SOUTHEAST ASIA
BLOW TO BOX SHIPS

TAXATION
TAX HOLIDAY TO PORTS, ICDs, CFSs

TECHNOLOGY
BLISTERING BARNACLES! LEARNING FROM NATURE

July 2009 Rs.100 www.maritimegateway.com

maritime gateway

ports • shipping • logistics

The draft bill on Shipping Trade Practices, designed to weed out irrational practices adopted by the trade, gathers dust thanks to lack of consensus among the stakeholders and the 'wait-and-see' approach of the policy makers. Aimed to serve as a dispute settlement mechanism, the impending enactment is mired in controversies.

BILL WAITS TO ACT

PORT SCAN
MAHARASHTRA: FUTURE IN NEW PORTS

FOCUS
TESTING NEW WATERS

BUDGET UPDATE
A WINDOW TO BUDGET 2009-10

INTERVIEWS
OF BOX 'N BULK BIZ
PRAKASH TULSIANI
MD, GUJARAT PIPAVAV PORT LIMITED

LIFELINE IN LOGISTICS
CYRUS N KATGARA
PARTNER, JEENA & COMPANY

MAKING IT BIG
ASHOK GOYAL
MD, BLR INDIA PRIVATE LIMITED

CONTENTS

PUBLISHER'S DESK

On a high note

The post-budget reactions, as every year, are a mixed bag. Finance Minister Pranab Mukherjee humbly puts it: one (read budget) cannot satisfy too many. True. The minister has announced increased spend on infrastructure and power. This was expected since emphasis is on building domestic capacities, especially in times of lull. With budgetary allocations poised to grow for these primary growth drivers, one hopes to see better urban, water and road projects, at the turn of the Plan period.

Maritime Gateway provides a ready reckoning of the federal budget for ports and shipping sectors in page 8-9. On the shipping front, the government is already keen to award six port projects worth Rs 3,319 crore on PPP and declare Andaman & Nicobar Islands and even Lakshadweep as major ports. Minister Vasan hopes these initiatives will add capacity of 31.23 MT and 1.97 million TEU. Does his team also hope to see the Shipping trade practices Act soon? At least we hope that our detailed report on the delays holding back the draft will clear the air at the earliest.

As the world of shipping has only the heavens to look up to, we throw light on the marine insurance market in India. Bhargav Dasgupta, MD and CEO of ICICI Lombard, comes out with an analytical piece, a good read indeed. We also explore newer export markets for Indian industry. And as Pranab-da's budget begins and ends on a positive note, we hope all the maritime projects too will. Hope again!

Warm Regards,

Ramprasad, Publications Director
ramprasad@gatewaymedia.in

Letters

Interesting articles

Maritime Gateway makes very interesting reading. Your cover stories on both the April and May editions, I should say are well researched and very aptly timed given the current scenario. The interview of Hajara, CMD, SCI is crisp and there was at least one aspect about him which I didn't know, which came out through the interview.

T V Suresh
FCA, Coimbatore

More to be covered

I am hopeful and confident that in the forthcoming issues of the magazine the publishers will take special interest in extensively covering and highlighting the transport sector particularly relating to major, minor and private ports benchmarking them with international ports. Latest information regarding the other related issues like privatisation, maritime law and containerisation should also be extensively disseminated through this magazine.

B R Chandak

President, Eastern India Shippers Association

volume 1 issue 10

maritime gateway
ports • shipping • logistics

Publications Director Ramprasad
Associate Editor Radhika Rani G
Sr. Assistant Editor Jagadeesh Napa
Copy Editor Srinivas Reddy G
Sr Designer Vijay Masa
Designer Lakshmi Dandamudi
Web Upender Reddy V
Head - Business & Events Wilson Rajan
Manager - MarCom Padmapriya C
padmapriya@gatewaymedia.in - 096191 61665

Marketing & Sales
Mumbai Venkatram Pillai Manager - Marketing & PR
venkat@gatewaymedia.in - 098192 34741
Delhi K N Sudheer Regional Manager
sudheer@gatewaymedia.in - 099101 66443
Kolkata Nikhil Doshi Region Head
nikhil.doshi@gatewaymedia.in - 098369 96293
Chennai W Sudhakar Manager
sudhakar@gatewaymedia.in - 097899 81869
Circulation Unnikrishna Pillai S

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.
Phone: +9140 2355 0991, 2355 0992
Fax : + 91 40 2355 0994 www.gatewaymedia.in

Printed at M/s. Kala Jyothi Process Pvt. Ltd., 1-1-60/5, 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

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

SUBSCRIBE

Phone : 040 2355 0991
e-mail : subscribe@gatewaymedia.in
write to : Gateway Media Pvt. Ltd., Plot No.761, Road No.39, Jubilee Hills, Hyderabad-500 033, INDIA
Phone: +91(40) 2355 0991, 2355 0992
Fax : + 91(40) 2355 0994
www.maritimegateway.com
Digital Magazine:
http://emag.maritimegateway.com/

E-mail: **editor@gatewaymedia.in**

OPINION

D P Singh

Easing Exports at Ports

Ports need to have an integrated mechanism to promote exports. Efficiency and effective labour issues should be addressed to ensure a proper system in place. New ports too should be encouraged to curb port monopolies and promote competition.

The global economic meltdown had shrunk the international market and exporters are going through a difficult phase. In the face of adverse export conditions like the earlier rupee appreciation and the present global recession, exporters do not have a facilitator to reach out to the global market. Firstly, there is hardly any port which looks at facilitating an exporter. That is not there in their terminology. They look at how they can make money. They look at themselves as a monopoly and not as a service. Whatever they may say in public forums, their words do not reflect the reality. I do not remember any serious discussion being held in Paradip, Haldia or Kandla between the exporters and the port authorities on facilitation. There is a disconnect between port users and port operators. If you want to export a mineral through the east coast, you have no option but use either Paradip or Haldia Port. That gives them the monopolistic attitude. Maybe, private ports will bring in some competition. Gopalpur Port may change the character of Paradip. Visakhapatnam may change because of Gangavaram.

> Shipping Minister G K Vasan says 276 projects have been identified in major ports under the NMDP, covering upgradation of berths, deepening of channels, rail-road connectivity, modernisation of equipment and backup facilities.

Whatever the government tries through notifications or advices, the man heading the port trust does not look at port as a service industry. He looks at a port as a profit centre. He looks at how much cargo he can get immaterial of whether the cargo is handled efficiently or not. As an end user we look at three things. The first two are efficient handling of cargo and cost-efficiency. The third is port labour on which the port has little or no control. Port labour besides being inefficient and arrogant, have no interest in handling port operations. Unfortunately, labour unions seem to drive the concept of "you don't have to work. We will get your money in any case".

Monopolies have created profits. Profits have created their arrogance. Since port is making money they think that they can get bonuses even without working. To curb these monopolistic tendencies in ports and bring down the dominance of labour unions, governments should encourage the development of private ports, promoting competition. It may take a lot of time before we see change happening because port infrastructure is being built very slowly. The west coast has done much better than the east primarily because the Gujarat government has efficiently handled the port development.

In other areas, the Customs department has done an efficient job. Problem arises when you want to move cargo from one place to another where the monopolies do exist, but in a small way. For example, in Paradip you have to move only through the existing dumpers. Nobody can come up and say I can handle my own job. For example, 4-5 years ago the cost of handling iron ore was Rs 160 per metric tonne and the price was $ 50. Price went up to $ 170 and handling charges went up to Rs 270 per tonne. Now the cost has again come down to $ 50 but the handling cost is still at Rs 270 per tonne.

The government needs to address some serious issues. First, improve efficiency at ports. Second, regulate the labour costs that are extremely high; and third, ensure that there is backward integration at various levels. The whole mechanism cannot be greased unless there is a proper system. MG

D P Singh is the president of All India Grain Exporters Association and the chairman of Gopalpur Port in Orissa.

A Window to Budget 2009-10

Budget 2009-10 brings in some new hope for the maritime sector with major impetus on infrastructure projects and export stimulus. The port infrastructure projects will get a boost from the budget announcement and can be expected to move at a faster pace. The export stimulus provides the necessary survival aid to exporters and encourages their quest for achieving footholds in new export markets.

This budget is also touted as the common man's budget or the expansionary budget as it puts a lot of money into the hands of the middle class and agricultural communities. Spending this big money will add in a huge way to the domestic demand and raise the demand for the transportation and logistics industries. Fiscal deficit this year is pegged at 6.8 per cent and Finance Minister Pranab Mukherjee hopes to bring it down to 4 per cent by 2011-12. While the industry expected the disinvestment of the Shipping Corporation of India to be announced, it found no mention in the minister's speech. It is heartening to see that Mukherjee has raised total government outlay under the shipping ministry by 70.71 per cent out of which budget support went up by 64.38 per cent and the internal and extra budgetary resources (IEBR) by 71.60 per cent.

While this budget is supposed to have a neutral impact on the ports and shipping industries, taxes like the proposed service tax for coastal shipping & inland water transport and minimum alternate tax (MAT) can to be a burden for them.

Infrastructure

It looks like the government has taken a long-term approach for infrastructure development, evident from the investment target in infrastructure pegged at 9 per cent by 2014. The industry has welcomed the decision wherein India Infrastructure Finance Company

Limited (IIFCL) will refinance 60 per cent of the commercial bank loans for PPP projects in critical sectors over the next 15 to 18 months. "The infrastructure target is encouraging and the refinancing provision is a welcome sign given the limited and expensive commercial debt flow in the current economic times," says Gagan Seksaria, co-founder and principal, Tuscan Ventures, a logistics-focused venture capital enterprise. At the same time, this scheme is not expected to have any incremental impact on the ports sector.

The IIFCL and banks are now in a position to support projects involving a total investment of Rs. 1,00,000 crore in infrastructure. Providing greater flexibility to IIFCL can speed up the financing of projects related to port development and expansion, road and rail connectivity among others. But the smooth flow of processes at the central and state government departments can still pose bureaucratic hurdles and can lead to operational delays. Though the finance minister urged the cabinet ministers and the state governments to remove/clear policy, regulatory and institutional bottlenecks for speedy implementation of the projects, it has to be seen as to how far the bureaucracy can remove the same.

The allowance of capital expenditure as deduction in case of cold chain projects is a sensible move, feels

Seksaria. It will be of great encouragement to investors and operators who are willing to bring in capital since the sector is struggling with a significant demand-supply imbalance owing to limited investment in capacity and technology, he adds.

Exports stimulated

The finance minister has provided some basic survival aids for exporters ailing from recession. He has provided some stimulus for this sector, but industry watchers feel such a cushioning from going bankrupt does not aid demand stimulation. “Given that we have no view on a turnaround in the western economies, export SOPs are only meant to support survival as opposed to catalysing demand,” opines Seksaria.

The president of Federation of Indian Export Organisations A. Sakthivel hails the budget for initiatives like abolition of fringe benefit tax, extension of tax holiday for one more year for EOUs, STP, EHTP units and extension of interest subvention scheme till March 2010. While he welcomes the increase in Market Development Assistance funds from Rs. 50 crore to Rs. 124 crore and the ECGE support, he feels disappointed for the lack of government support in establishing new markets. “It fell short of our expectations as we were anticipating a quantum jump in the marketing support in view of dire necessity, for diversifying the market base,” says Sakthivel.

He further requests the government to consider income tax exemption for exporting units and offsetting of derivative losses to SMEs exporters to provide some relief.

The finance minister has made another effort to strengthen the micro and small enterprises (MSEs) by providing a special fund of Rs. 4000 crore. This fund will be carved out of the Rural Infrastructure Development Fund and made available to the Small Industries Development Bank. It will incentivise banks and state financing corporations to lend to micro and small enterprises by refinancing 50 per cent of incremental lending to MSEs during the current financial year.

Finally . . .

Budget 2009-10 has elicited mixed response from the maritime sector. While infrastructure and export segments seem to benefit, coastal shipping & inland water transport may stand to lose. Obvioulsy, one budget, as Mukherjee himself said, is not sufficient to satisfy everyone’s needs. Accommodating the demands of the all industries and providing necessary support to all the sectors will have to happen over a period of time and it is hoped that the proposals made in this budget are realised to the fullest extent. MG

Income Tax

- No change in Corporate Tax, remains at 33.99 per cent
- Fringe Benefit Tax abolished; will save time and money
- Rate of Dividend Distribution Tax remains at 16.995 per cent
- Tonnage tax and other income tax provisions remain unchanged
- The expectation that ‘procedural difficulties in and administrative compliances on ship clearances to be minimized and streamlined’ was not done in this budget
- Minimum Alternate Tax (MAT) rate is increased from 10% (effective 11.33%) to 15% (effective 16.995%) of book profits. Will prove to be a burden for port developers and operators claiming tax holiday
- The period to carry forward tax credit under MAT is increased from 7 to 10 years
- The issue regarding availability of tax holiday benefit to Inland Container Depots and Container Freight Stations has not been addressed.

Service Tax

- Service tax rate remains unchanged @ 10.30%.
- Territorial jurisdiction of service tax extended to installations, structures and vessels in entire Continental Shelf and Exclusive Economic Zones India.
- Definition of input will not include ‘cement, angles, channels and other items used for construction of factory, shed, building or laying foundation or making structure for support of capital goods.
- Works Contract Composition scheme:
- Gross value to include value of all materials and services (including free supply)
- Not to apply on contracts in progress or any payments made on or before July 7, 2009

There is no change in the median rate of 10 per cent basic custom duty on import of goods in India. Median rate of excise duty remain unchanged @ 8.24 per cent. CST rate remains unchanged @ 2 per cent.

The proposed introduction of Goods & Service Tax (GST) from April 1, 2010 is important, but there needs to be further clarity on the provisions and the likely consequences. Also, industry needs to be given time to prepare for this. For instance, logistics companies need time to carve out their product offerings, warehouse locations and spreads to be in line with customers’ needs.

Major ports

Traffic down by 1.15 per cent

The prevailing recession in the West and the consequent slump in demand for goods from India has led to a marginal fall in traffic at the major ports in India.

Port traffic in India declined 1.15 per cent in April-May this year compared with 2008 figures for the same period on account of the ongoing recession. Total traffic went down from 92 million tonnes in April-May 2008 to 91.16 million tonnes this year. Of the 12 major ports in the country, 8 have recorded negative growth in traffic according to official data.

As for container traffic, the data released by Indian Ports Association's suggests that box traffic handled by major ports in India dropped 12.5 per cent in the April to May period. The country's 12 major ports handled 1.05 million TEU in the first 2 months of fiscal 2009-10, down from 1.2 million TEU in the same period the previous fiscal year.

Major ports	Traffic growth decline *(in percentage)*
JNPT	-1.69
Kolkata	-18.5
Haldia	-25
Cochin	-14.47
Kandla	-7.65
Mumbai	-6.7
Chennai	-6.85
Ennore	-0.62
Visakhapatnam	-3.04

While JNPT's traffic fell significantly when box volume decreased to 644,000 TEU from 728,000 TEU, traffic at Chennai fell by 17 per cent to 176,000 TEU from 212,000 TEU. Tuticorin handled 67,000 TEU, down from 76,000 TEU. The decline was most severe at Mumbai, where volume dropped 55 per cent to 10,000 TEU from 22,000 TEU. Kolkata reported a marginal growth, having moved 75,000 TEU compared with 74,000 TEU a year earlier.

In comparison, major ports performed relatively well in terms of overall tonnage.

Container terminals: The shipping ministry plans to award six projects worth more than Rs 33 billion for developing and upgrading container and cargo terminals at various major ports in the country in three months. These projects include development of a container terminal at the Ennore Port with at an estimated investment of Rs 14.07 billion, construction of a coal berth at the Paradip Port at an estimated cost of Rs 4.79 billion, conversion of a general cargo terminal into a container terminal at the Tuticorin Port (Rs 3.12 billion), setting up of mechanised iron-ore handling facilities at the New Mangalore Port (Rs 2.77 billion), and development of berth for handling bulk cargo at the Mormugao Port (Rs 2.52 billion).

JNPT dredging

Fresh bids to be invited

Jawaharlal Nehru Port Trust is likely to float a fresh global tender from potential firms for deepening and widening of its main harbour channel. Currently, the geo-technical study for the project is ongoing, and JNPT is awaiting the report. In March 2004, JNPT had obtained the Ministry of Environment and Forests' (MoEF) clearance for dredging and widening of the main harbour channel. But, the validity of the earlier called tenders expired.

According to sources, the initial project cost of Rs 8.5 billion is likely to rise. The deepening and widening of the main harbour channel will enable the port to increase the draught to 14.5 m from 12.5 m and thus allow the port to get larger vessels.

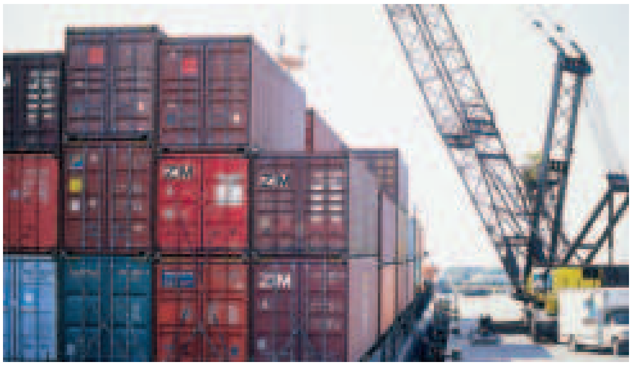
Container terminal: Meanwhile, at least 20 companies have responded to the request for qualification (RfQ) for developing the Rs 67-billion fourth container terminal at JNPT. The terminal will be developed in two phases. According to sources, it will be developed as an extension to the existing Bharat Petroleum Corporation Limited's jetty along with the marine chemical terminal on a BOT basis.

Orissa venture

Sical keen to develop port

Sical Logistics Limited has also expressed interest in developing the proposed greenfield port at Barunei Muhan in Orissa. As per the proposal submitted to the Orissa government, Sical Logistics plans to invest Rs 36 billion in two phases to develop the port, which will have a cargo-handling capacity of 46 mtpa, when fully commissioned. The port will handle cargo like iron-ore, iron and steel, coking coal, limestone, thermal coal, dry bulk cargo and liquid bulk cargo.

While Rs 25 billion will be invested in the first phase, the second phase will cost Rs 11 billion. The construction of the first phase of the port will commence in 2010, and is likely to be completed by 2014. The first phase will include construction of breakwater, reclamation and dredging among others. In the first phase, the port will have three berths with a cargo-handling capacity of 18 mtpa. This will increase to 46 mtpa by 2020 with addition of five berths.



Iron-ore berth

Paradip to begin work soon

The Paradip Port Trust (PPT) expects to sign the concession agreement for development of the

Rs 5.91 billion iron-ore berth soon. A month ago, PPT had issued a letter of acceptance (LoA) to the consortium for developing the berth. Other members in the consortium are Gammon Infrastructure Limited and Minerals and Metals Trading Corporation of India Limited (MMTC).

The berth to be developed on a BOT basis will have a cargo-handling capacity of 10 mtpa. The port has also initiated steps to reinvite financial bids from shortlisted firms subsequent to the order from Supreme Court.

