisations. Accordingly, companies belonging to the ports or logistics industry and having specified unproductive assets above the threshold limit will be subject to wealth tax.

However, there is no clarity as to how an FSC (which does not prepare a balance-sheet for Indian operations and which does not own any assets in India) would get covered within the ambit of wealth tax.

Further, the CBDT has proposed certain changes regarding taxability of income under the head capital gains including the method of computation of capital gain. It has also introduced the concept of CFC provisions, an EEE regime for individuals and some change in computing house property income.

The CBDT has clarified that the proposals in the revised discussion paper shall lead to a reduction in the tax base proposed in the draft DTC, the tax rates and monetary limits for exemptions and deductions proposed earlier will be adjusted while finalising the legislation.

Conclusion

While some of the proposed changes addressed in the revised discussion paper seem to be a welcome measure providing huge relief for the shipping, ports and logistics industry, the CBDT seemed to have turned deaf ear to other concerns raised by the industry such as BPT, presumptive taxation considering actual income, inclusion of pooling arrangement under transportation charges, levy of MAT on Indian Shipping Company under the Tonnage Tax Scheme and gross basis of taxation of royalties and fees for technical services. It needs to be seen as to whether and how a few of these issues are addressed in the final draft of the DTC.

While the initial draft had proposed many significant changes, the CBDT has now realigned some of the proposals as per the existing income-tax provisions. This really shows the lack of readiness to cope up with the idea of implementing a significant change in the direct tax legislation. Nevertheless, an attempt to simplify and rationalise the tax code is a welcome initiative. **ME**



Girish Mistry is the executive director of KPMG. He can be contacted at girishm@kpmg.com

Wondering which port to choose for your business?



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

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GE Shipping Q4FY10

Vessel delivery for the year

- The company took delivery of 3 double hull product tankers – 2 new built Long Range (LR1) and 1 second-hand medium range (MR) tankers.
- The Company sold four vessels – 2 Handymax dry bulk carriers and 2 Medium Range product tankers.

Key triggers

- Offshore subsidiary has filed for a DRHP and the IPO is expected within the next 2-3 months.

Other highlights for the quarter

- On a consolidated basis, gross debt stood at Rs 53 bn and the net debt stood at Rs 14.4 bn.
- NAV stood at Rs 339 per share as against Rs 303 per share in the last quarter.
- Shipping fleet stood at 36 vessels, which includes 30 tankers (11 crude carriers, 18 product tankers, 1 gas carrier) and 6 dry bulk carriers. Going forward, shipping division has a capex commitment at US\$ 577 mn. This will result in addition to the tonnage of about 1.31 mn dwt (3 tankers & 5 dry bulk carriers).

Quarterly Performance

Rs mn	Q4FY10	Q4FY09	YoY (%)	Q3FY10	QoQ (%)
Net Sales	7,784	5,343	45.7	7,063	10.2
Other Income	603	882	- 31.6	897	- 32.8
Total Income	8,387	6,224	34.7	7,960	5.4
TOTAL EXPENDITURE	5,185	3,658	41.8	5,436	- 4.6
PBIDT (w/o OI)	2,599	1,685	54.2	1,626	59.8
PBIDT	3,202	2,567	24.7	2,523	26.9
Interest	464	349	33.1	505	- 8.2
PBDT	2,737	2,218	23.4	2,018	35.7
Depreciation	1,113	1,085	2.6	1,093	1.8
PBT	1,624	1,133	43.3	925	75.6
Exceptional item	-	1,386	- 100.0	-	#DIV/0!
Profit b4 Tax after Exc.	1,624	2,519	- 35.5	925	75.6
Tax	(67)	(40)	67.5	(10)	550.5
Deferred Tax	7	22	- 67.9	29	- 76.2
Reported Profit After Tax	1,564	2,501	- 37.5	944	65.7
Adjusted PAT	1,564	2,501	- 37.5	944	65.7
Old Equity	1,523	1,523	0.0	1,523	0.0
EPS (Adj. Profit)	10.3	16	- 37.5	6	65.7
Margin (%)					
OPM	41	48	-	36	-
OPM (w/o OI)	33	32	-	23	-
NPM (Adj.)	20	47	-	13	-

In Short

BDI dips on iron ore

The Baltic Dry Index had its biggest weekly decline since 2008 as iron ore demand weakened in the face of higher raw material costs and lower selling prices for steelmakers. According to the Baltic Exchange, the index tracking transport costs on international trade routes slid 18 per cent in mid-June week.

That's the most since the last week of October 2008. Pressure on steel prices is learnt to impact the capsize market as iron ore resets 23 per cent higher for the September quarter. Capsize hire rates plunged 33 per cent, the most since the week ended October 17, 2008.