Petite beginning

Haldia traffic falls 30%

The Haldia Dock Complex (HDC), the riverine port located in West Bengal handled 5.7 million tonnes of cargo traffic in the first two months of this fiscal, as against 7.56 million tonnes in the corresponding period of the previous fiscal, thus registering a decline of more than 30 per cent.

During the same period, the crude throughput fell from 2.3 million tonnes to 0.7 million tonnes.

Further, iron-ore exports through HDC declined from 1.83 million tonnes to 1.06 million tonnes, primarily due to the railway discount scheme that has mostly benefited the Paradip and Visakhapatnam ports. Under the scheme, the exporters transporting the ore over a distance of more than 400 km between the mine and the port get a discount.

The distance between HDC and nearest ore mine is less than 400 km. However, the volume of rail-borne traffic of the dock during April-May 2009 posted a marginal increase of 0.59 per cent at 3.36 million tonnes (3.34 million tonnes). This increase is attributed to the rise in imports of coking coal for steel plants and thermal coal for power companies. The coking coal throughput rose to 1.04 million tonnes (0.9 million tonnes) and thermal coal movement to 0.51 million tonnes (0.19 million tonnes).

India agent

Port of Koper appoints P.S. Bedi Group

At the beginning of June, Luka Koper will acquire a new representative office in India. The P.S. Bedi Group, with its headquarters in New Delhi, has been entrusted to represent Luka Koper in this increasingly important market. HS Bedi, the Group's president, who attended the logistics conference in Portorož, signed a cooperation agreement with the Luka Koper Management Board. The P.S. Bedi Group, which offers integrated logistics solutions for sea, land and air cargo, as well as transport and warehousing, is a global logistics services provider with a worldwide presence and an extensive branch network in India.

Given its strategic location and developing economy, India is becoming a world economic superpower.

Gloom times

DP World profits likely to sink

The largest container terminal operator in India, DP World is likely to witness a sink in its profits. The profits are likely to drop 54 per cent to US$ 265 million in 2009 from US$ 572 million last year, as lower throughput at the terminals has slashed revenue and operating income, according to experts. It is projected that DP World will handle 40 million TEU in 2009, 15 per cent lower than what it handled in 2008.

While the company's revenue is likely to tumble by 31 per cent to US$ 2.58 billion from last year's US$ 3.4 billion, low interest rates are unlikely to benefit because most of its debt, as it has been reported, has fixed rates. However, operational flexibilities might help it to trip variable costs, it is indicated.

Bid rejected

Zoom awaits state response

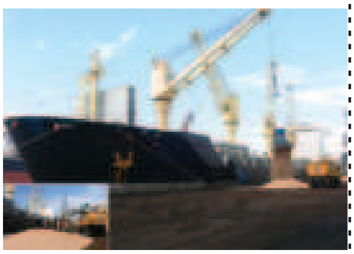
Mumbai-based Zoom Developers is still awaiting the result of the re-evaluation of the company's bid by a committee set up by the state government after a wave of rumours and speculation that lashed the prospects of the Rs 5,340-crore Vizhinjam container transshipment terminal near Kochi. According to the company, it has not received any intimation from the authorities on the status of their bid for the Rs 800-crore project that was being re-evaluated. The project had plunged into uncertainty when Lanco Kondapalli Power, which had originally won the tender last year, decided to withdraw from the project citing undue delay on the part of the authorities to take a final decision on the issue, and there was speculation that Zoom Developers' bid had been rejected by the evaluation committee.

Meanwhile, it is learnt that the government is examining whether to go in for a re-bid for the transshipment terminal.

Port efficiency

Chennai Port adopts integrity pact

To promote healthy competition and increase efficiency, the Chennai Port Trust has adopted the integrity pact as recommended by the Central Vigilance Commission. The pact will cover all the procurement and supply related works carried out at the port with a threshold value of Rs 50 million and above.



New cargo: The port adds another feather to its cap by bringing in new cargo – Dolomite – to the port. Dolomite arrived for the first time to Chennai port on June 15, 2009 on MV Comandate carrying 21900 tonnes of it. This cargo is bulk imported by JSW Steel Ltd. from to its steel plants in Tamil Nadu and Karnataka.

Lakshadweep traffic

Cochin Port to build terminal

The Cochin Port Trust (CoPT) will construct a dedicated terminal for Lakshadweep-bound passenger and cargo ships at the port at an estimated cost of Rs 320 million.

A memorandum of understanding (MoU) has been signed with Lakshadweep administration for leasing about five hectare land of the port and water frontage area and for construction of the terminal.

The proposed terminal will have a 300-m long berth, a passenger waiting hall of about 1,100 sq m, cargo storage area of about 400 sq m as well as a vehicle parking area. According to sources, tenders for the project will be invited within a month. The terminal is expected to be completed by 2011.

Kochi calling

CWC, FACT to develop CFS

Work on the proposed container freight station (CFS) in Kochi to be developed by the Central Warehousing Corporation (CWC) and the Fertilizers and Chemicals Travancore Limited (FACT) will start in July-August this year.

The two units entered into a memorandum of understanding (MoU) in May 2008 to develop a CFS in the 25-acre of vacant land available with FACT. However, there was slow progress in finalising the project. The Rs 600-million project will help in the economic development of the region and will provide employment opportunities to local people.

NEWS

Baltic Index

Bulk shippers draw cheer

Analysts and investors are turning optimistic on Indian shipping companies, thanks to the Baltic Dry Index's surge since early April, but officials say high capital costs will continue to be a worry for the industry.

The rise of BDI for the first time to over 18 per cent in late May, surpassing 3,000 points since October 2008, comes as a good news thanks to the growing merchant trade, especially iron ore from China and some easing of trade financing by banks.

"There is demand from China. Now letters of credit are also being issued easily (by banks to shipping firms), unlike a few months back. Over the past one week, things are looking better," Kapil Yadav, an analyst with Dolat Capital, said.

Indian shipping firms were reeling under the impact of a global economic slump on commodity trade, but the stimulus packages announced by the various economies has led to a revival of freight demand, analysts say.

"There was some inventory build in January-March, but since then inventories are leveling off, supporting our view that the dry bulk market has entered a period of sustainable recovery," analyst Ole Slorer wrote in a research note to clients.

Religare Hichens Harrison upgraded its rating on India's Mercator Lines to 'buy' due to "improving sentiments in the dry bulk market, where the company has maximum exposure', while ICICI direct rated it an 'outperformer'.

Shipping stocks also reflect this new-found optimism, outperforming the 30-share BSE index which rose 47 per cent between April 1 and May 28.

Shares in Mercator Lines and Essar Shipping have more than doubled, Shipping Corp of India has risen 73 per cent while GE Shipping about 50 percent in the same period.

Although shipping costs have surged from their lows hit in late 2008, new vessels will still make losses due to high capital and interest costs and high depreciation, officials said.

"Even at these rates, definitely, there are losses," a senior official at state-run Shipping Corp of India said. "Only the older bulk carriers which are 20 years or so old will start breaking even at the current market price."

Fund sought: Meanwhile, the shipping industry has asked the government to set up a fund to help the industry get finances for projects as the loans are drying up. “Many western banks have received loans from their respective governments. The government nominees in these banks insist on giving loans only to projects in their countries," Shipping Corporation of India, CMD SC Hajara said. The Indian shipping industry would have to invest US$ 20 billion in the next few years to modernise its fleet and acquire new vessels. With no global finance and no domestic finance, raising debt for Indian shippers has become difficult, he added.

The world's fleet of dry-bulk vessels will expand 42 per cent this year and next, according to estimates from Drewry Shipping Consultants.

Setting trend

India launches floating superstore

A first of its kind in India, a floating superstore was launched in the state of Kerala in India. The store, which sells essential daily commodities to people living in remote and isolated areas, has been launched in Kerala, India.

The 'Triveni Super Store', launched by the Kerala State Co-Operative Consumers Federation (Consumerfed), is supposedly the first of its kind in the world. It will visit 17 different communities in the Kuttanad area where 50 locations have been identified for anchoring. The vessel can accommodate up to 15 shoppers.

Bulker fleet

Mercator to add more

Mercator Lines (Singapore) will increase its bulker fleet by 25 per cent by 2010, in the wake of increased demand for coal in India giving the much needed boost to dry bulk shipping sector.

The CEO of the Indian-owned company Shalabh Mittal, said that dry bulk freight rates were unlikely to deteriorate much further since they had already reached a low base. Mercator, which currently operates a fleet of 12 vessels, will increase the number to 15 by next year.

"We know ships will get employed very easily because we're already seeing the demand, but it's not going to be at the same price as earlier. Indian coal demand has been very stable this year. Overall expectations are that imports of coal will go up," said Mittal.

Mundra Port

Höegh Autoliners to ship Nissan Pixo

Norwegian vehicle carrier operator Höegh Autoliners, which has recently entered the trade in the regions of Middle East, India and Africa, would begin shipping out Nissan's Pixo model from the Mundra Port in Gujarat from July.

Pixo is 5-door hatchback car, which has been contract-manufactured by Suzuki Motor Corporation's Indian arm for Nissan's left-hand drive markets in Europe. This model is a rebadged and restyled version of Maruti Suzuki A-Star, a new car the company launched in the Indian market six months ago. Mundra Port operates a dedicated car terminal for Maruti Suzuki from where its cars are shipped to the European export markets.

Höegh has a long history in India; the first vessel calling was Höegh Silverlight in Calcutta on 11 March 1937 and Höegh Lines operated in India from 1937 through 2000 and has now made a comeback with the establishment of a Höegh Autoliners representative office in Chennai last year. It is now zeroing in on India's rapidly growing auto exports and aims to play an important part in these exports in the years to come. It has shipped around 1,000 Ashok Leyland buses to West Asia and to Africa and is also holding talks with Tata Motors, Mahindra & Mahindra, Ford and Renault to ship their vehicles.

Capesize vessels

Reliance Power to order six ships

To import coal to its upcoming 4,000 MW power plant at Krishnapatnam in Andhra Pradesh, Reliance Power Limited is currently holding talks with several South Korean shipyards to build six Capesize vessels. These shipyards include Hyundai Heavy Industries Company Limited, STX Shipbuilding Company Limited, Daewoo Shipbuilding and Marine Engineering Company Limited and Hanjin Heavy Industries and Construction Company Limited. According to sources, Hanjin Heavy Industries is the frontrunner for the contract as it is offering to give lower rates. Reliance Power is also looking to hire three-four Capesize ships on a long-term basis to meet its coal transportation requirements. Reliance Power will acquire these vessels through Reliance Natural Resources Limited.

Tanker traffic

Gulf States take stalk of environment

Middle East Gulf countries have joined hands to discuss environmental and safety issues linked to the volume of tanker traffic transiting their coastal waters. The six Gulf States and Iraq, together with ecology experts from Europe, participated in a seminar on the safety of tankers carrying hazardous cargoes through the straits.

Organised by Qatar's Ministry of Environment and the Marine Emergency Mutual Aid Centre, the seminar has been described as “timely”. Qatar's Gulf Times quoted Yousuf Ibrahim al-Hamar, technical affairs manager at the Ministry of Environment saying that “the presence of international experts could help the establishment of specific mechanisms to raise the level of safety”.

According to MEMAC director Capt. Abdul Munem al-Janahii, nearly 41,000 ships passed through the Gulf in 2006 compared to 47,000 in 2007 and 49,000 in 2008.

Patrol drive

Speedboats for river cops

In the wake of the infiltration by terrorists and illegal migration from across border through river routes, the Assam police are leaving no stone unturned to guard the Brahmaputra waterway by strengthening its river patrol wing. The river police have decided to procure 10 fibreglass-reinforced plastic (FRP) speedboats to conduct effective patrolling along the sensitive river routes and riverine areas of the state. A police source said the state government has decided to give more teeth to the river police considering the heightened threat perception after the Mumbai attacks when terrorists chose the sea route to sneak into the country.

The speedboats will have a 25 HP single engine with a capacity to carry 8 to 10 persons. Each boat will cost between Rs 3 lakh and Rs 3.5 lakh and will also be equipped with life-saving equipment such as life buoys, jackets, fire extinguishers and the like. The police sources said the procurement of modern speedboats could go a long way in making the river routes secure.

Survey report

CFOs disregarding supply chain risks

In today's economy businesses across all sectors and industries are looking for ways to cut costs, boost efficiency and drive sales. But in so much haste to improve margins, have company financial heads overlooked supply chain risks?

According to a new study from Basware and the Kelley School of Business in Indianapolis, chief financial officers are not closely managing supply chain risks because they don't think procurement has a significant impact on financial risk exposure.

The study reveals that less than 46 per cent of CFOs surveyed see "real integration" between purchasing and finance processes. "Businesses today are defined by their supply chains and some of the high-profile business failures of the last 12 months point to this as a root cause," said Frohlich.

"Finance departments across the globe have been guilty of ignoring the real value that their procurement teams can bring to the financial health of their organisations for decades now," he added.

Despite the recession, some companies have invested in technology as a way to improve supply chain management and better integrate logistics and inventory management with accounting and other financial tools. Rather than spending money for on-premise applications, companies have gotten up and running quickly with on-demand solutions.

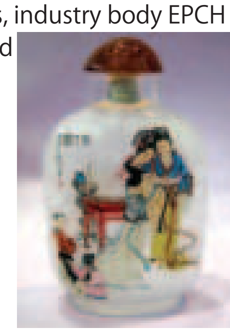
Make changes: Many companies adapting their operations, marketing plans and risk management processes in light of the ongoing recession are doing so on a permanent, not temporary, basis. According to a report from Ernst & Young 'Opportunities in Adversity: Accelerating the Change,' 43 per cent of survey respondents say their operating model had been "permanently altered by the events of the last 18 months."

Financial failure poses the greatest risk to global supply chains in 2009, says global risk adviser Aon.

Exporters' plea

Ban Chinese craft imports

Stating that over 1 lakh jobs have already been lost in the domestic handicraft sector on account of Chinese imports, industry body EPCH today demanded an immediate ban on such goods from the neighbouring country



The Export Promotion Council for Handicraft (ECPH) has demanded an immediate ban on import of Chinese handicraft," the industry body said in a statement.

"Copycat Chinese handicrafts" have forced the domestic industry to shed over 1 lakh artisans in the past few months, which is still struggling to come out of the global economic crisis-led demand slump, it said.

"It (Chinese import) has resulted in loss of over 100,000 jobs in the sector's seven-million workforce," EPCH Chairman Raj Kumar Malhotra said.

The council said that in 2007-08 import of handicrafts items from China stood at Rs 1,040.03 crore against 792.98 crore 2006-07. It did not elaborate on the last fiscal's import figures from China.

The imports are not only destroying the age-old Indian heritage of handicrafts but also affecting its exports, the council added.

PPP projects

Tabs imposed on bids

Petroleum and natural gas companies without any experience in executing infrastructure projects will no longer be able to bid for projects under the public private partnership (PPP) model.

In its new pre-bidding guidelines for PPP projects, the Finance Ministry has removed petroleum and natural gas from the definition of core sector, which could be awarded PPP projects. Now, the core sector would include metro rail and logistics park instead of petroleum and natural gas. This means that petroleum and natural gas firms without experience in core sector – telecom, power, ports, airports, railways, industrial parks, metro rail, logistics park, irrigation, water supply, sewerage and real estate development – would not be able to compete for PPP projects. So, guidelines have been amended to allow only the efficient.

Cyber crime

Software theft in NCR

Crossroad Logistics, the telecom division of New Delhi-based Om Logistics has alleged that one of its former employees currently working with Sigma Supply Chain Solutions, another telecom logistics company in the National Capital Region (NCR), has stolen its copyrighted Warehouse Inventory Management System (WIMS). A case has been filed with CBI.

Crossroad Logistics alleged that Sigma has been using 'Sigma Inventory Solutions' (SIS) software having the same functionality as that of WIMS developed by Crossroad. A CBI team raided the offices of Sigma at Delhi and Noida and seized all hardware and infringed software besides other incriminating documents. Further investigation is on.

Bulk cargo

Railways to bring down freight rates

Ministry of Railways is seriously looking at reducing the freight rates for bulk goods such as iron ore and cement in the wake of economic slowdown and recession. There was a meagre 3.05 per cent raise in freight loads in the month of April 2009.

Railways' freight grew by a modest 4.89 per cent in 2008-09 which is much below the targeted 7.05 per cent. Bulk cargo like iron ore, steel, cement and food grains were the worst hit commodities.

To attract more cargo, the ministry has already re-classified the freight schedule of iron ore used domestically to Class 180 from the earlier class of 200X. But the industry has been seeking a further cut in freight on iron ore used both for domestic use as well as for exports. Similar discounts may be given to cement as well.

Unifying service

Summit rebrands unit

Summit Logistics International said it will rebrand its Asia-based operations under the names Summit International Logistics (China) Ltd. and Summit International Logistics (HK) Ltd. The company has been using the name Sea Master Logistics. "We feel that the new brand for our Asia operation better unifies our services in the marketplace," said Bob O'Neill, chief executive officer of Summit Logistics International.

A 3P logistics provider, Summit provides supply chain management services in the US, Asia (including China, Taiwan, Thailand and Vietnam), Eastern Mediterranean, the Middle East and India. The company operates both contract logistics and freight forwarding/non-vessel-operating common carrier operations in about 25 key transportation hubs across the globe.

LCL consolidation

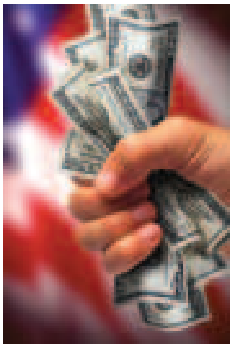
Transmart expands


Pulak Ghosh

Transmart Container Lines has commenced its operation in Kolkata with new branch offices at Delhi and Mumbai and an associate office at Chennai to facilitate freight movement to and from worldwide destinations. The logistics company aims to provide the most accurate and cost-effective and result-oriented services to the customers, its CEO Pulak Ghosh said. "Our main thrust is LCL consolidation from all China ports, Hong Kong and Singapore. In a short span of time we have gained good reputation in the Industry as a provider of quality logistics services and competitive rates in terms of LCL/FCL export and import and also air import and export," Ghosh added.

Investment drive

VC, PE funds to flow into logistics



Huge investments are set to flow into the logistics industry through venture capital and private equity channels in the next five years, reveals 'Indian Venture Capital – A Future Scenario', a recently published paper by Assocham and Deloitte. A whopping investments of over US$ 8.5 bn is expected in Indian Venture Capitalists (VCs) and Private Equity firms (PEs) in the next five years in at least five identified areas such as biotechnology, life sciences, logistics, clean technology, film production and education.

President of Assocham, Sajjan Jindal said logistics is one area in which VCs are expected to invest in excess of US$ 2 bn in India's maritime infrastructure and logistics as it strengthens cargo-handling facilities to meet rising demand for exports and imports. The paper mentions that National Maritime Development Programme envisages huge investment to upgrade India's maritime sector of which 64 per cent is expected to come from VCs and PEs firms. These funds are also looking at possibilities in ancillary businesses that support maritime trade such as warehousing and container freight stations.

Celebration

FFFAI biennial a success

The 19th Biennial Convention of FFFAI organised at Goa recently was a success, say the organisers. The delegates included members from all the CHAs across India, logistics service providers, consultants and entrepreneurs. Goa chief minister Digambar Kamat inaugurated the convention that focussed on "Logistics Integration in Emergent India: Reshaping for the Next Upswing".

The business sessions revolved around this theme and eminent speakers made presentations on topics such as global supply chains & integration and building competitive advantage. Parallel to the business sessions, leisure activities for the family members of the delegates were organised at the venue. The evenings wound up with entertainment and cultural programmes.

Quality parameters

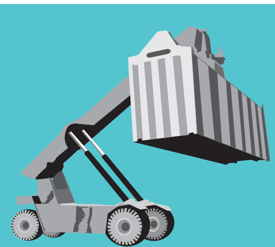
Essars gets certifications

Essar Logistics Limited (ELL), a division of Essar Shipping Ports & Logistics Limited, has been certified to Integrated ISO 14001:2004 and OHSAS 18001: 2007 standards by the certifying agency, RINA India Private Limited. ELL is the fourth Essar Group company to receive this certification.

ISO 14001 is a standard for environmental management systems to be implemented in any business. The aim of the standard is to reduce the business' environmental footprint and decrease the pollution and waste it produces. On the other hand, OHSAS 18001 is a Safety and Health Management system that takes a systematic approach to identify hazards, calculate risk, priorities the risk and put appropriate controls in place to ensure a healthy, injury-free workplace.

The integrated certification demonstrates the company's commitment to health, safety and environment management. It will help the company develop new avenues for business and be recognised as a premier logistics company.

Speaking on the certifications, A K Musaddy, CEO, Essar Logistics said the certification process began in February 2008 and culminated in April 2009 – a feat made possible by the active participation of all employees of the company as well as contractors.



Exim NEWS

China products

India bans import of mobiles

In view of national security, safety and health, India issued new notifications that put quality restrictions on mobile phones and extend the ban on dairy products, toys and aluminium products from China.

India has banned the import of mobile handsets without International Mobile Equipment Identity (IMEI), a unique identification number. Mobiles phones without IMEI are considered a security threat as it is difficult to track handsets without this number. This concern was raised after terrorist attacks like the one in Mumbai in November last year.

The Department of Telecom had earlier asked telecom operators to disconnect services to such handset but they were reluctant to do so.

The IMEI is a 15-digit code which appears on the operator's network whenever a call is made. There are about 25 million Chinese handsets that are being used in the country.

Ban on milk products, toys extended: The ban on import of milk and milk products, and toys from China has been extended for a period of six months. Import of milk and related items including chocolates were banned last September following concerns over presence of toxic chemicals. This led to an international outrage and 25 nations have restricted Chinese imports.

The import ban on Chinese toys imposed in January this year has now extended it till January 2010. Toys accompanied by a certificate from laboratories accredited to the International Laboratory Accreditation Cooperation (ILAC) will be allowed. The toy market in India is estimated to be Rs 2,500-crore big, while the volume-driven, price-competitive Chinese toys are estimated to control 70 per cent of the global toy market.

A 14 per cent duty has been imposed on imports of aluminium flat-rolled products as they are threatening the domestic industry. The duty, retrospective to March 23, will be in place till March 22, 2010, the finance ministry said. A safeguard duty of 30 per cent on goods from a specific origin is also being imposed.

Oman lifts ban: Meanwhile, Oman has lifted the ban imposed on import of live bird products from India following a plea from the Indian government to Omani authorities.

Anti-dumping duty on import of two chemicals

India has imposed anti-dumping duty of $ 218.6 per tonne on imports of phosphoric acid, a key ingredient in detergent manufacturing, from South Korea to protect the domestic industry from cheap shipments.

Duty of up to $ 1.36 per kilogram was also imposed on imports of Diethyl Thio Phosphoryl Chloride (DTPC), used in pesticides, from China.

After concluding that "the domestic industry has suffered material injury," the Directorate General of Anti-Dumping and Allied Duties (DGAD) has recommended the anti-dumping duty on both the chemicals, an official statement said.

The Finance Ministry, which has imposed the duty, said the chemicals has been exported to India below its normal value. The duty on DTPC ranged between $ 0.47 per kg and $ 1.36 per kg, it added. The anti-dumping duty imposed would be effective up to December 21, it said.

Glitter loss

Gold imports dip

India's leading gold dealer's organisation, the Bombay Bullion Association Ltd (BBA) has said country's gold imports could be halved in June as higher prices and weak currency deterred jewelry buyers.

In a statement issued here the BBA said, gold purchases by India, world's biggest importer, were 8 to 10 metric tonnes in the first three weeks of this month, compared with 17 to 18 tonnes a year ago.

Gold traded in Indian rupees has gained 18 percent in the past year as the currency fell on concerns of foreign investors withdrawing funds from emerging markets. Imports will remain subdued until the price drops to at least Rs 14,000 per 10 grams, BBA president Suresh Hundia said.

Sugar imports

Centre to ease rules

The Centre is likely to allow private traders to import duty-free refined sugar, which was so far restricted to three public sector trading firms MMTC, STC and PEC, but may not lift the quantitative restriction. In April, the Centre had allowed the three PSUs to import up to 10 lakh tonnes of duty-free refined sugar by August 1.

According to reliable sources, the Food Ministry has prepared a draft note that contains various proposals for increasing the availability of sugar in the domestic market and moderating the prices of the sweetener.

The government is likely to extend the deadlines for duty -free imports of refined sugar beyond August 1, they said, adding, this time private trade could also be allowed to import refined sugar along with the PSUs as MMTC, STC and PEC have been able to import less than one lakh tonnes so far.

New high

Export of spices goes up

Despite the global economic recession, spices exports from India have continued its upward trend and crossed the Rs 5,000-crore mark for the first time, according to Spices Board Chairman V J Kurien.

The exports during 2008-09 had been 470,520 tonnes valued at Rs 5,300.25 crore against 444,250 tonnes valued at Rs 4,435.50 crore in the last financial year. The exports during 2008-09 had also exceeded the target in terms of volume and value both in rupee and dollar. The export target was 4,25,000 tonnes valued at Rs.4,350 crore.

The achievement was 111 per cent in quantity, 122 per cent in rupee value and 114 per cent in dollar terms of value. In the export basket of spices and spice products, spice oils and oleoresins, including mint products, contributed 40 per cent of the total export earnings. Chilli contributed 20 per cent followed by cumin 10 per cent, pepper 8 per cent and turmeric 5 per cent.

Foreign Trade Policy

CII for FBT scrapping

Confederation of Indian Industries (CII) said that the government should announce measures like scrapping fringe benefit tax, increasing duty refund rates for exporters reeling under the impact of global meltdown in the new Foreign Trade Policy to be unveiled in August.

"Exporters are now working on thin margins and taxations of the profit leaves exporters with no money for modernisation and expansion of manufacturing," CII said in a statement. The chamber has recommended removal of Fringe Benefit Tax (FBT), raise in duty refund rates by 5 per cent, extension of IT exemption given to software industry by another three years beyond March 31, 2010 among others.

Besides, it also sought inclusion of the EU and the US under the Focus Market Scheme for at least two years and reintroduce marketing development assistance scheme for all exporters. With external shipments contracting for six months in a row, the country's exports aggregated US$ 168.70 billion in 2008-09, managing a paltry growth rate of 3.4 per cent. -PTI

Steel products

Engineering exporters oppose safeguard duty

Exporters of engineering goods have opposed the Directorate General of Safeguards' recommendations to levy safeguard duty on steel imports, saying the move will hurt the Micro Small and Medium Enterprises (MSME) sector as domestic prices may rise further.

The Directorate General of Safeguards has recommended a 25 per cent duty on import of hot rolled coils/sheets, including the Cost Insurance Freeight Value of US$ 600 per tonne to protect the domestic industry against cheap imports. According to data provided by the EEPC, in May 2009, HR coils cost USD 661 per tonne, cheaper only to Brazil where the products cost $966 a tonne.

INTERVIEW

Prakash Tulsiani
Managing Director, Port of Pipavav

Port of Pipavav

Of Box 'n Bulk Biz

Following Gujarat's explicit strategy of port-led development through private participation, a string of ports in the state have been fast-tracking the state's growth at an average of 10.14 per cent per year from the fiscal 2001 to 2006. Port Pipavav, India's first port in the private sector promoted by APM Terminals, is working its way towards becoming the leading port in the country.

As part of its vision to be a modern container terminal, the port is developing infrastructure. While equipment procurement is an ongoing process, hinterland connectivity remains an issue. To cater to the northern hinterland, the port proposes to develop a 10-lane road linking Ahmedabad and Pipavav to provide the much-needed connectivity to an extent of 287 km in the Delhi-Mumbai industrial corridor. The port is purchasing equipment to handle an annual throughput of 3 million tonnes of bulk cargo and 1.3 million cargo containers. "We have a great infrastructure sitting in the port," says **Prakash Tulsiani**, Managing Director, Port of Pipavav as he shares his company's plans and vision with **Ramprasad** of Maritime Gateway.

Q Having managed successfully a container terminal, how do you feel heading a port now? What difference do you find in managing them?

A: Terminal is an activity which is part of port, whereas port is a larger body. Terminal does a specific business activity of handling cargo. But port does several marine and non-marine activities beyond terminal. It is not just handling of cargo but supporting ancillaries around it. The job is extremely great, challenging and larger in scope. I have got to learn a lot while doing it.

Q Port of Pipavav moved from project stage to commercial stage. What are the plans for 2009?

A: We have completed some milestones and are ready to serve our clients.

We will launch some more projects depending on the requirements of trade. As of now, infrastructure at the port is complete.

Now we need to go out and sell to the clients. Obviously, we have to deliver efficiency, client satisfaction and of course drive volumes. Even though there is reduction in volumes due to recession, we are still targeting the numbers which we have planned the year before.

Q What are the strengths at the port to make shipping lines call at your port?

A: We have a strong local cargo because of the agricultural base we have in Saurashtra. On top of it, we have the reefer cargo about which we are excited as it has generated good response. Nhava Sheva is currently handling 65 per cent of the total cargo and has become the obvious choice of port of call. But when carriers want to top up and head north, Port of Pipavav with 153 nautical miles from Nhava Sheva is the closest with six hours of sailing. And also shipping line need not add an additional vessel.

We will have a deeper draft of 14.5 metres which is higher than what Nhava Sheva can offer. Due to congestion, Nhava Sheva is ruled out. With the help of a dedicated rail corridor which goes to Sunder Nagar and connects to the main route we can handle 22 trains a day. This is short route to north. So, shipping line's client is assured of cargo getting delivered in definitive timeline. This is a great advantage.

Apart from this, we have two new post-Panamax and three Panamax cranes. We have been able to deliver 130 moves on a berth per hour with three cranes. Our crane productivity levels have gone up to 43 moves per crane. We have 400 hectares of land and we can expand the way we want. No need to worry about the yard space.

Q You have plenty of land available. How do you plan to use it?

A: We will invite industries which can use the waterfront for their cargo. We will not give land to an industry which does not need a port. Let us look at scrap steel which comes from various origins. Some of it comes in containers because of smaller volumes and some as bulk because of huge volumes. A customer can handle his imports at a single point and mix and match. We also will give land to CFSs, especially to those dealing with tank farms and liquid cargo.

Vision for Tomorrow: *Grow containers, bulk and land business.*

Q How are the strategies being revised due to recession?

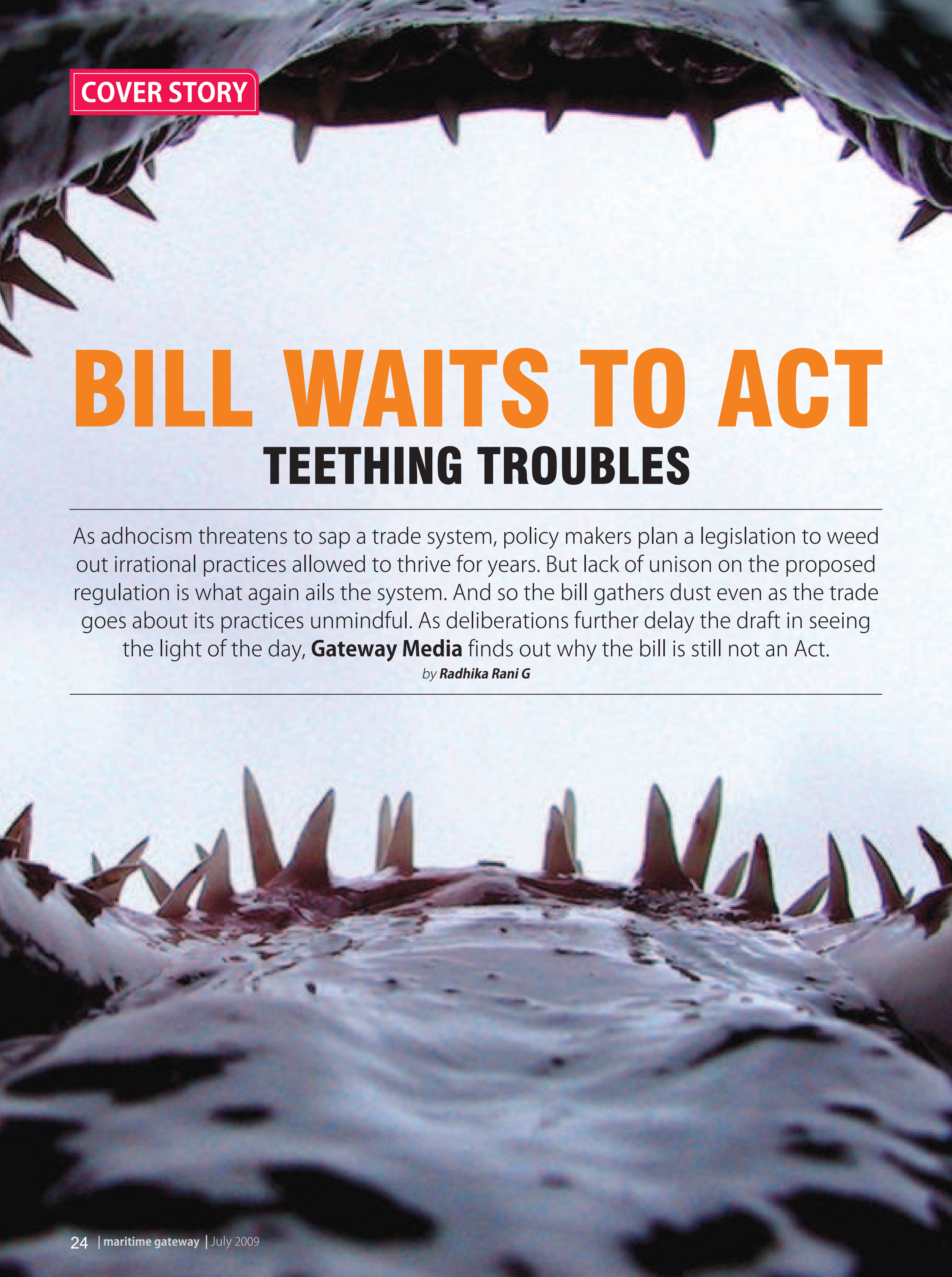
A: At times like these everyone has to change their strategies and adapt themselves to the situation. We have to be dynamic and agile. We in the port business very well understand that tides are not same every day. At Port of Pipavav, out of the four berths we have, two berths were handling containers. We have made a flexible arrangement at one berth which can handle both bulk and containers depending on the arrival.

Q What is the vision for the port in the next five years?

A: The graph has to look upward and a very steep upwards. We will have our complete focus on gaining volumes on all fronts. We will attract industries to come and use the port. Our vision is to grow containers, grow bulk and grow land business. That is how we even planned the commercial team. This is just the beginning. MG

Pipavav Power

Gujarat Power Corporation Ltd. (GPCL) and Torrent Power Ltd. are jointly developing a 1,000 mw coal-based power plant near Pipavav. GPCL and Gujarat State Petroleum Corp Ltd. are setting up a 700 mw gas-based power project, while Visa Power is developing a 1,000 mw and Videocon a 600 mw coal-based power project in the region.



COVER STORY

BILL WAITS TO ACT

TEETHING TROUBLES

As adhocism threatens to sap a trade system, policy makers plan a legislation to weed out irrational practices allowed to thrive for years. But lack of unison on the proposed regulation is what again ails the system. And so the bill gathers dust even as the trade goes about its practices unmindful. As deliberations further delay the draft in seeing the light of the day, **Gateway Media** finds out why the bill is still not an Act.

by ***Radhika Rani G***

The Mission: The Shipping Trade Practices Bill, 2008

Made Impossible: By lack of concord in the community, and loads of comments on the clarity in the draft

A Bill to provide for bringing transparency in trade practices adopted by maritime transport logistics service providers in respect of services rendered by them for arranging transportation of containerised cargo; registration of such service providers and their obligations; mode and manner of fixing tariff by the service providers; EXIM (Export Import) and for matters connected therewith or incidental thereto.

The preamble trumpets transparency in trade practices. But that seems to be the last thing happening, going by the pace of the powers that be in setting things right, or rather rules for good. Fallout of a fragmented industry!

The Shipping Trade Practices (STP) Bill, being heard and read in reams for months and years now, was after all drafted upon consulting various stakeholders like the intermediaries and logistics service providers in the export and import of cargo – specially containerised.

But in the first place, and as the senior maritime lawyer S Venkiteswaran rightly asks, is there a need for a legislative interference in the form of the proposed STP Bill or could it have been left to the market forces to regulate itself.

The plunge

Competitors and regulation perhaps make a contradicting combination, so there should be some authority, the legal one being the government, to monitor the deeds and misdeeds in the service segment. And thus gestates a legislation to be born a law. In fact, as the Directorate General of Shipping (DGS) says, “the demand for such regulation came from exporters and shippers.”

For instance, customs house agents (CHAs) are an aggrieved lot as they believe that agencies involved in providing different types of services to cargo interests, as Venkiteswaran points out, “merrily charge” whatever they want and so very often, shippers and consignees are taken for a ride. “Unfortunately, container operations were not looked into by the Government from the point of view of regulation, at the appropriate time,” he notes. And this has led to a certain amount of adhocism in the manner in which the services were being provided and charges being imposed.

Shippers’ associations say they want fair trade practices, transparency, competitive, reasonable rates and, to ensure these standards, a monitoring and regulatory mechanism. They prefer an STP mechanism that can keep tabs on freight forwarders, shipping agents, NVOCCs, consolidators, container freight stations (CFSs), inland container terminals (ICDs) and in-transit warehouses – all who provide services to transport cargo by air, sea, road or rail.

However, as the DGS itself admits, strong views are being expressed by various segments of service providers, as also industry associations, with regard to the proposed bill. Some oppose the bill "in toto" while others feel some safeguards could be built in by appropriate amendments in it and also the allied Multimodal Transportation of Goods Act. In view of the ambiguity regarding the terms and provisions in the bill, the ministry constituted a working group, headed by the Director General of Shipping, to get a perspective of the views held by different representative groups. "The discussions at the working group (were aimed) to provide a platform for greater clarity on the specific provisions in the STP Bill that need to be amended and the approach to be adopted," the ministry says.