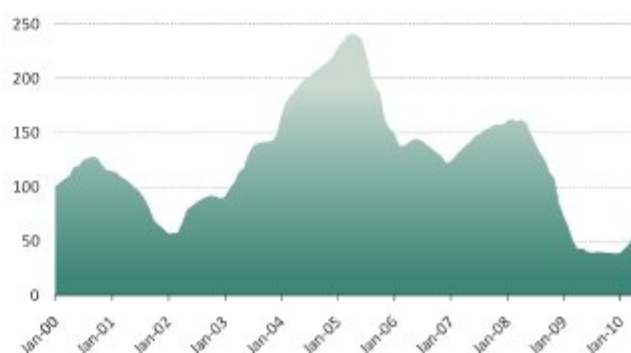
Charter Rate Trend

Size	Apr-10 \$/day	May-10 \$/day	Change %	Trend
4,000 TEU	15,000	20,000	33%	↑
2,500 TEU	6,000	6,700	12%	↑
1,700 TEU	4,900	5,500	12%	→
1,000 TEU	4,400	5,000	14%	→
500 TEU	4,300	4,300	0%	→

Note: Rates based on 6-12 month fixtures

Source: Alphaliner

Charter Rate Index



Source: Alphaliner Monthly Monitor

Jubilant July for MSC

Mediterranean Shipping Company SA (MSC) has announced a wide range of general rate increases that will take effect in early and mid-July. Details of the rate increases can be found below.

Effective July 1:	GRI (in US dollars)
North Europe to the United States	300 per 20' , 400 per 40'
Canada and the US to N Europe (NWC), the UK, Scandinavia, Baltic, and western Mediterranean	250 per 20' , 350 per 40'
Mediterranean (Italy, Spain, South of France and Portugal) to the US	300 per 20' , 400 per 40'
Israel to the United States	300 per 20' , 400 per 40'
Southeast Asia (Thailand, Indonesia, Malaysia, Vietnam, Singapore) to Australia	250 per TEU
Effective July 15:	
Asia to the Indian Subcontinent and the Middle East	250 per TEU
Far East (Japan, Korea, China, Hong Kong, Taiwan) to Australia	250 per TEU
Far East (any Asian ports) to South Africa, Indian Ocean, Mozambique, Angola, and East Africa	250 per TEU
Far East (any Asian ports) to New Zealand	250 per 20' , 500 per 40' , 500 per 40' HC

ABG: Q4FY10 –Result Analysis: Financial Table

Rs mn	Q4FY10	Q4FY09	YoY (%)	Q3FY10	QoQ (%)
Net Sales	5,202	3,709	40.3	4,928	5.5
Total Operating Income	5,202	3,709	40.3	4,928	5.5
Other Income	31	33	- 7.5	13	138.8
Total Income	5,232	3,742	39.8	4,941	5.9
TOTAL EXPENDITURE	4,090	2,705	51.2	3,485	17.4
Consumption Material Stores	4,569	684	567.7	2,562	78.3
Other Expenditure	572	522	9.7	827	- 30.8
Staff Cost	186	151	22.8	123	51.3
Inc / Dec in stock	(1,237)	1,348	- 191.8	(27)	4549.6
TOTAL EXPENDITURE	4,090	2,705	51.2	3,485	17.4
EBITDA (w/o OI)	1,112	1,004	10.7	1,443	- 23.0
PBIDT	1,143	1,037	10.2	1,456	- 21.5
Interest	363	302	20.2	381	- 4.6
PBDT	779	735	6.0	1,075	- 27.5
Depreciation	122	65	88.0	173	- 29.0
PBT	657	670	- 2.0	903	- 27.2
Tax	(77)	(84)	- 8.0	(213)	- 63.8
Deferred Tax	-	(124)	- 100.0	(211)	- 100.0
Reported Profit After Tax	580	520	11.6	479	21.1
Extra- ordinary Items +	(51)	-	-	344	- 114.9
Adjusted PAT After Extra- ordinary	529	520	1.7	823	- 35.8
Equity	509	509.2	509		
EPS (Rs)	10.4	10.2	16.2		
Margin (%)					
OPM	21.4	27.1		29.3	
NPM	10.2	14.0		16.7	

Source: Jaypee Research, Bloomberg

- ABG's Q4FY10 revenues grew 40 per cent y-o-y to Rs 5.2 billion. On a q-o-q basis, revenues were up 5.5 per cent.
- EBITDA margins stood at 22 per cent for the quarter.
- Net Profit rose marginally by 1 per cent y-o-y to Rs 528 million.
- Booked subsidy sales of Rs 470 million.
- The company delivered 14 vessels compared to 6 in FY09.
- The company's order book stands at Rs 120 billion, out of which orders worth Rs 85 billion are unexecuted.
- Debt stood at Rs 27.5 billion with cash at Rs 0.7 billion.