Maritime Gateway's quick scan of the minutes of the working group's first meeting shows that of the 16 different representative groups, eight have given thumbs down, five a thumping yes and three remained noncommittal.

The Balancing Act: *The ministry hopes hard that the draft will balance the interests of all the stakeholders.*

The pinpointing

The primary contention of the representatives is with regard to who a service provider is – a category described in the stipulated clause as "providing services in relation to carriage or transportation by sea or in combination with air, road or rail or any other mode." But the bill has not specified further, they contend. Various intermediaries mentioned earlier come under the clause and tacitly, so do shipping lines and shipping agents too, despite their work profile not matching that in the preamble. The government has reportedly rejected their plea to be excluded from the legislation but this is yet another issue for discussion.

The argument of various organisations is that the bill, in its present form, fails to identify and detail the specific practices and services which fall within its purview, including the manner in which they are regulated. The Container Shipping Lines Association (CSLA) rallies that the bill has omitted exporters and importers who also fall within the ambit of trade practices. The Ministry of Commerce too says "import goods" should also be covered under the bill.

The CSLA goes a step further suggesting that tankers, bulk and break bulk carriers besides ro-ros be included. On a similar note, the Bombay Customs House Agents Association (BCHAA) says the bill could be amended to include even "import-containerised" cargo. It also wants ports, railways and CHAs to come under the axe. The Indian Ports Association (IPA) wonders if major port trusts and other ports too are required to be registered under the bill, since they too are service providers. The Mumbai and Nhava Sheva Ship Agents Assocation simply says, "the draft in its present form suffers from infirmities in the language."

SPARE THE ROD, SPOIL THE CHILD

By S. Venkiteswaran
Senior Advocate

To my knowledge, in the last 25 years, many NVOCCs have been issuing Bills of Lading and which were being merrily accepted by banks for transferring titles, notwithstanding the fact that there is no statute to make such Bills of Lading documents of title, capable of being transferred by endorsement.

When a consignment comes on a multimodal transport or even a uni-modal transport, booked by a freight-forwarder, the consignor / consignee has only the Bill of Lading issued by the freight-forwarder. The freight-forwarder or the cargo-consolidator entrusts the container to the carrier, who issues a Bill of Lading showing the freight-forwarder as the shipper and consignee. Therefore, it becomes imperative for the local consignee to approach the local representative of the non-Indian freight-forwarder for the purpose of issuance of a delivery order. It is in these cases where it is found that the local representative or agent of the foreign freight-forwarder, who has accepted the consignment, demands certain payments for issuance of the delivery order, and the local consignee finds himself in difficulty because, if he does not pay what is demanded, he will not get the cargo and could end up incurring demurrage. That is why it is clear that legislation is required to regulate the category of service-providers other than actual carriers.

Section 2 of the Act relates to the person to whom the act will apply: "Providing services in relation to carriage or transportation by sea or in combination with air, road or rail or any other mode." This, unfortunately, encompasses the shipowners or operators of ships under charter or sub-charter. It is, therefore, necessary to make it clear that this will not apply to shipowners or charterers who operate ships with rights to issue Bills of Lading.

Section 8 of the Act obliges the transport logistics provider to disclose the charges payable to it. However, once again, the Government has not provided teeth to prosecute anybody who carries on the business of maritime transport provider without a licence.

The same mistake was repeated in the Multimodal Transportation of Goods Act.

Similarly, this Act was a good opportunity to introduce a provision for Bills of Lading issued by Non-Vessel Owner Operators to become legitimate document of transfer of title of goods, which will compel market forces to ensure that they deal only with a registered body under the Act.

> "Erroneous declaration of cargo in terms of weight and measurement, hazardous nature of the cargo and abandonment of consignment that add to importers' liabilities are some of the unethical practices for which the bill does not provide for any penalty, FEDSAI elaborates."

The pricey affair

Yet another grouse is the arbitrary method of demanding and collecting payment en route shipment of goods. The give-and-take has become more of a norm even as a bill of lading is not a document of title in India, and does no more than identify that a particular individual has a right to possession at the time when delivery is to be made. Non-Vessel Owner Operators, otherwise known as NVOCCs, have been issuing documents purporting to be Bills of Lading, while experts say, there is no legal provision at all for the title of the cargo covered under these Bills of Lading to be transferred by endorsement. Yet, trade has been going on even as payment has become a pain for local consignees and a pleasure for freight forwarding agents.

Only a written law can undo the trials imposed by an unwritten law, the aggrieved parties hope. In this regard, imposing a penalty can act as a deterrent for wrong-doers, believes the Federation of Freight Forwarders' Association (FFFAI). "Price is contract-driven and there should be transparency in fixation of prices," it suggests. While the provisions in the bill, according to the Western India Shippers' Association, are not sufficiently effective to address the problem, the law should penalise "invisible players because of whom the trade suffers." Among other voices, the Indian Merchants' Chamber (IMC) is keen that service providers be made accountable for the "harassment" meted out to users.

But the Federation of Ship Agents' Association of India (FEDSAI) does not agree. "The bill has failed to take into account instances where the service providers were adversely affected by the acts of service users," it says. Erroneous declaration of cargo in terms of weight and measurement, hazardous nature of the cargo and abandonment of consignment that add to importers' liabilities are some of the unethical practices for which the bill does not provide for any penalty, FEDSAI elaborates.

The provision

To overcome pricing malpractices, the bill stipulates that the service provider publish tariffs and also make the tariff available in an automated tariff publication system for public inspection. The details should include charges, classification, conditions and practices, date of expiry of the bank guarantee provided by the service provider and the date of expiry of policy of the insurance obtained. The proposed bill makes it mandatory for all the entities to register themselves with the DGS by paying a fee of Rs 50,000. It also stipulates a bank guarantee of Rs 5 lakh and a penalty of Rs 2.5 lakh for rule violation. Economics is involved here.

But any legislation that addresses costs and tariffs, could further increase cost, fears the Association of Multimodal Transport Operators of India (AMTOI). "It is inconsistent with the idea that free play of market forces will lead to competitiveness

DEFINITION OF TERMS

Carrier – a person who performs or undertakes to perform for a hire, the carriage or part thereof, of goods by road, rail, inland waterways, sea or air

Competent authority – any person or authority authorised by the Central Government, by notification in the Official Gazette, to perform the functions of the competent authority under this Act

Consignee – the person named as consignee in the multimodal transport contract

Consignment – the goods entrusted to a multimodal transport operator for multimodal transportation

Consignor – the person, named in the multimodal transport contract as consignor, by whom or on whose behalf the goods covered by such contract are entrusted to a multimodal transport operator for multimodal transportation

Delivery –

(i) in the case of a negotiable multimodal transport document, delivering of the consignment to, or placing the consignment at the disposal of, the consignee or any other person entitled to receive it

(ii) in the case of a non-negotiable multimodal transport document, delivering of the consignment to, or placing the consignment at the disposal of, the consignee or any person authorised by the consignee to accept delivery of the consignment on his behalf

Endorse – the person in whose favour an endorsement is made, and in the case of successive endorsements, the person in whose favour the last endorsement is made

Endorsement – the signing by the consignee or the endorsee after adding a direction on a negotiable multimodal transport document to pass the property in the goods mentioned in such document to a specified person

Goods – any property including live animals, containers, pallets or such other articles of transport or packaging supplied by the consignor, irrespective of whether such property is to be or is carried on or under the deck

Mode of transport – carriage of goods by road, air, rail, inland waterways, or sea

Multimodal transportation – carriage of goods, by at least two different modes of transport under a multimodal transport contract, from the place of acceptance of goods in India to a place of delivery of the goods outside India

Multimodal transport contract – a contract under which a multimodal transport operator undertakes to perform or procure the performance of multimodal transportation against payment of freight

Multimodal transport document – a negotiable or non-negotiable document evidencing a multimodal transport contract and which can be replaced by electronic data interchange messages permitted by applicable law

Multimodal transport operator – any person who:

(I) concludes a multimodal transport contract on his own behalf or through another person acting on his behalf

(ii) acts as principal, and not as an agent either of the consignor, or consignee or of the carrier participating in the multimodal transportation, and who assumes responsibility for the performance of the said contract

Photo: Jagadeesh Napa

Dovetail: *Connective and collective participation by service providers can bring forth a new legal order in shipping trade practices.*

and superior service," AMTOI interjects. Yet another point is that the provisions, though apply to conferences for bunker, currency, container detention and congestion charges, do not apply to freight rates fixed by shipping lines.

Shipping is driven by market forces so there is nothing like tariff for a shipping line beyond the ocean freight, reasons FEDSAI. The Indian National Shipowners' Association (INSA) too treads the line. "Price publication is not feasible considering unpredictability or dynamism of markets," it adds.

The prediction

Also, the legislation provides a mechanism for consultation to discuss changes in general tariff and imposition of surcharges, such as a dispute settlement mechanism to investigate unfair or unreasonable rates, charges, classifications, and practices of service providers. But for INSA, the bill, in its current form, is already excessive and needs no further modifications. "The bill leads to duplication and multiplicity of legislation," it opines. Almost all the segments, intended to be governed by the bill, are already covered under the governance of an existing statute, INSA adds. Yes, seconds CSLA. "The bill needs to avoid overlapping with other legislations having similar objectives. It also needs a better balance in protecting the interests of all." The DGS in fact suggests that the bill be made a part of the Multimodal Transportation of Goods Act to hasten consensus building and enforcement of law without any further delay in time.

The ministry says it is aware of the main concerns in the proposed bill – registration, transparency and dispute settlement mechanism. "The working group is trying to resolve such conflicting views and come up with a revised draft of the STP Bill," the DGS says. One is not sure if the problem is really teething troubles or just teetering. And when will the legislation be approved? "The working group is currently engaged in deliberations and is expected to finalise its report over the next few weeks," it replies. A predictable response! MG

INTERVIEW

Jeena & Co. Lifeline in LOGISTICS

Jeena & Company started off as a family-owned freight forwarding concern in 1900. The fourth generation of the family now looks after an array of logistics services such as international air and sea freight forwarding, warehousing, customs clearance for exhibitions and trade fairs, project cargo handling, quality inspection for garment trade, garments-on-hangers and tracking facility at its transit warehouses, multimodal transport operation and selling of NVOCC activities.

The logistics division is the third-party logistics provider – the state-of-the-art 3PL centre at Panvel that focusses on distribution, warehouse management, inventory control and vendor management. It has over 500,000 sq ft of warehousing space under management all over India.

The company believes in excellence, in innovation, productivity and service. Towards this, it has been able to achieve the unprecedented third position in the IATA ranking (International Air Transport Association) for its performance in a challenging scenario of global recession and slowdown in Asian economies. Rather than investing in infrastructure, Jeena will remain an architect and manager of business. “We have only small infrastructure like cold storage trucks. But we already have half a billion square metres of warehousing under our control. We will provide warehouse management software (WMS) to manage the client’s inventory. As we handle a lot of verticals, we shall network with agencies to provide outsourcing,” says **Cyrus N Katgara**, partner, Jeena & Company in an interview with **Ramprasad**.

Q

Jeena is a very old company with a lot of history. Can you tell us about the beginnings?

A: Jeena & company pioneered so many ventures. Being in business for long time we have number of firsts to our credit – first to handle exhibitions, air cargo, first agents to be appointed by railways, first agents for Air India etc. We used to help Indian Railways to set up exhibition trains which were used to move between cities and sell goods. We did something similar in river line which started from Amsterdam and ended at South of France. It was quite successful.

Q

What is the current focus of the company?

A: Our current focus would be to have our own offices in different parts of the world. We want to understand the local markets but prefer to work with agents. However, we will have our own staff working with them. We started this in France and China.

Logistics is a big value chain. We are in a very small segment of the chain and not present in all the links. So our new initiative is to integrate all services and provide a total solution to the customer. As per the Twelfth Five Year Plan, airfreight is projected to grow at 12 per cent and sea freight at 14 per cent. Also about Rs 300 billion will be invested in infrastructure. Looking at all these future opportunities, we are getting ourselves ready for tomorrow.

Q

Have you identified any target areas to operate?

A: We are trying to specialise in four verticals. This year we will handle two verticals of engineering – Auto and Life Sciences & Healthcare. Next year, our focus will be in handling three Cs, i.e. Communication, Computing and Consumer Electronics and also Retail & Fashion. In fact 70 per cent of our existing air business is fashion. We are focussing more on garments-on-hangers. A lot of foreign brands are entering Indian market. Great opportunity lies in this segment.

Q

What is the arrangement with Port of Halifax and how does it help you?

A: Port of Halifax will enhance the brand of Jeena. It is a major port on the east coast of North America. It is deeper than Port of New York. All main line vessels will first call on Port of Halifax and then go to New York. We have been dealing with Canadian Trade missions for quite some time. This is the first time that any company in India is promoting an overseas port. This improved Jeena's business networking. Some other ports approached us for similar tie-up, but we are committed to Port of Halifax.

> "Land acquisition is the most significant challenge, which could delay project implementation. Shortage of trained engineers and suppliers is another impediment."

Q

What are the key challenges that you faced?

A: Challenges begin with the physical infrastructure in India. Secondly, this industry is very fragmented with high-cost and low-margin. Being fragmented, one faces unfair competition. Another challenge is that shippers are yet to gain confidence to outsource the services they need. They are unwilling to share their strategic business information. They may outsource their freight but not warehousing, distribution, order management and reverse-logistics.

Q

What are the innovative practices that Jeena has employed to satisfy and retain customers?

A: Today, the only way you can gain competitive edge is by employing IT. Jeena has invested in highly technology. I don't think any national logistics company did this. We are way ahead of others. We provide Web access to client to track progress of his shipment till it reaches the destination. When we found that shippers do not log in frequently, we started sending system generated messages through our software JTrack to clients at six different stages.

Secondly, the back office service. Exporter's concern urge on faster documentation. They should understand that shipment is delivered and proper documents are needed to get money released. So we have started a back office service which works in the night and completes all documentation. Exporter gets his documents delivered first hour in the morning.

Another innovation at Jeena is that we have a Customer Relationship Management (CRM) cell of different nature. We have people who act as customer's representatives sitting in our office. Their job is to visit customers, take their feedback and post it to office to rectify things. Everyday each representative will make about 30 unsolicited calls and records the feedback for bettering the service. These are challenging and costly initiatives, but mean a lot to the customer. MG

The west coast of India known for handling majority of container cargo also caters to the exim needs of the industrial belts in Karnataka, Maharashtra, Gujarat, NCR and Haryana. The container trade passing through JNPT began to put pressure on this port and eventually leading to congestion. Today, JNPT is one of those few ports in the world which is heavily congested and yet operates above its capacity levels and above the world standards in terms of efficiency. Although well-developed private ports like Mundra and Pipavav have been shouldering some of this burden, they are entirely not sufficient to alleviate the congestion problems at this major port. New ports that are being developed on the coast of Maharashtra not only ease congestion at JNPT, but also help it to improve efficiency and increase cargo volumes.

Maharashtra

Future in Nev

by ***Jagadeesh Napa***

How fast is the Indian exim trade growing? If one is not so sure of the figures, it can be estimated through the spurt in the development of greenfield ports across the country. As India is gaining importance in the world scenario as an emerging economic power house with the GDP clocking 7 to 8 per cent consistently over the last few years, the bulk and container volumes have also witnessed exponential growth during this period. As this has put pressure on the existing ports, central and state governments began to develop greenfield ports mostly through public private partnerships (PPP). The PPP model proved to be a blessing for the government as well as for the trade as this has put the port development on the fast track and many of such developments projects entered operations phase on time (while some were even ahead of their scheduled commencement).

The state of Maharashtra is known for having the largest number of non-major / minor ports. The Maharashtra Maritime Board (MMB) is adopting the Build-Operate-Own-Share-Transfer (BOOST) model to privatise its non-major and minor ports. For instance, minor ports like Rewas, Dighi, Dharamtar, Jaigad, Revadanda, Belapur, and others that were under the aegis of MMB have been privatised on these lines. These ports were also known to have sizeable traffic volumes and hence, held high potential to be privatised.

Balaji Infra Projects Limited is developing the Dighi Port while Chowgule Ports & Infrastructure Private Limited has signed a concession agreement with MMB to develop the port at Jaigad. Mukesh Ambani led Reliance Industries Limited too has forayed into port development with the purchase of stake in Amma Lines, the private player that had originally come forward to develop the minor port at Rewas. Unfortunately, Rewas port development ran into land acquisition trouble and has been temporarily halted. Further, Videocon Group that owns the popular home appliances brand with the same

name has entered this domain through Alewadi Port. Videocon is also developing two special economic zones (SEZ) at Pune and Aurangabad.

Prominent among them are the ports at Dighi and Dharamtar which are in close proximity to JNPT. Both these ports were once minor ports under the Government of Maharashtra. While Dighi Port had a single berth which was operational prior to its current development, cargo handling at Dharamtar port was done through a pier wherein steamers of 200 tonnes capacity ferried cargo to and from the port. Given the proximity to the major ports – JNPT and Mumbai Port, these two ports hold great promise to the trade and are positioned rightly to complement the overflowing cargo volumes at these major ports. They are also banking on their location advantage to attract cargo directly from their associated hinterlands. Their strategic location gives them the advantage of being associated with the famed Delhi-Mumbai industrial corridor.

DIGHI PORT

Dighi Port is the first greenfield port in Maharashtra to receive the environment clearance and approval apart from all other requisite permissions and approvals subsequent to conducting all the necessary studies and surveys. The development is spearheaded through a special purpose vehicle (SPV) Dighi Port Limited. Maharashtra government holds 11 per cent equity in the SPV while IL&FS holds 20 per cent and the rest by Balaji Infra Projects Ltd.

The total investment in the project is estimated to be Rs 1,200 crore and Rs 400 crore or US$ 100 million has been invested till date. Dighi Port Limited expects a revenue generation of Rs 1,000 crore for Maharashtra government through royalty and other charges. It also projects generation of direct and indirect employment to 8,000 people in port, ancillary industries and other industries.

The port is located in scenic Rajpuri creek in Raigad district of Maharashtra and the creek provides a natural harbour with two banks. The port's location is quite strategic as it is located midway between the JNPT and Mormugao Port in Goa. It is also in close proximity to the international shipping routes especially the tankers route from the Persian Gulf to Singapore as well as the coastal shipping route on the west coast between Mundra in Gujarat and Colombo in Sri Lanka. Its proximity to the dedicated freight corridor that connects industrial belts along the Delhi-Mumbai industrial corridor adds further boost to drive up the port volumes and will benefit the trade in this vicinity in a huge way in the long run.

The port has already concluded Heads of Agreement /MoU's with certain anchor customers and is in the process ensuring large volumes of cargo. Lighterage operations were being carried out simultaneously using current infrastructure and the port handled 1.5 million tonnes of

"Dighi Port project will be finished in three phases with 30 million tonnes capacity getting added in the first phase. End of third phase will see at total of 70 million tonnes capacity."

Sprucing up: *Construction work being carried out at Dighi Port.*

cargo last year. "This gives further confidence to take the project forward and get into full-fledged commercial operations as soon as possible," says Vijay Kalanthri, chairman and managing director.

The ongoing project activity sees the development of outer harbour and inner harbour wherein the inner harbour will be located within the creek. Once fully developed, the port will have a total quay length of 2,000 metres each on both the banks and facilities to handle multiple types of cargo – minerals, coal, POL, chemicals, fertilizers, fertilizer raw materials, containers, LNG, cement, iron ore, steel, edible oil, automobiles and automobile components etc. Plans are also afoot to develop a port-based multi-product SEZ which also includes a Free Trade Warehousing Zone (FTWZ). "This is the first port-based SEZ being developed in Maharashtra through integrated infrastructure format," says Kalanthri.

The entire project will be finished in three phases with 30 million tonnes capacity getting added in the first phase. This phase includes construction of five berths – three multipurpose berths, one dedicated coal berth and one Ro-Ro terminal – with alongside draft of 14 metres.

The second and third phases will include five berths each taking up the total capacity to 50 and 70 million tonnes respectively. Of the total 15 berths, there will be seven multipurpose berths, four for container handling, one for handling LNG and one for liquid bulk cargo. "Efficiency is built-in in the design stage so as to achieve economies and scalability," claims Kalantri.

The port is 45 km away from National Highway 17 (NH17) and 42 km away from the nearest Konkan Rail head – Mangaon. It is also accessible through state highways SH96, SH92 and SH90 on the northern shore of the creek while southern shore can be reached through SH97 and SH98. On the rail front, connectivity will be established on both the banks from the port to Mangaon and rail sidings will be constructed in due course of time.

With extensive port limits, a dedicated approach channel and state-of-the-art cargo handling equipments, efficient and effective port operations leading towards highest productivity and total road & rail connectivity, Dighi Port will ensure speedy turnaround of the vessels and substantial savings in transaction cost and time for the port users/shippers.

Down to business: *Dighi Port will have 15 berths in total and a capacity of 70 million tonnes.*

DHARAMTAR PORT

Dharamtar Port is ideally located on the Amba River and is just 2 km from NH17 connecting Mumbai and Goa. The port is also adjacent to Mumbai-Goa Konkan railway line with an approved railway siding that is under construction. Dharamtar is looking forward to provide tri-modal transport operations to the trade. Along with the riverine water transport connecting with the sea lanes, the port also offers, and road and rail transportation services to and from JNPT and Mumbai port.

Earlier, Dharamtar port was one of minor ports under the control of MMB and was used as a captive terminal by Ispat industries Ltd. to move iron, coke/coal, sponge iron and clinker. Now it is run by Dharamtar Infrastructure Limited which is a joint venture between United Shippers Ltd. and PNP Maritime Services Pvt. Ltd. It has three jetties, one of which is dedicated for container operations. The port is also gearing up to handle commodities as its in-house automatic bagging plants are expected to be operational later this year. The port can handle 2.5 million tonnes of bulk cargo per annum and container volumes of 20,000 TEU per year and is in the processing of expanding the capacity under the new management.

Today, the port is witnessing rapid development in terms of improvement of facilities and infrastructure. On the sea side, a 500-metre jetty is planned to supplement the existing cargo operations. For this purpose, 150-tonne capacity cranes are being ordered from China. The rail siding that is under construction at present will be operational by September this year and this will enable it to handle containers originating from and bound for northern India. The port is also developing a notified warehouse complex of 240,000 sq feet and an

In place: *Dharamtar Port handled the first export shipment of laden containers of 42 TEU last year, executed by CMA CGM.*

> "Dharamtar is encouraging exporters and importers to use port to transship their cargo to and from JNPT. It is only 26 km by water to JNPT and takes around three hours to reach."

additional bonded warehousing complex for customs purposes. It is also ramping up its trailer and barge fleets. New container trailers are being acquired and new barges that ferry containers between Dharamtar and JNPT/Mumbai Port are under construction at various shipyards.

The port is encouraging exporters and importers to use Dharamtar to transship their cargo to and from JNPT. It is only 26 km by water to JNPT and takes around three hours to reach. The port is aggressively promoting the cost-effective coastal shipping alternative for the industry-rich belts located in its vicinity. The port management opines that hauling cargo by road between a warehouse of a exporter/importer in this region and JNPT would be more time-consuming than ferrying it through Dharamtar. They urge the trade to use the water transport for sending their cargo to JNPT/Mumbai as it is safer, cheaper and faster. It is also free from the congestion bottlenecks associated on the landside.

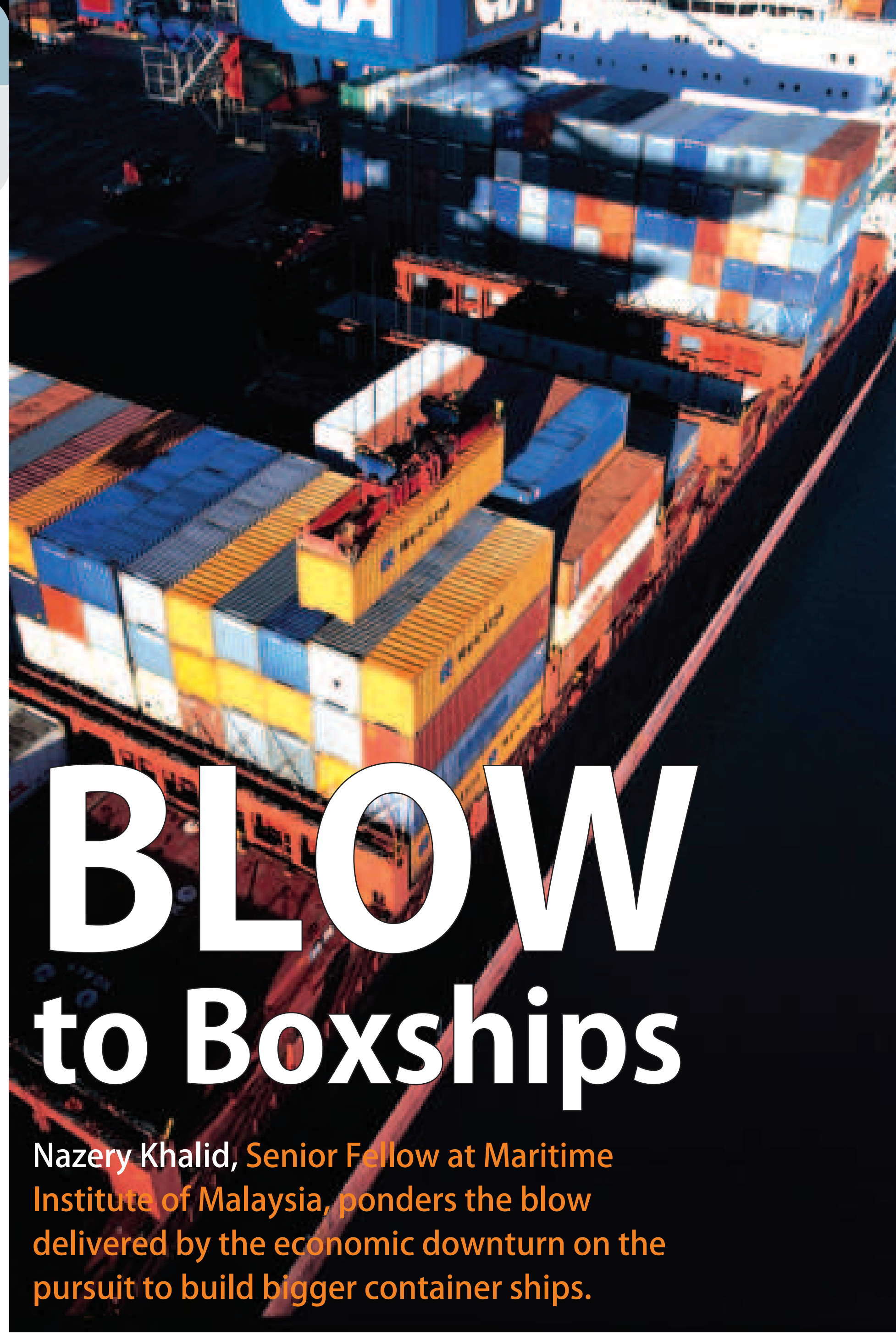
The port is on the lookout to forge partnerships with various container terminals in its vicinity to boost coastal shipping and eventually increase its throughput volumes. It has already signed a cooperation agreement with Indira Container Terminal (ICT), the offshore container terminal that is coming up at Mumbai Port, to facilitate value-added services and cost-saving logistics solutions at ICT Terminals. According to the agreement, Dharamtar will offer its facilities as an acceptance point for cargo to and from ICT, facilitating landside support. It will be linked to ICT by sea under the same customs house (Bombay customs) offering direct and fast connections to ICT by its own dedicated container barges. Thus, by promoting coastal shipping as a cost-effective alternative for transport of goods, Dharamtar port has rightly positioned itself for a major long-term innings.

Captive use policy for major ports

Shipping ministry is mulling to develop a captive use policy for major ports as part of the ways to improve efficiency. The policy envisages shifting of cargo from major ports to the non-major ports to enhance efficiency and overall cargo throughput. A committee was set up by the ministry in January 2009 with officials from the ministry and major port trusts as members. The policy will allow major port trusts to entrust water front or port facilities to a public or private enterprise on nomination basis, without going through a competitive bidding process. The port trusts have been asked to prefer an industry- or a commodity-specific facility (rather than a company-specific facility) within captive facility as this would allow easier price discovery. For a commodity-specific facility, the port can invite expressions of interest from firms dealing with that commodity by specifying a minimum level of guaranteed cargo. The trust can then award the facility through the competitive bidding route to ensure maximum revenue to the port. The traffic guarantee and revenue share guarantee over a 30-year period will be the parameters on which the competitive bidding can be done.

Outlook

Considering the decent volumes, including both exports and imports, handled by major ports despite the severe recession and slump in the economy, one can presume that these volumes are only going to increase multi-fold in the coming years. Cargo volumes will rise with things getting better in the western consumer markets and trade will resume to happen at levels that were seen a couple of years ago. Thus, it is the right time for the private ports like Dighi and Dharamtar to gear up for the big tide in the offing. It will also be prudent on part of the major ports to utilise these private ports in a mutually beneficial manner that will lead not only to increased cargo volumes, but also enhanced efficiency in the supply chains. MG



BLOW to Boxships

Nazery Khalid, Senior Fellow at Maritime Institute of Malaysia, ponders the blow delivered by the economic downturn on the pursuit to build bigger container ships.

As the size of container vessels rose, the challenge of developing ports and terminals to cater to these ships has become crucial. To be competitive and attractive, container ports need to have deep draft, be able to host larger vessels efficiently and facilitate their handling in minimum turnaround time.

To meet this challenge, many container ports have invested heavily in new cranes to provide outreach to handle super-sized ships and in back-up equipment to maintain a smooth flow between the container yard and the quayside. Leading container ports have installed super post-Panamax quay cranes with outreach of up to 22 boxes and twin-lifting capabilities. Many container ports have invested or plan to invest heavily in deepening their channels, expanding their capacity, and improving their processes and systems to handle bigger vessels more efficiently.

Does size matter?

Underlining the breakneck speed in the development of containerised cargo transportation, vessels that could accommodate 20-foot equivalent units once used for long haul carriage are now employed for short-sea services. The cascading effect can be seen in major trade lanes around the world. Where once 2,000-TEU ships were considered the kings of their day barely two decades ago, they are now being deployed merely as feeder vessels and servicing coastal trades.

Long-haul deployments are increasingly being undertaken by much larger vessels and even bigger vessels are being built in the quest for economies of scale. Maersk has container fleet featuring several vessels with 11,000-TEU capacity, and analysts have suggested that it would be technically possible for further vessel upsizing in the long run. The table below highlights the tremendous growth of container ship size over the last two decades.

At the height of the container trade prior to the global economic meltdown, giant container operators could not get enough of building bigger ships. Goaded by record-

Growth in container ship size

Year	Average capacity (TEU)	Capacity of the largest ship in the world (TEU)
1980	975	3,057
1990	1,355	4,409
2000	1,741	7,200
2004	1,999	8,063
2006	2,318	11,000

Source : Drewry Shipping Consultants, Lloyd's Register – Fairplay breaking freight rates and historically high profits, and blinded by the promise of economies of scale, they commissioned yards to build boxships that tested the technical limits of shipbuilding. Container port operators danced along to the frenetic beat of the shipping industry, splashing enormous amounts of capital to expand their ports to handle these big ships.

The global economic blowout ended the frenzy in a dramatic fashion. Demand for products and materials carried by containers hit the ground as consumers and industries cut back on purchases and production. The container shipping trade went from pushing for record breaking feats to dealing with an extreme operating environment that has brought many players in the trade on their knees. In almost a blink of the eye, container ports went from proudly announcing massive expansion plans catering to bigger vessels to anxiously worrying about huge extra capacity, idle cranes and empty berths.

Boxing clever

The current global economic malaise and the relentless pursuit of bigger capacity – a byproduct of the advent of containerisation – prior to the crisis should raise serious questions of how much bigger will containerships likely to become and what will be the optimum size of such vessels. Some analysts believe that economies of scale and increasing trade volumes could further push ship capacity upwards once demand for container services picks up and as shipping and port technologies improve. Others argue that ship capacity is already nearing the operationally and technically viable optimal level, and that there is no need for more showboating amid the decapitation of the container trade.

The crisis in shipping and world economy notwithstanding, one wonders if there is sound economic, technological and operational basis in believing that container ships of bigger size than the world's current biggest, the 11,000-TEU Emma Maersk, would ever be built. The implications for port development would be immense, should these mega-ships come to be, and the guarantee of profits for the owner uncertain. The near-collapse in the demand for container shipping services, amid the current global economic downturn and the capacity glut in the container trade, calls for an even more keen inspection on whether bigger box ships should be commissioned and deployed.

It would be easy to assume that building large containerships would lead to economies of scale, but the economic benefit of vessel upsizing could be outweighed by additional costs such as dredging, extra feedering costs, landside congestion, and handling equipment. Shippers' preference for services involving more port calls to collect more cargo, and for shorter transits and greater frequency, will play a telling factor in influencing the decision to construct bigger ships. And the question of how to fill 11,000-TEU vessels – or their potentially bigger successors – voyage in and voyage out will also pose some serious challenges to the shipping industry on the economic viability and sustainability to build larger vessels.

Funding Innovation

Alternative financing options such as Islamic financing, shipping trusts, leasing and private equity funding should be explored further and introduced to ship financing to add more depth to the sector and to provide a wider range of financing alternatives to shipping companies, Nazery Khalid suggested.

Speaking at a ship financing seminar in Kuala Lumpur recently, he pointed out that the ship financing market is no doubt going through "a very rough patch" at the moment with banks cutting back on lending to the shipping sector and imposing strict covenants on lenders to minimise their risk exposure.

In the wake of this scenario, instead of the typical 'plain vanilla' debt financing structures, innovative ship financing structures such as Germany's KG financing model and Norway's KS model ought to be considered to spread the risk exposure of investors and lenders, he said.

The offshore supply vessel and small tanker trades are performing well and so deserve support from banks. If banks continue to take a non-accommodative stand towards shipping, players in the industry would find it hard to grow and take advantage of the recovery in seaborne trade, he cautioned.

The shipping sector will be the first to benefit from the global economic turnaround, and financial institutions which continue to support the sector during these lean times will stand to capitalise on the sector's recovery, Nazery predicted.

Currently, 533 container ships with a combined capacity of 1.3 million TEU are out of work, says container shipping industry database AXS-Alphaliner.

Photos courtesy: Hapag-Lloyd

The challenge is to utilise available capacity in a smart way to serve the business interest of boxship owners effectively and to meet the needs of world trade efficiently.

Shipping routes may change with the advent of bigger vessels as shipping lines may alter operating patterns and make fewer calls at hub ports. High oil price and operational costs of ships, plus rising insurance cost, may eat up into the savings derived from carrying more containers in less voyages. Post-global economic crisis dynamics may see economic activities once outsourced by multinational companies to faraway places may come closer to their home countries. This could result in enormous changes in container trade that may not require the services of the kind of enormous boxships that are in service today. This trend may also alter the landscape of container port operations and the attendant logistics required to service container shipping.

In addition to this possibility, larger feeder vessels may be used to serve container ports. Changes in trading patterns may also lead to the consolidation of high volume services and rationalisation of port calls. The credit squeeze will also put a spanner in those ambitious plans to expand container terminal capacity worldwide. Many container terminals are saddled with enormous capacity overhang, and may frown at the idea of spending more to cater to bigger ships in the future to retain their competitiveness, amid fighting for scraps just to stay afloat amid tough business environment.

Less is more

All these will combine to pose a stiff challenge to container operators and port operators to align their business philosophy and operations to respond to the dynamics of container shipping in the most optimal manner. More than ever, the approach of ‘rightsizing’ in all facets of business is gaining currency over the old supply-drive approach, as businesses reel from the crippling economic downturn. The need to invest smartly cannot be more apparent than in container shipping, a facilitator of world trade that requires huge capital expenditure.

No doubt that once the world economy gets back on even keel, the demand for container shipping services will rebound, and big ships will get back into fashion. Players in the trade with extra capacity in their fleet will be the first to reap the benefits of the upturn in demand for their ships. However, container operators must take stock of the current situation and learn the hard lesson of excesses of the past. They must plan wisely to optimise on available capacity of their fleet just to remain viable in this viciously competitive and highly uncertain business. Record-breaking feats of building, owning and operating the largest boxships and the largest cranes to serve them must take a backseat to the more modest goal of surviving the onslaught of the vicious storm swirling through the container trade.

Perhaps, we have arrived at a situation where we have to conclude that the world’s biggest container ships have been already built. The real challenge is not to top that scale but to utilise available capacity in a smart, nuanced manner that could serve the business interest of boxship owners effectively and to meet the needs of world trade efficiently, without tilting the balance in the container trade and without triggering another round of frenzied development of infrastructure to cater to existing tonnage.

Nazery Khalid *is Senior Fellow at the Maritime Institute of Malaysia. The opinions expressed are his own. He can be contacted at nazery@mima.gov.my*

SOUTHEA

STRATEGY

Securing Oil Lanes

While India's ever growing oil requirements are forcing the country to look for newer pastures and securing them for the long-term supplies, these resources do not come without competition from the immediate neighbourhood. India and China, to feed their increasing needs, are competing neck-to-neck with each other in securing the oil fields as well as the sea routes used to bring home this precious cargo.

by ***Susenjit Guha***

India's growing demand for oil will further drive up its concerns for energy security.

Two major economies on an overdrive in the same continent, hungry for oil, interests frequently overlapping at the sourcing points and sharing borders where they are at loggerheads, is a surefire scenario for a possible future confrontation.

Proven reserves of nearly 5.6 billion barrels are yet to be exploited by India while imports continue to feed 60 per cent of her total requirement. Going by the Center for Strategic and International Studies report, India's dependence on foreign oil could spiral up to 90 per cent by the year 2025. China, having more oil reserves in the region, has to import nearly 30 per cent of her requirements; and with limited supply sources, both nations are in a mad scramble to outdo each other.