SCAT 2010

GAC wins award

Global shipping and logistics services provider GAC has been named 'Shipping Agent of the Year' at the Supply Chain & Transport (SCAT) Awards 2010, the awards event for the Middle East's transport and logistics industry. It was the second time the Group has won the Award.

In the 'Shipping Agent of The Year' category, the judges looked for nominees with a proven track record of outstanding services and innovation, as well as delivering time and cost savings for their customers. The award was presented to Captain Gobind Kukreja, general manager – Tanker Department of GAC Dubai and general manager of GAC Fujairah, on behalf of the company at a ceremony at Dubai's Grosvenor House.



Captain Gobind Kukreja, general manager – Tanker Department of GAC Dubai and general manager of GAC Fujairah, with the award.

AFSCA Awards

Accolades for logistics players

The recent 24th Asian Freight & Supply Chain Awards (AFSCA) held in China saw DHL win five awards – the best Express Operator, the Best 3PL, Best Logistics Provider Sea Freight, Best Logistics Provider Air Freight and Best Logistics Provider Project Cargo. FedEx managed Best All Cargo Airline, Best Air Cargo Carrier (North America) and Best Road Hauler (Asia) awards.

In all, there were 43 award categories in this year's AFSCA, covering all aspects of the cargo industry. The

Port of Singapore took home the Best Seaport in Asia, astonishingly for the 22nd time plus winning the Best Green Service Provider – Seaport award for the first time. Singapore was also represented by Changi Airport which took the title of Best Airport in Asia for a record 24th time plus the inaugural Best Green Service Provider – Airport award. Port group PSA International won the Best Global Container Terminal Operating Company award for the fifth time, while PSA Singapore Terminals was voted the Best Container Terminal – Asia (over 4 million TEUs per year) for the 21st time.

Maersk Line retained its Best Global Shipping Line title and also won Best Shipping Line Asia-Europe and Best Shipping Line Transpacific with other victors including Amsterdam Schiphol Airport (Best Airport Europe), Lufthansa Cargo (Best Air Cargo Carrier Europe), Macau International Airport (Best Emerging Airport Asia), Emirates SkyCargo (Best Air Cargo Carrier Middle East, and the Port of Rotterdam (Best Sea Port Europe) plus the Lifetime Achievement Award presented to Frank Lu, Chairman of Yang Ming Transport Corp.



Hopes to Keep the Course

“Confidence in further economic recovery – that is how we would describe the current mood in the shipbuilding industry,” said Bernd Aufderheide, President and CEO of Hamburg Messe und Congress GmbH at the start of the Advance Press Conference SMM. “SMM 2010 is fully booked, with all of the 87,000 square metres space at the Hamburg Fair site occupied, plus the outdoor spaces,” he said as he went on to speak on the shipping industry ‘keeping the course’ this year.

The 24th Shipbuilding, Machinery & Marine Technology Hamburg has been one of the most important international trade fairs in the world showcasing 2,000 exhibitors from 60 countries. The organisers Hamburg Messe und Congress GmbH expect more than 50,000 trade visitors for SMM 2010 and hope to provide an overview of the latest innovations in maritime products and technologies during the four days from September 7 to 10.

While the Netherlands, Norway, the UK, Italy, Finland and China are the first seven in order of size to exhibit at SMM, India too will have its largest and most modern Pipavav Shipyard Ltd. taking part in the exhibition. An India workshop, said the organisers, will also be held to show the expertise and market potential of Indian shipyards and marine equipment suppliers, and to demonstrate their capabilities for cooperation with international industry. Minister of Shipping G K Vasan is also likely to attend the event.

Speaking on the day's theme, Prof Dr Martin Shopford, Managing Director Clarkson Research Services said, shipbuilding expansion is gathering pace and so deliveries increased by 29 per cent in 2009 (in DWT).

New Additions

gmec will be held for the first time on the occasion of SMM, at the CCH-Congress Center Hamburg on September 7 and 8. It brings together more than 700 leading representatives from industry, government, academia, navies and environmental NGOs, to develop and present concrete solutions for greener and cleaner shipping. Information is available at www.gmec-hamburg.com

SMM Offshore Dialogue will be held on September 8 and 9 to recognise the fact that offshore is playing an increasingly important role in the global economy and so also in the shipbuilding industry. The first section – the Oil & Gas Dialogue – will cover questions of the market potential, current and future requirements for special-purpose vessels. The second section – the Deep Sea Mining Dialogue – will give an overview of the resources to be expected worldwide, the existing technologies for extraction, experience gained so far, and solutions required.