Many of the sources that the two nations are trying to reach first are located in countries that are politically volatile. In the coming years the future of fuel supplies would be dogged by uncertainty with rising prices as there is a rising concern about India's energy security. As oil consumption in both India and China are up and scheduled to rise dramatically in the years ahead, prices are moving upwards. India is fast catching up with China in terms of GDP growth, but it is not easy to source its entire energy requirement.

According to the International Energy Agency, India has to prepare herself for a mammoth US$ 800 billion investment by 2030.

Studies conducted by The Energy and Resources Institute (TERI) recently put India in the third place among 26 countries that are vulnerable to oil supplies. Our position is just after Philippines and Korea. Do we really have a backup plan to combat the danger that lies ahead? Energy security is of prime importance as both India and China would be in the forefront as buying nations in the coming years.

The US factor

Banking on the recently signed N-deal with the US would be too premature and naïve. Despite being much hyped up as it is supposed to have added several feathers in the last UPA government's cap, the real benefits of nuclear power are still fuzzy. There have been no new nuclear plants in the US and Canada for the last 25 years. Who will benefit more from this agreement – the US or India – is still uncertain as the ageing reactors do not have buyers worldwide. Keeping this scenario in mind, our oil supplies as well as the sources remain top priority to rev up economic growth. But how can we make our supplies secure without triggering a conflagration with China? Should we not hold on to our own and chart our course without falling into strategic traps? Recently, Barack Obama had upstaged India in an observation that she is a major player in the Indian Ocean whose security also lies in her hands. It may be music to our ears if complacency of a United States supports system takes the better of real politick. After Barack Obama took office, he had been upbeat about a real relationship with China. Our best interests would be in biting the bullet instead of being a US frontline for a face-off with China in the Indian Ocean as the US

Fenciong out: *Securing the oil supply lanes without a conflagration with China is a big question.*

"Our best interests lie in biting the bullet instead of being a US frontline for a face-off with China."

administration is also concerned about the China's 'String of Pearls' strategy like we are.

Not only is the US concerned about the increased Chinese presence in the Indian Ocean, but is also worried about the presence of both India and China in places that pose a threat to US foreign policy and security. Many of these nations are also volatile politically although Saudi Arabia with a poor human rights record continues to be a major hub for the US in sourcing its oil supplies. While India and China have bought stakes in Russian oil sectors, the frequent eyeing of major US-based oil companies by China is also posing serious threats to their national security. Both Chinese and Indian presence in Venezuela's oil sector irks the US administration as Hugo Chavez, who among the critics, is always in the news due to his anti-US tirades. So whatever may be the reasons the US tries to strategically 'place India in a dominant position', the motive to contain Chinese presence in the waters cannot be ruled out. That would make us do the job of others rather than take care of our own oil security the way that is best suited to our interests.

Malacca Dilemma

China's weak link in their energy imports is the Strait of Malacca at the confluence of the Indian Ocean and the Pacific. This shipping lane accounts for nearly 60 per cent of China's oil imports and it could go up to 80 per cent in the years ahead. Even though Sudanese oil is better suited for Chinese refineries than that of Saudi Arabia, it is yet to be routed through the Malacca Straits.

It is this chink in whatever armour China cloaks its supplies by securing

The option: *Diversifying the sources to spread out the risk is a viable ensuring oil security.*

the shipping lanes from rival countries that both India and China can tread on each other's toes. This could also be a tick off point as both nations from time to time display hawkish diplomacy and show bare knuckles about the 2,100-mile long border they share. China doesn't agree to the lines drawn by the British and wants to trace back to an earlier period and it was for this reason that they invaded India in 1962. China still holds on to 16,500 square miles of territory that it had captured in the war. As Sheru Thapliyal, a retired general with experience in commanding a division on the Chinese border once said, "The most likely flashpoint would be along the border, but ultimately the decision in any war would be on the ocean."

But in recent years China has been working to bypass the Malacca Strait that can easily be choked off by the Indian navy with its enhanced fleet of aircraft carriers and submarines. It is part of what China's President Hu Jintao referred to earlier as the Malacca Dilemma. In the event of a showdown on the border issue, India

> "Taking stock of India's oil import security, a one-size-fits-all strategy does not effectively address India's problems."

can always exercise this choking off tactic to get China to back off in India's north east. That a possible face-off with India cannot be ruled out in future in matters of resources or the borders is evident from the kind of 'hark back to glorious past' that is increasingly characterising Chinese decision making. It is part of China's history to bring in the surprise element for outwitting and foxing the enemy.

Long-term strategies

To ensure oil security, the Indian navy is the best option and Indian naval presence in these waters should be ratcheted up. Tackling Somali pirates in the Gulf of Eden by sending INS Tabar has been a great step forward in asserting influence in this busy shipping lane. It was the first assertive action taken up by the Indian navy at a time when India-bound energy supplies are growing at a rapid pace and are facing security threats. Increased presence and patrolling by the navy that has in recent years gone ahead with a 'look west' policy can thwart future Chinese designs that may be embedded behind the construction of Gwadar Port in Pakistan. In tandem should be the 'look east' policy with heightened Chinese presence in Burma, Bangladesh and Sri Lanka.

Even though China is giving us tough competition, we should spread out and diversify the sources to spread the risks across for ensuring oil security. Cross investments, highlighted during the Energy Security dialogue in New Delhi last year, by allowing the host countries a stake in the refineries could be an ideal way to discourage China to trade off a border dispute that it thinks is genuine with endangering our sources of energy and asset acquisitions abroad. It could be vital plank in our energy security strategy.

Taking stock of India's oil import security and competition with China, a one-size-fits-all strategy does not effectively address India's problems. From a heightened Indian naval presence with aggressive reaction towards threats, optimum utilisation of our own resources to having a more independent foreign policy, are some approaches that have to be taken to avoid a possible conflict with China as war over petroleum is not a new phenomenon in the history of nations. MG

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

Container volumes

Merlion falls

The container throughput at Singapore ports for May fell 20.3 per cent year-on-year as shipping activity slowed, data from the Maritime and Port Authority of Singapore (MPA) showed.

May's container traffic slumped to 2.1 million TEU from 2.63 million TEU recorded in May 2008. It was marginally higher than April's volume of 2.09 million TEU.

Dominant operator PSA posted lower throughput of 2.04 million TEU last month, down 19.4 per cent compared to 2.53 million TEU in the same period a year ago.

Month-on-month, PSA moved slightly higher throughput compared to 2.03 million TEU in April. For the first five months this year, container movements were pegged at 9.93 million TEU, down 18 per cent from 12.11 million TEU in the corresponding period last year.

Jurong Port slides sharply

Singapore's second port – Jurong Port reported drastic fall in container throughput in May 2009. The port reported a throughput of 52,000 TEU in May this year, down from 94,000 TEU the same time last year, signifying a 44 per cent decrease.

The port authorities added that its conventional/bulk cargo handling for May was 1.08 million tonnes. Its Penjuru Terminal is dedicated to lighters and its cement terminal is one of the world's largest common-user facilities.

World Economic Forum

Agility chairman plays leading role

Tarek Sultan, chairman and managing director of Agility, called upon business and political leaders to discuss shaping the post-crisis world and planning for the recovering. He was the co-chair of the World Economic Forum on East Asia meeting held in Seoul recently.

Straight Talk: *Tarek Sultan speaking at WEF on East Asia in Seoul recently.*

"Many countries in Asia are making major investments into building and promoting environmental initiatives, which could lead to developing new technologies, generate new jobs, and lead to healthier living environments. It is important that we allow for the creation of new ideas and initiatives to be shared amongst the global community," he said.

"In the logistics sector, Agility is investing in building its network to increase its presence and intra-regional trade flows," he added.

The forum discussed Asia and the green environment, business opportunities during the economic downturn, and the next steps for Asia in global redesign.

Drydocks World

Self elevating platforms delivered

Drydocks World – Southeast Asia (DDW-SEA) has announced the recent delivery of 'JB-114' and 'JB-115' from its Drydocks World – Nanindah yard on Batam Island, Indonesia, to Self Elevating Platforms, the Netherlands.

These are the third and fourth of this type built by Drydocks World – Southeast Asia. They are designed by Holland's GustoMSC and of the SEA 2000 design.

These mono-hull jack-up barges will be deployed in European waters involved in wind farm installations and related activities. The first and second platforms of the series are renamed as Sea Worker and Seafox 7 and are deployed in the same activities.

Designed with a hull measuring 55.5 metres by 32.2 metres by 5 metres, the platforms each have a 300-tonne-capacity mounted pedestal crane together with four cylindrical legs, each with a diameter of 3 metres and a length of 78.85 metres. Each platform is designed for operations in water depths up to 40 metres in and around the Southern North Sea.

SAM prediction

Demand fall in throughput

The Shipping Association Malaysia (SAM) expects a 20 per cent contraction of throughput volume this year due to the fall in demand and overcapacity. Chairman Ooi Lean Hin said the projection was in line with the current fall in global containerised volumes.

“So far, we have seen similar decrease at 20 per cent year-to-date in Malaysia compared with the same period last year,” he told a press conference on its rebranding exercise where its new name was unveiled as SAM.

Ooi said the maritime landscape would see the survival of the fittest for shipping companies in the next 12 to 18 months where the issue of excess capacity was still a looming problem of the industry.

SAM vice-chairman Abdul Aziz Toha feels the total number of idling ships as at early June stood at 533 ships with an estimated total capacity of 1.3 million 20-foot equivalent units. “That also translates to about 10 per cent excess of the global capacity,” he said. “That would be further compounded with new deliveries.” Ooi said cancellations of shipbuilding orders would not be that easy but deferment of deliveries would be a likely solution.

AmResearch in its recent sector update said it remained skeptical of significant improvement in the container sector any time soon. Globally such fleets are very young with limited scrapping potential – leaving little scope for supply-glut mitigation. On its rebranding objective, Ooi said it would allow SAM to reach a wider spectrum of the maritime industry while streamlining its focus to better represent its members in the prevailing operating environment.

Moving ahead

Vietnam to overhaul port sector

Vietnam has revealed its plans to go for massive developments in its ports industry. It plans to deepen its ports to take larger container ships under the country's 33-port shipping master plan.

Vietnam’s Ministry of Transport will submit the Vietnam Seaport System Master Plan, with an outlook to 2030, to the Prime Minister this month. “The plan aims to develop Vietnam's ports to integrate them into the world system,” said Nguyen Manh Ung, general director of Portcoast, which prepared the Master Plan.

The country’s ports are constrained with draft restrictions and cannot handle bigger vessels and thus increasing costs for the trade. “The seaport system must have infrastructure improved by simultaneously developing connecting roads, and water and electric power systems,” added Nguyen.

Saigon Port had last month started construction of a new port called the Saigon-Hiep Phuoc Port, with a total investment of more than $ 337 million on 100 hectares of land.

In the north, Haiphong Port would develop its deep water port system from 2020 to 2030, primarily southeast of Cat Hai Island over an area of 825 hectares.

On the Chanh River in Quang Ninh Region, a port with capacity of up to 50,000 deadweight tonnes (dwt), shipbuilding factories and maritime service zones are also planned.

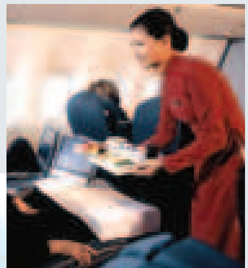
Most modern seaport in Vietnam would be located in the south on the Thi Vai River, according to Nguyen Ngoc Hue, deputy director of the Vietnam Maritime Administration.

New port inaugurated: Saigon Newport Company, Vietnam’s largest container port operator, inaugurated a new sea port on June 3 in the Ba Ria-Vung Tau Province. The new port received its first ship, the DWT ‘MOL Premium’.

Located 120 km from Ho Chi Minh City, Tan Cang-Cai Mep Phase I is capable of accommodating vessels up to 80,000 DWT. With a modern system linking the port with other ports in Ho Chi Minh City and other provinces in Binh Duong and Dong Nai, the military-owned port operator will establish a US$ 39-million Tan Cang-Cai Mep International Joint Venture with Taiwan’s Wanhai Lines, Japan’s Mitsui OSK Lines, and South Korea’s Hanjin Shipping.

Bilateral trade

Direct flights to Vietnam-India



Direct flights between India and Vietnam can immediately boost bilateral trade and tourism and counter the economic slowdown faced by both the countries, according to Nguen Viet Hung, Consul-General of Vietnam.

Nguen was addressing an interactive meeting on ‘Global Market Research & Its Importance with Special Reference to Vietnam’, organised by the Indo-Vietnamese Chamber of Commerce & Industry (IVCCI) recently.

Nguen said that both the economies were performing far better than most of the Western economies, which were experiencing negative growth. Tours and business visits between the two countries dwindled last year, as was borne out by the sharp decline in visa applications received by his Consulate in Mumbai.

"At present, tourists between the two countries are forced to go to Bangkok or Hong Kong or Singapore. It is not only time-consuming, but also quite expensive. If the airlines flying between India and the Western region of US can reroute some of their flights to take a halt at Hanoi or Ho Chi Minh City, certainly it will go a long way towards boosting our bilateral trade and tourism," the Consul-General observed.

It was pointed out at the meeting that Indian investors had a great opportunity to bring in foreign direct investment to a variety of sectors in Vietnam, since it was a very attractive market and was growing at more than 6 per cent even during the current downturn.

Bilateral trade continues to surge. During the first quarter of 2009, exports to Vietnam declined by 44 per cent to $ 406 million from $ 721 million in the corresponding period of last year. Imports from Vietnam, on the other hand, increased by 46 per cent to $ 70 million from $ 48 million during the same period. The trade surplus with Vietnam declined from $ 673 million to $ 336 million as a result.

Capacity expansion

Malaysia to build storage terminal

The Johor State Government, State Secretary Johor and the Dialog Group have signed a Memorandum of Understanding to invest over US$ 1 billion to build a storage terminal and port facility in Pengerang, Johor.

“The project is expected to take up to 10 years to complete,” said Dialog’s chairman and managing director Ngau Boon Keat. “It may be split into three phases. We will be inviting other parties such as multinational corporations involved in oil storage services to build and operate the terminal.

“It will be the first independent deepwater terminal of its kind in Southeast Asia.” Ngau said that the demand for storage facilities in Southeast Asia was on the rise.

“We are aware that there is inadequate land for further expansion capacity in Singapore,” he continued. “This project will enable Johor to become an important petroleum and logistics trading hub.” Neighbouring Singapore is currently the region’s main petroleum trading hub. Singapore is to develop extremely costly underground and floating storage facilities.

Seatrade Asia

Ecospec wins award

The Singapore-based research and technology company, Ecospec Global Technology Pte Ltd., that specialises in advanced water and oil treatment technologies, has received the Environment Protection Award at the Seatrade Asia Awards 2009.

Ecospec won accolades for its contribution to existing technology for reducing or preventing marine and atmospheric pollution. Thes award is one of the 20 categories awarded at the Seatrade Asia Awards night held at Pudong Shangri-La, Shanghai recently. While C C Tung, chairman of Orient Overseas (International) Ltd. won the Lifetime Achievement Award, Capt. Wei Jia-Fu, president & CEO of COSCO Group was adjudged the Personality of the Year.

INSURANCE

Marine Insurance

Taming the Tough Times

As the protection and indemnity (P&I) rates have gone up appreciably early this year, marine underwriters seem determined to raise rates. Already, hull and liability underwriters have imposed rate increases in the range of 2.5 to 7.5 per cent to gain business. Yet, experts suggest that insurers could do well if they adapt to the prospect of falling revenues due to reduced marine activity and thus lower premium volumes.

*by **Radhika Rani G***

Shipowners have had a good run in the year 2008 as the economic boom was at its peak in the first half. However, the first quarter of 2009 seems to be the worst-hit in many years, if the challenges of under-supply tonnage that switched to supply overhang are any indication.

Insurers are no doubt struggling to adapt to the prospect of falling revenues due to reduced activity and decreasing investment income through lower asset values, equity and bond yields and interest rates. But viewed in the larger perspective, the recession seems to have had much less impact on the marine insurance market than the shipping industry itself, experts say.

Marine Insurance Outlook for 2009

Hull: Challenges ahead	• Downturn hits investment income • Hull values falling • Increasing reinsurance costs • Underwriters press for rate rises • Premium volumes fall • Plentiful capacity
P&I: Signs of stability	• Large claims plummet in 2008 • Rate rises bolster club finances • Clubs de-risk investment portfolios • No fault conventions proliferate
Cargo: Downturn hits volumes	• Reinsurance costs rise • Rates mostly stable despite upwards pressure • Substantial capacity still available • Opportunities to insure stockpiled goods
Liability: Rising prices	• Tightening of capacity • Rates firming especially for capacity risks • Reduced demand for higher layers
Construction: Peak is passed	• Insurers keen to write construction • Ample capacity • Growing markets • Rates competitive and stable
Oilfield services: Stable for now	• Strng capacity and stable prices • Small but competitive insurance markets for roV • Streamers harder to insure
Ports & terminals: Higher rates, reduced volumes	• Rates firming • Strong panel of insurers

Source: Aon's 2008 Marine Insurance Market review

"There is a likelihood of a clash between the understandable desire of the shipping industry to reduce costs versus insurers' requirements to generate acceptable margins. There will be challenging negotiations ahead across the spectrum of marine insurance during 2009 and into 2010."

Steve Beslity
global CEO,
Aon Marine.

While the market is generally looking for rate increases, insurers continue to offer attractive terms for well managed risks, notes Steve Beslity, global CEO of Aon Marine, the world's leading insurance broker. "Although the markets may attempt to talk up pricing simply because it seems logical to do so in the present difficult economic circumstances, the evidence suggests there is no reason to overreact at this point," Beslity adds.

According to the newly released 2009 Marine Insurance Market Outlook by Aon, abundant capacity means competitive forces will create a balancing act in the market. "Abundant capacity in most classes of insurance is keeping a lid on rate rises and there are no obvious signs that capacity for marine insurance risks will decline significantly in the short term. The squeeze will come as shipowners seek to reduce operating costs in the face of a dramatic reduction in trade," Aon says.

Marine insurers are cautiously optimistic that the savage downturn in the shipping industry is translating into an overall reduction in casualty experience, says the International Union of Marine Insurers (IUMI). According to Cédric Charpentier, chairman of IUMI's facts and figures committee, the shrinking of insurable values will have a direct and massive impact on world marine insurance income. "We still face an uphill battle, therefore, and premium income will fall dramatically as the economic crisis reduces fleet values and cargo volumes, thus negating the encouraging decrease we are seeing on the claims side. The net result will have a significant negative impact on the bottom line," he says.

Asian scenario

Though it is too early to perceive any change in the pattern of marine insurance claims, experts say the downturn could influence the patterns in conflicting ways. If claim costs could fall because of fewer ships at sea and repairs could cost less owing to lower prices of steel and spare parts, there could be a surge, says Aon, in claims if vessels are laid up in large numbers and the owners take time to make inspections and discover any unsuspected damage.

Less activity tends to reduce losses and, as the downturn comes to an end, another surge in claims is possible as activity once again increases, they say. But there seems to be a growing confidence among Asian insurers as they gear up to increase their market share despite the downtrend. The fine balance they are trying to strike through tricky deals with shipowners, is a case in point. MG

It is interesting to note that in the wake of global recession, the insurer and shipowners have conflicting requirements. The shipowner on account of reduced business is looking to cut down on the insurance cost whereas reduced asset value, investment income and increased re-insurance cost is forcing the underwriter to seek for higher underwriting income and no one could be a winner here unless mutual cooperation is maintained. This is quite in contrast with the recent trend when shipping was enjoying booming business juxtaposed with falling hull insurance rates.

Time to adapt

In India, marine hull insurance was a tariff product, which means premium rates were governed by a body called Tariff Advisory Committee (TAC). At those times the marine hull insurance enjoyed good premium rates. But post de-tariffication (April 1, 2005), the market has seen huge decline in the premium rates. As of now, the premiums have reduced to bare minimum and the only reason why the underwriters had been able to do this is because of a sound investment income. In the current economic scenario, the market is witnessing a reduced asset value and lower equity, bond yield and interest rates. Downturn has almost evaporated the investment income. Further, hull underwriters are not immune from impact of losses due to various events, such as windstorm losses like Gustav and Ike in Gulf of Mexico, increased piracy attack in Somalia, which are creating upward pressure on reinsurance cost.

India Market

The Recession Impact

With recession hitting the global markets, the face of demand and supply curve has drastically changed in a very short span of time. Once strained with undersupply of tonnage, it is now grappling with supply overhang. With dwindling export, steep decline in charter rates and credit crunch, shipping industry has been severely hit by the global recession. When the buyers are hit financially the sellers can't remain unaffected and same is true for marine insurers, says **Bhargav Dasgupta**.

The economic crisis has added additional burden, as capital has been squeezed and the cost of capital has increased.

"At Lloyd's our mantra has been the same for the last few years – focus on underwriting discipline and write for profit, not market share. I believe this is a philosophy that only the foolish in the marine and energy sectors will not follow," said Rolf Tolle, Franchise Performance director at International Union of Marine Insurance (IUMI) annual conference in September 2008.

With the opening up of insurance market and de-tarrifing, the industry has seen competition growing fierce where each insurer has been desperate to increase or retain their market share. But given the current scenario, it is high time that Rolf Tolle's mantra is adopted by the Indian industry as well. Instead of banking on investment profit, underwriters would need to base their decision on underwriting results. Matching the premium rates and deductible with risk profile would be crucial.

Premium volume – Reduced value means reduced premium

The once overstretched shipping industry is now facing supply overhang. The Baltic Dry Index (BDI) which is a direct indicator of health of vital worldwide shipping and supply activity as well as potential health of global economy has recently slipped more than 94 per cent. In the recent past its value has gone down from over 11,000 to less than 800 in a very short span of time. At the time of writing this article, BDI stood at 3,703. This means that worldwide, the demand for cargo ships has significantly reduced. The vessels most commonly used for hauling coal and iron ore for steelmakers are sitting empty as the steelmakers cut output and dwindling trade credit hit deliveries. Crude which surged to a peak at 135 dollars a barrel had gone down to as low as 40 dollars a barrel before some correction in the recent times. The demand and supply are so unmatched that the charter rates that are offered to shipowners barely match the operating cost. In these trying circumstances, only a well capitalised shipowner can manage to operate. Many vessels are laid up and are up for fire-sale. All this has led to steep reduction in the market value of the vessels. The premium that is charged by marine insurer is directly linked with the value of the vessel and any decline in the ship value directly affects the premium volume. In some cases, values of bulk-carriers have fallen by as much as 80 per cent and so has the premium for insurer.

Cargo Insurance – No exception either

The dwindling imports/exports and decline in commodity prices have been acting as a double-edged sword in the time of recession. The shrinking trade volume is impacting the cargo business resulting in reduced premium for Insurers. The data available from Department of Commerce clearly indicates the declining trend in Export and Import in the last six months; the decrease in trade volumes exceeded 30 per cent in March 2009. The reduced trade volume has impacted all stakeholders in supply chain like manufacturer, raw material suppliers, transporters, freight forwarders and insurers. The challenges for cargo owners are further increased due to changing face of terrorism and frequent piracy incidents in Somalia.

Claims, cost of repair and risk perception

A reduction in market valuation means reduction in premium volume. At one instance, it may appear that premium has been matched with liability. But, the ground reality is quite different; in the present market the deductibles are pretty low and insurers are paying for all kinds of losses ground up. While the liability in case of total loss has been reduced, the partial losses are still costing the same (which are more frequent in nature) While low inflation can lead one to believe that cost of repairs should be low, but since all the shipyards (which are very few in number) are preoccupied with previous orders, the day rates for dry dock are still high.

There are different views about how the recession is affecting the risk perception of the marine underwriters. One view is that with reduced activity the number of frequent claims which are usually due to low maintenance and overstretched use will reduce. Some underwriters, however, feel that liquidity crunch could lead to cut-down on maintenance spending. Some others feel that lay ups of a large number of vessels at certain locations could accumulate risk at one location.

Even though the points highlighted above present a gloomy picture about the shipping and marine insurance industry, but at the end of the day, slowdown in trade activities can only be temporary. In the present world order, no nation is self-sufficient. Every country must sell what it has in surplus and buy what it has in deficit, none can depend on its internal resources alone. International trade being the backbone of economic activity, there is bound to be a surge in import-export activity and consequently, the allied services like shipping, freight forwarding, and transportation will bring in a positive impact on the insurance industry too. This intervening period requires all the stakeholders to exercise extreme discipline in their respective areas of operation and ensure that we as a country lead the turnaround in the global economy. MG

Bhargav Dasgupta *is the MD & CEO of ICICI Lombard, the largest private sector general insurance company in India.*

Coal imports

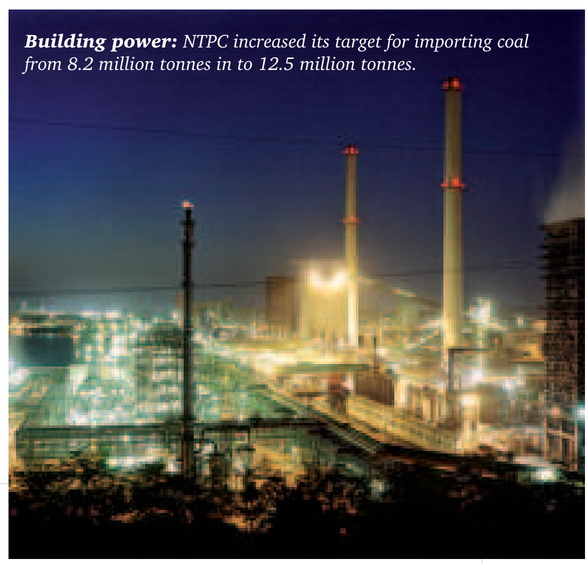
Raising the Bar

Coal imports to India will dramatically rise in the next few years as there is huge activity in building power plants all over India. Construction of thermal power plants, which are the biggest consumers of coal, is being taken up by both public and private companies aggressively as the demand for electricity is growing exponentially. India imported 51 million tonnes of coal in the year 2008-09 of which 18 million tonnes were used by the power plants. India's coal demand is expected to rise by 9 per cent this year which will far exceed the growth in domestic production of 6 per cent.

Considering the ongoing capacity enhancements, the coal ministry has revised the target to import coal for power production twice this year. First, it was revised from the original target of 25 million tonnes to 28.7 million tonnes and again to 35 million tonnes. It is known that the calorific value of the imported coal is 50 per cent higher than that of the domestic coal and hence 35 million tonnes of imported coal would be equivalent to 53 million tonnes of domestic coal.

The country's largest power producer National Thermal Power Corporation Limited (NTPC) has some ambitious plans lined up for the current year as well as for the years ahead. R S Sharma, the company's chairman revealed that NTPC including its subsidiaries will have a total capital outlay of around Rs 24,525 crore in this fiscal to finance power generation projects, coal mining business and modernisation activities. Of this, NTPC alone will invest Rs 17,700 crore in 2009-10. While it will add 3300 MW during this fiscal, it is expected to add a massive 22,400 MW capacity by 2012 and aims to take the total capacity to 75,000 MW by 2017. The current capacity of coal-based power plants of NTPC alone (excluding the subsidiaries and JVs) is 23,895 MW.

In line with the coal ministry, NTPC too increased its target for importing coal from 8.2 million tonnes in 2008-09 to 12.5 million tonnes in 2009-10. This year, it requires around 150 million tonnes of coal. While 130 million tonnes would be met domestically, the remaining 20 million tonnes have to be imported. Since the imported coal has a higher calorific value, the 12.5 million tonnes can meet the 20 million tonnes of fuel demand of NTPC.



Building power: *NTPC increased its target for importing coal from 8.2 million tonnes in to 12.5 million tonnes.*

The company was able to import only 5 million tonnes of the set target last year. But given the scale of investments in the new projects, it looks like NTPC will surpass this year's target of 12.5 million tonnes. The company is also pursuing coal block acquisitions in Indonesia and Mozambique and is also exploring opportunities in Australia and Canada.

On the other hand, many private players are also aggressive in building coal-based power plants in India. Notably, Reliance Power, controlled by Anil Dhirubhai Ambani Group, is at the forefront among the private players in this field. Reliance is in the process of building some of the biggest power plants in India – at Sasan, Tilaiya and Krishnapatnam among others. It is also investing in six capesize bulk carrier ships to import coal from abroad. Given the immensity of all the power projects in country, the coal imports can be expected to rise to 100 million tonnes by 2013 says Peabody Energy Corp., one of the biggest energy companies in the US.

With the revised targets and increasing demand for the imported coal, Coal India Limited (CIL) that has been a predominantly domestic player, has pulled up its socks this time and is planning to set up an 'import cell' to import coal on its own. To meet the power generation demands, CIL plans to import 4 million tonnes of thermal coal this fiscal for the first time since its inception. CIL is providing 312 million tonnes of domestic coal for power generation in 2009-10 compared to 292 million tonnes last year. It is expected that CIL will produce 520 million tonnes by 2012 domestically, while the demand would increase to 730 million tonnes during the same period. Thus, the country falls short of 210 million tonnes of coal providing huge opportunity for ports, shipping lines and traders alike. MG

Globe of gases: *Global shipping emits about 1.12 billion tonnes of CO_2 annually, which is equivalent to 4.5 per cent of the total carbon emisions.*

Emitting Concerns

It is an open secret today that commercial shipping emits large amounts of harmful greenhouse gases that are destabilising the delicate marine ecosystems and leading to sever climate changes. The industry is jolted with the revelations and is looking at various possible long-term solutions to address this concern. This piece of writing provides a glimpse of the ongoing debate at the international level on what steps should be taken to control the emissions.

by ***Jagadeesh Napa***

Just a year ago, no one ever thought that shipping industry would also be a prominent contributor to global warming. In fact, one was of the opinion that merchant vessels were the least contributors of greenhouse gases among all means of transport and hence, shipping was not seriously looked at unlike the aviation and road transport industries. But recent studies carried out by various agencies claim that commercial ships too play their part in releasing considerable amounts of greenhouse gases which are more than enough to harm the fragile marine environment and lead to temperature increase in the long run.

An IMO study states that annual emissions from global shipping is about 1.12 billion tonnes of CO_2 which is equivalent to 4.5 per cent of the total carbon. On the other hand, aviation industry, which is under pressure to use cleaner fuels, releases only 650 million tonnes of this gas (around 2.5 per cent). Incidentally, shipping and aviation are the only two industries that are not regulated under Kyoto Protocol, a climate change pact that sets targets for greenhouse gas emissions by industrially developed countries from 2008 to 2012. Prior to this study, it was believed that shipping industry was emitting around 400 million tonnes of CO_2 annually.

Researchers at the National Oceanic and Atmospheric Administration (NOAA) in the US Department of Commerce and the University of Colorado observed in 2008 that 'soot' (impure carbon particles resulting from the incomplete combustion of hydrocarbon fuel which is generally harmful to human beings) from commercial shipping is the main catalyst in climate change in the Arctic region. They claim that soot can trap 30 per cent more heat than pure carbon dioxide. It can absorb more sunlight and interferes in cloud formation and precipitation thus leading to heat imbalances.

NOAA researchers further opine that shipping industry releases about 130,000 metric tonnes of soot which is about 1.7 per cent of the global soot produced and most of this is produced along highly populated coastlines.

Realising the harmful effects of these emissions in the long term, authorities worldwide are voicing their concerns and are taking steps to develop strategies to reduce the emissions from commercial shipping activities. The foremost among the lot is the European Commission (EC) which is traditionally known to be an aggressive supporter of implementing stricter norms against emissions and pollution of all kinds. Many European nations strongly suggest including shipping and aviation industries in all new climate pacts that come into force in the future. They fear that pollutants from these two industries, if left unattended, could increase significantly by 2020.The EU nations are also mulling to finalise a successor pact to the existing UN's Kyoto Protocol during the United Nations Climate Change Conference (COP 15) in Copenhagen in December 2009.

EC feels that IMO is lax in taking forward the cause and bringing in stricter norms against the shipping emissions. An EC official noted in the recently concluded Oslo Shipping Forum 2009 that EC will take steps to restrict carbon emissions from shipping in case the global maritime industry (read IMO) fails to come up with its proposals soon. On the other hand, IMO says considerable progress has been made by the industry towards bringing in more environmentally friendly solutions, but admits that the current achievements are not enough to fight the menace and there is more to be done on this front.

Interestingly, the Southeast Asian nations like Thailand, China and others feel that further stricter emission norms could affect their economies and hence oppose to the EC's proposals of including commercial aviation and shipping in to new climate pacts. They along with Australia feel that the issue has already been tackled by the respective industry associations like International Civil Aviation Organisation and IMO. It is also possible that countries in Southeast Asia whose economies are dependent on their maritime industries will feel the heat due to the stricter emission norms as they have to shell out huge sums to renovate or replace their fleets. This can have a serious impact on their economies.

IMO, on the other hand, is also working its way towards not including the shipping in the new pact that will succeed Kyoto Protocol in 2012. IMO actually wants to demonstrate that it is doing something significant in this direction before the Copenhagen meet in December and thus, proposed an emissions levy on residual bunker fuel used to power the ships. The organisation insists that this bunker tax is less of a levy and more of a contribution to help shipping reduce its impact on the environment. The proposal does not set any recommended price for the bunker tax, but it would set a level to reach the agreed emission-reduction targets. While the industry considers the proposal as a fillip to control emissions, it looks like a concrete decision in this regard may not be taken before the Copenhagen meet.

Given the contentions of different stakeholders, it will be a wise decision to take adequate steps towards reducing emissions in the larger interest of humankind and mother earth. It is the responsibility of the present generation to make the earth a safer place to live in the future. MG

Tankers in Trouble

It's a tough year ahead for tanker owners. Rock-bottom rates, declining asset values, newbuilding deliveries and reduced oil demand are all adding to their woes, almost at the same time. As the market is nowhere near breakeven levels and only time and tide seem to break the odds of decline in demand and increase in fleet, here's a peek into the double whammy facing the tanker trade.

by ***Radhika Rani G***

Downward pressure: *Experts say there is more toxic debt on the newbuilding front still to be revealed.*

The International Energy Agency has sounded the alarm by forecasting that the world oil demand this year will post the sharpest annual fall since 1981. Thanks to IEA's prediction about the global oil demand taking a free fall from 85.5 million barrels a day in 2008 to 83.4 million barrels a day in 2009, the tanker market is in for trouble. With rates for Very Large Crude Carriers bottoming out at US$ 10,000 a day from a peak of US$ 220,000 a day in 2007, the golden days seem to have gone.

According to shipping industry captains, a drop in tanker freight rates and weak oil that tumbled from US$ 147 in July 2008 to around US$ 60-80 now is likely to hurt shippers in the next few quarters. Also, profitability will be under pressure as rates may not touch a peak very soon. But the Organisation of the Petroleum Exporting Countries (OPEC) does not support a quick rise in prices as that can further hurt the world economy. OPEC's secretary general Abdullah al-Badri says, "Oil around US$ 80 is the level needed to ensure investment in new oil fields and refineries to meet the world's future demand."

Tanker fleet growth versus world oil demand

Year	2006	2007	2008	2009	2010
World Tanker fleet (million dwt)	321	340	360	379	422
Oil Demand (million barrels per day)	85.1	86.1	85.8	83.4	85.2

Source: IEA and EA Gibson

Fleet prolife

Vessel	Fleet size	Orderbook	% of fleet	single hull
VLCC	532	227	44.4	112
Suezmax	367	166	46.4	26
Aframax	803	222	29.2	85
Panamax	377	110	30.2	54

Source: Clarkson


Photo: Ebbe Holsting

Deferred projects

Thanks to the economic turbulence and subsequent impact on oil prices, tankers face a year in the doldrums, forecasts Drewry. "While low oil prices have failed to stimulate significant demand, they have persuaded oil companies to delay projects, while a few have scrapped expansion projects altogether," it adds.

Tanker owners are looking at cancellations and delays to ensure the balance of tonnage supply and oil demand. Frontline, the world's biggest independent oil tanker shipping group, says it is conserving cash by cancelling six new ship orders. It has cancelled orders for four new Suezmax tankers and two VLCCs representing a third of its order book and a total contractual cost of US$ 556 million. The company has also stalled its newbuilding programme.

In India, Varun Shipping, having a fleet of 20 vessels in the LPG and crude oil sectors, has cut down its acquisition budget by three-fourths to US$ 100 million. GE Shipping too is restricting itself to buying only one tanker worth US$ 52 million this year. It has just received Jag Aparna, the double-hull LR1 product tanker of 74,500 DWT built at Korea's STX Offshore & Shipbuilding Co Limited.

According to shipping analysts, the tanker market is being hit from two sides this year – falling oil demand and reduced oil production in OPEC countries that give fillip to seaborne crude trade. Large volumes of oil for transport and deferred refinery expansion plans, according to Drewry, will also delay the growth in tanker tonne-mile demand. "In other words, the very basis for the spurt in tanker ordering over the last few quarters is going to be challenged with limited employment options for the new tankers that will be delivered over the next two to three years," it says.

It is learnt that 65 new VLCCs, along with 50 Suezmaxes and 105 Aframaxes, are likely to join the active fleet this year. However, 25 per cent of the orders could be cancelled owing to funding problems, say experts. "Regardless of whether owners explicitly cancel their contracts, the overwhelming majority of the ships on order will likely find a way into the market," ship broker Poten & Partners says in a report.

Dull demolition

Though freight rates have been falling steadily, tanker demolition activity has not picked up well. Demolitions so far this year have stood at 1.5 million DWT – slightly lower than the past three-year average of 1.7 million DWT. The Drewry Tanker Earnings Index, the weighted composite index based on calculated time charter equivalents for major trade routes, has averaged 153 so far this year. This number is half of the past three-year average of 300 for the period January-May. "Earnings over the past two months in particular have slumped to levels close to or below the operating costs for almost all vessel segments," Drewry reasons.