(from L to R): Capt James M Hunn, gmec steering committee and senior vice President - Maritime Policy & Compliance, Carnival Corporation, Prof Dr Martin Shopford, managing director - Clarkson Research Services, Lars Gorvell-Dahll, EMEC vice-chairman and senior vice President - Corporate Business Development - Kongsberg Group ASA and Bernd Aufderheide President and CEO of Hamburg Messe und Congress GmbH at the SMM advance press conference in Hamburg recently.

“The projection for 2010 is another 22 per cent increase, but much depends on slippage and cancellations,” he revealed.

Lars Gorvell-Dahll, vice-chairman of the European Marine Equipment Council, said the European marine equipment industry can call itself the global champion of greener, safer and innovative technology leadership. Economical changes, opportunities, environmental and sustainability aspects, he noted, are gaining an ever increasing importance for the marine equipment manufacturers.

As SMM 2010 aims to focus on environmental stewardship, the Global Maritime Environmental Congress (gmec), according to Capt James M Hunn, seeks to show ways to move forward in global environment protection. Capt Hunn, senior vice president - Maritime Policy & Compliance, Carnival Corporation, who heads the GMEC steering committee, said, “when it comes to sustainable operations, the maritime industry is part of the solution, not part of the problem.”

The thematic keynote areas of this year's SMM are finance, environment and offshore, informed Aufderheide. The event will be backed by a high-quality supporting programme of some 150 workshops, symposia and conferences, he added and hoped that the event, as in the past, will keep its course this year too.

Photo: Tony Klavt



Specifications

Dimensions:
7.8 m x 4.32 m

Draft:
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Power:
450 horsepower

Body:
All-welded Aluminum

Time for the BRAtt

The Burchett - Robert Allan Training Tug (BRAtt) is the brainchild of Ron Burchett and Robert Allan Ltd., the result of a collaboration that recognised the global need for cost-effective Z-drive training vessels for today's commercial and naval ship Masters. These vessels are designed exclusively by Robert Allan Ltd. Naval Architects of Vancouver, and will be built by Adrenalin Marine Ltd. of Delta, BC, which has been selected as the licensed builder for all BRAtts in North America. The 7.8 metre long, 450 horsepower BRAtt features most of the same technology and operating systems as a full-size Z-drive tug, so that operators can be trained to safely handle the more expensive and larger tugs that have become common in the world's major ports, without putting those major assets at risk. Although primarily intended as a training vessel, the BRAtt is also designed to be an affordable alternative to full-sized tugs for harbour duties such as boom deployment, yarding, and line-handling.



Photo: Ernie Schneider

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India Maritime Human Resources Summit

Ports | Shipping | Logistics

September 3, 2010 | Taj Coromandel | Chennai

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

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

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



International Defence Logistics 2010

Hotel Le Plaza, Brussels, Belgium

June 29-July 2

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

www.defencelog.com

SMM Shipbuilding, Machinery & Marine Technology

Hamburg, Germany

September 7-10

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

www.hamburg-messe.de

India Shipping Summit

Mumbai, India

September 24-25

The conference and exhibition bring together 500 senior decision-makers for a powerful networking besides serving as a forum to address the most topical issues affecting India's shipping industry, such as port infrastructure challenges, reduced money flow, charter party failures, container market vulnerability, management models and technological advances.

www.indiashippingsummit.com



gateway KNOWLEDGE FORUM

The Exchange for Business Innovation

India Bulk & Project Cargo Summit

Taj Bengal, Kolkata, India

August 20

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

www.maritimegateway.com

India Maritime HR Summit

Taj Coromandel, Chennai, India

September 3

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

www.maritimegateway.com

Wista 2010

Greece

September 29-Oct 1

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

www.wistaconference.org

Seatrade Middle East Maritime

Dubai Int. Convention & Exhibition Centre

Oct 26-28

The exhibition and conference in the UAE brings together the global ship owning community with ship equipment, product and service suppliers.

www.seatrade-middleeast.com



ADIPEC 2010

Abu Dhabi, UAE

Nov 1-4

Abu Dhabi International Petroleum Exhibition and Conference will bring 1,500 exhibitors from around the world with their extensive ranges of products and services in oil and gas.

www.adipec.com

9th International Oil and Gas Events and Conference

New Delhi, India

Oct 31-Nov 3

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

www.petrotech.in



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The terminal when operational in 2009, will provide faster and more efficient solutions to customers in India, and will reinforce Kochi's reputation as an all weather port with a draft of 14.5m, strategically located on the major global East-West trade route.



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