Ever since Frontline cancelled a third of its orders, many more companies are likely to follow it. "But this will only considerably cut orders for deliveries 2011 onwards. So if demolitions continue at the current slow place, owners will likely suffer losses from steep tonnage supply growth vying for limited demand, this year and next," explains Drewry.

Single-hull phase out

Following the Prestige tanker disaster near Spain, nearly 533 tankers were set to be scrapped in 2010 under the Marpol 13G rules. But the dull trend in the demolition market and the fine print in the rules are helping shipowners to find loopholes and buy time before they could finally send their ships to scrapyards. Owners with Marpol tonnage say they can find work for their vessels for another five years even as a number

Regulatory concerns for tanker owners

Emissions: IMO is devising new rules to regulate carbon dioxide emissions from shipping and pave way for new ships with higher efficiency standards.

Inert gas systems: Explosions on chemical tankers has led to mandatory inerting sytems on ships under 20,000 DWT.

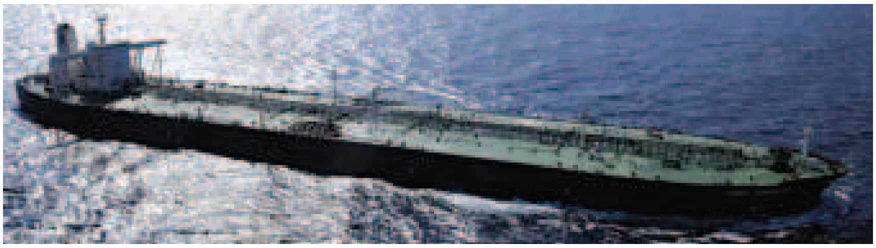
Cargo tank coatings: IMO has drawn a performance standard for cargo tank coatings such as high-standard anti-corrosive coatings or the use of protective steels.

STCW Code: The Standards of Training Certificate and Watchkeeping (STCW) code is being revised to train officers in specialist tanker trades, especially in chemical trade.

Jatropha oil: The biofuel of the future being grown in Brazil and China, Jatropha oil is going through appraisal process to be classified by scientists as safe and transportable by tankers.

of flag states and port authorities have ratified the Regulation to allow continued trade of single hull tankers. While the flag states of Japan, Liberia, the Bahamas, Singapore, Panama, Barbados, India, Marshall Islands and St Kitts and Nevis will be allowing tanker exemption permits till 2015; Japan, Singapore, India and Hong Kong are planning to continue the use of single-hull tankers.

China is firm to ban the single hullers beyond 2010 and go for the double layered ones that are less vulnerable to accidents and heavy oil spills. The Pakistan National Shipping Corporation too is keen to phase them out. Of its three oil tankers, only one has twin hull and PNSC is reportedly planning to acquire 10-year-old double-hull tankers apart



from seven other cargo carriers.

Offshore orders

To weather the crisis of lack of new orders, Chinese shipbuilders and equipment manufacturers are learnt to be eyeing the offshore market. The government is encouraging the industry to develop high-end deepwater products such as drilling rigs.

China National Offshore Oil Corp., the nation's largest offshore oil producer, has earmarked Yuan 200 bn (US$ 29 bn) to ramp up its output in the deepwater region of the South China Sea to 50m tonnes in 20 years' time. But, Frontline says offshore crude storage remains a booming market, with up to 60 VLCCs currently deployed for storage purposes worldwide, including 22 VLCCs in the US Gulf of Mexico. "But storage is still a good bet since the cost (of tanker charters) is low," says Frontline acting CEO Jens Martin Jensen.

Any reduction in offshore crude storage would draw down offshore crude stocks, currently near their peak levels since the offshore storage boom began in late 2008, Jensen says. VLCCs are now available for storage charters at day rates of as low as US$ 30,000, down from around US$ 80,000 a day in January.

Meanwhile, Koren shipbuilder STX Offshore & Shipbuilding has won US$ 340 million in orders to build eight double-hull tankers for a European company. "The orders mark a signal that the stagnant shipbuilding market, which has seen new orders drying up since late last year, might be heading for a recovery," says STX.

But shipowners are apprehensively looking at charter rates and values as they get ready to pay for the delivery of expensive newbuildings. Also, some of the existing ships are being converted to floating, production, storage and offloading vessels and heavy-lift ships. As the world tanker fleet goes topsy-turvy in the rough tide, owners seem to have already seen lower than the bottom. MG

BLR India Making It BIG

Set up as a small trucking business in 1968 by L C Goyal, BLR has shifted gears to become one of the largest and most reliable transportation & logistics companies in India. The 1990s saw the growth of the company – from Rs 2 crore in revenues to Rs 250 crore and from three offices to more than 90 offices. The company has moved up the ladder through innovation and consolidation. Today, it has a fleet of more than 350 vehicles including trucks, trailers and LCVs, 3 lakh sq feet of warehousing space and a staff of over 600.

Ashok Goyal, managing director, BLR India Private Limited, says BLR is committed to offering integrated logistics services to its customers. In a talk with **Maritime Gateway**, he dwells on the company's growth and the logistics scenario in India. Excerpts:

Defining moments in BLR's journey

Major defining moment came in 1996 when, as a Rs 10-crore company, we received the IPCL Award for moving polymers. That helped us in clinching a Rs 17 crore contract from a single company. That pushed the company forward. We were banking on government contracts, which helped the company to grow. The second major push came in 2007 when Reliance infused equity into the company. We did 100 crore and then grew to become 250 crore in 2009. So, over a period of two years that was a really big jump.

Expansion and innovative business model

We started logistics division in 2005 and started adding branches as per the growing needs of customers. Currently we have 95 branches. Rather than selling a solution, we offer customised solution to the client. For example, the design of the trucks is usually conventional. But we visit client locations, understand their needs and provide them with customised vehicles to suit their cargo needs. Similarly, we came up with new and improved modes of communication. Our owned vehicles are fitted with GPS tracking system and we do not hire vehicles unless they have at least mobile phone facility. These are very small steps, but gives edge over competitors. Customer gets updated about cargo

"Vehicles can be mobilised from other states to where they are not available. As a trucking company we calculate profit on the basis of number of kilometres travelled and not on the basis of trip-to-trip."

with MIS reports through emails. In case of full truck load, most of the operators do not inform their customer about whereabouts of the vehicles. But we provide tracking information on a day-to-day basis irrespective of the customer demands. This has generated word-of-mouth publicity and helped the company grow.

The company in future

We started at the bottom of the pyramid and are trying to move to the top. Recently we started the Bombay-Delhi exim trade train services. We also started general and bonded warehousing services. We are trying to provide all services under one roof. We are trying to give the customer a single quote for the entire shipment. So there are no hidden costs. We have a target of achieving Rs 1000-crore turnover in the next 4-5 years. With the kind of response we are getting, it looks achievable.

Competition among cargo carriers

I feel both forms of transport are complementary to each other. We also moved into rail transportation. Without road, rail cannot survive. Road is must between first mile and last mile connectivity. Sectors like Retail and Pharmaceuticals will not use rail. Competition will bring down costs for the customer, which we welcome as a logistics player.

Customer satisfaction

There are two ways of looking at the cost-effectiveness. If transporter A is delivering in eight days and transporter B is delivering in four days, the inventory cost for the customer is more in case of Transporter B. So we look at the overall angle on how we can be cost-effective. So, it is not simple freight cost.

Policy changes to bring down costs

Fuel prices are not uniform across states. Second problem is that the boundaries between states cause wastage of time for the trucker while crossing. The toll taxes are going up faster than we expected. Toll is supposed to be collected for every 80 km. But now we see it is being collected within 10 km radius. Another problem is in case of National permit – a vehicle has to pay Rs 5,000 in each state where it plies. Instead, we should have a single payment system to bring down the demand-supply gap. Vehicles can be mobilised from other states to where they are not available. As a trucking company we calculate profit on the basis of number of kilometres travelled and not on the basis of trip-to-trip.

Moving Up: *BLR India is keen to achieve Rs 1000-crore turnover in the next 4-5 years.*

Infrastructure challenges for a truck operator

Most important is the non-availability of facilities to the drivers. In case of accidents, drivers bleed to death because medical facilities are not available. Government has not given us industry status and the industry is not regulated. If it is regulated, logistics sector can move much faster and become much more professional. There are no entry barriers, but if we are looking at excellence there has to be some level playing field.

Growth in logistics sector in India

There is tremendous scope for growth taking into consideration that many MNCs are now focussing on India. Currently about 6 per cent of logistics industry is professionally managed. It can go up to 25-30 per cent in the next 4-5 years with MNCs coming in. MG

Pipavav Shipyard Ltd.

In the Prime

Pipavav Shipyard Ltd., India's first shipbuilding yard in the private sector in western Gujarat, has started work for the construction of first four of a series of 26 Panamax bulk carriers. With an order book worth US$ 1.06 billion for the 26 new 74,5000 DWT bulk carriers, the company is rated as the sixth largest in the world – coming up on 84.99 hectares of land, adjoining 800 metres of dedicated waterfront and equipped with 500,000 DWT. Located on the south western coast of Gujarat – about 130 km from Bhavnagar to its east and 90 km from Diu to the west, the shipyard is adjacent to Pipavav Port, the first private sector port in India.

Originally conceived and implemented by SKIL Infrastructure Limited (SKIL), PSL is now co-promoted by SKIL and Punj Lloyd Limited. It is also engaged in ship repairs, offshore fabrication and servicing of naval vessels and has been issued ISO 9001:2000 certificate for its design, development, construction, repairs and overhaul of ships. PSL has teamed up with two world-leading technical associates: SembCorp Marine, Singapore – a leading global marine engineering and shipyard group and Korea Maritime Consultants Co., Ltd. (KOMAC) of Korea – Korea's first and only private organisation of naval architects and marine engineers. **Bhavesh Gandhi**, executive vice chairman of Pipavav Shipyard Ltd., talks to **Maritime Gateway** on shipbuilding industry. Excerpts from the interview.

Bhavesh Gandhi
Executive vice-chairman, Pipavav Shipyard Ltd.

Q You have built the largest shipyard in the country. What are the unique features about Pipavav Shipyard?

A: The size itself – It is huge; probably it is third largest in the world. Imagine docks having about 680-metre length and 65 metre wide. Apart from that, we have equal size of land berth next to the dry dock. The land berth is to build ships. Two goliath cranes, each having a lifting capacity of 600 tonnes, and two level luffing cranes, will service the dry dock. The combination probably makes it largest goliath crane in the world. Therefore, in tandem you can virtually lift a block of 1,200 tonnes. The idea is to make a huge block and then load into the dock for mega assembling in order to reduce the down time at the dry dock. That means we can virtually churn out more ships in the dry dock.

Flexibility within the shipyard is another feature. Usually when you shift from one type of product to another, there are constraints. Therefore, we were very careful at

the planning stage and the shipyard is designed in such a way that we have the flexibility to switch over from one product range to another. When the shipping industry is reeling under recession, we can look at other opportunities in offshore and defence.

We wanted to blend modern technology with the highly competitive labour that is available. More automation is nothing but a European shipyard functioning in India. On the contrary, too much dependence on labour will not achieve the desired productivity and quality. Fortunately, we have been able to blend these together very beautifully. Construction of ships has already begun. Delivery should begin towards the end of this year or may be early next year.

What is the impact of recession on shipbuilding? Can we revive?

A: I guess things should be improving in the next 8-10 months. In the wide spectrum of shipping like Panamax bulk carriers, tankers and container vessels, there may be very few segments, which will take some more time. However, there are number of other segments where things start looking up, especially, the tanker market.

Do we have a well-developed ancillary industry for shipbuilding to depend on?

A: In case of equipment, no. Generally, what happens is when you get a shipbuilding contract; owners specify the makers list. For major items, they list out 4-5 makers from whom we need to procure. We initiated the process of making owners accept Indian products. We are trying to promote Indian products to the extent possible. However, apart from the equipment and components, there are other good quality subcontractors available for things like piping, electrical etc.

What opportunities do we have for ship repairing?

A: The kind of tonnage that has gone up in the last few years is huge. Ship repairing is a big opportunity knocking at the door. Shipyards in competing countries are eying this market. With the strategic position that we have, we should to take advantage of this market. MG

INITIATIVE

Managing Chemicals

The risk-laden chemical industry could leave a traumatic impact if the supply chain is not managed with care and caution. Sharing of experiences, technologies and best practices among industry players can be the best way towards a concerted effort to ensure a safe environment.

Transportation of hazardous and toxic chemicals is a risky initiative as it involves complex storage methods, right from industries and warehouses to the end point.

Despite conventional methods of storage and transport in vogue, hydrocarbons – both in liquid and gaseous form – can be best transported through pipelines.

According to experts, transportation through pipelines requires the least energy and is economical, highly reliable, environment-friendly and safe for men handling toxic chemicals. For instance, transportation losses through pipelines range from 0.1 to 1.5 per cent compared to 0.32 to 0.5 per cent through rail and road.

In view of the growing oil and gas explorations, there is a dire need to focus on the existing and increasing network of oil and gas pipelines and improving their safety, reliability and risk management, says Rubaab Sood, senior assistant director in the Federation of Indian Chamber of Commerce and Industry (FICCI).

According to him, safety of global chemical cargo import or export can be ensured by ascertaining the content of the container, taking stock of the content at each stopover or warehouse and intercepting any illegal transport of lethal or banned chemicals such as radioactive materials and nuclear weapons at nodal points.

Setting up of high-powered and high-frequency scanning systems at depots and ports can immensely help in disaster management of chemicals. "Since port safety is a serious business, there is a need for detailed and continuous examination of the safety mechanism, including effective improvisation of technologies in view of growing terror threat and other misadventures involving dangerous chemicals," Sood adds.

To draw the attention of several state and central government bodies towards the issue, FICCI, in collaboration with the National Disaster Management Authority, the Ministry of Environment & Forests and the Petroleum & Natural Gas Regulatory Board, organised a seminar on 'Chemical (Industrial) Disaster Management, Pipelines, Storages and Medical Preparedness' in New Delhi earlier this year.

Yet, regulatory framework and requirements need further impetus. Issues like dock safety, measures for improvement to achieve zero tolerance at ports, control of hazards associated with pipelines, review and upgradation of safety and security system at container depots, introduction of container security initiatives and proliferation of security initiatives in container security besides standards for warehousing to avoid serious mishaps / accidents need to be attended to forthwith.

Towards this end, FICCI is coming up with yet another comprehensive conference to discuss chemical disaster management, present case studies and work for a way ahead. A la chemical quotient! MG

FICCI Fixture

What : National Conference on Safety & Security of Chemicals, Petroleum, Petroleum Products & Natural Gas at Storages, Warehouses, Ports and Transportation through Pipelines & Containers

When : August 12-13, 2009

Where : Conference Hall, Hotel Le Royal Meridien, Chennai

Why : For robust preparedness

Who : The participants are the NDMA, Ministry of Environment & Forests, PNGRB, Director General Factory Advice Service and Labour Institute, World Health Organisation, German Technical Cooperation, CONCOR and Indian Ports Association.

Whom : To contact: Rubaab Sood, Mobile No. +91-9810006621 email: rubaab@ficci.com

FOCUS

Testing New Waters

The current global economic environment has forced the Indian exporter to search for new markets that can offer stable business and steady growth. FIEO, the apex body for Indian exporters is leaving no stone unturned in expanding its presence to far reaching markets like Africa and Latin America. But to compete aggressively in these markets, one needs to be strongly backed by the government through pro-export policies.

by ***Jagadeesh Napa***

The global recession that crippled the world trade in the last fiscal has battered the Indian exports too resulting in a meagre 3.4 per cent growth as compared to 20 per cent growth in the previous year. Many of the exports industries face severe demand crunch in their traditional export markets as their volumes have decreased drastically. But the chief of Federation of Indian Export Organisations (FIEO) A Sakthivel strongly believes that the things will begin to improve from July onwards and predicts that the exports will witness a 10 per cent growth this fiscal. FIEO has set itself a target of US$ 185 billion for the year 2009-10. To achieve this, the apex body of Indian exporters is trying to promote the exports on all fronts and at all the international platforms. As part of the promotion, FIEO is also reaching out to new countries in a bid to convert them to potential export markets in the future.

With the major export markets like US and Europe (mostly west European countries) having dried up and currently reeling under recession, the Indian exporters have begun to focus their guns on new and unexplored markets. These markets include Eastern Europe, Africa, Latin America, Middle East and Far East countries. Literally, India exports to these countries in minute quantities compared to the major markets. But now, more emphasis is being given to these countries by undertaking various promotional activities highlighting the Indian goods. While it could have been a better scenario if such steps ensuring penetration into these markets had happened earlier, it is always never too late to adopt such strategies.

Diversifying into new markets will not only add up to the export volumes but also helps in forging

Capturing new export markets can tip balance of trade out of red.

new economic relationships with the respective countries that will in turn boost up business relationships. With such anticipation, FIEO began setting up trade centres with warehousing and showcasing facilities in Dubai in the Middle East and Bucharest, Romania in the Eastern Europe. Indian products are showcased through these centres and deals are clinched.

Citing the recent initiatives taken by their federation in this direction, A Sakthivel noted in the federation's newsletter that FIEO recently led a team of Indian exporters to international trade fairs and exhibitions in China, Hong Kong and Bulgaria. Despite recession, a large number of Indian exporters participated in these tradeshows and most of them are claiming to have received handsome orders.
"We noticed a perceptible change in buyers' demographic profiles in these fairs. Buyers from Latin America, Africa and Middle East were far more in number than they used to be in earlier shows," said Sakthivel.
"I think participating in these shows would provide exporters the most effective platforms for displaying newly developed products to new set of customers. I urge members to keep participating in these shows," he added.

East European euphoria

Though India is carrying trade with east European countries since many years, exports to these countries in the country's overall exports had remained miniscule. The global recession has opened gates to address and attract the buyers in these countries through more innovative ways. FIEO has been instrumental in getting access to Romanian buyers through trade fairs and other platforms. It opened India Trade Centre in Bucharest, Romania where exhibition cum warehousing facilities are provided to the Indian exporters. The exporters can also participate in other trade fairs that happen in the region. TIBCO, MODEXPO and Suveniruri Christmas

"We all have been talking about diversifying our product basket and market destination to keep going in the phase of recession. I think participating in these shows would provide exporters the most effective platforms for displaying newly developed products to new set of customers. I urge members to keep participating in these shows."

- A Sakthivel,
FIEO president

FIEO'S SUGGESTIONS TO THE NEW INDIAN GOVERNMENT

1. Introduction of GST from April 2010 so as to provide full rebate of all indirect taxes including at state and local level.
2. To neutralize fiscal stimulus packages given by other countries including higher VAT rate for exports in China, Vietnam, Bangladesh etc.
3. Exporters are working on thin margins and taxation of the profit leaves exporters with no money for modernization and expansion of manufacturing. Income Tax exemption, for three years, will also add to their competitiveness as this benefit will be factored in reducing prices
4. Fringe Benefit Tax discourages exporters for aggressively market in new and untapped markets which is need of the hour. Government should, therefore, exempt exporters from this tax.
5. In view of enormous delay in getting refund of service tax and paper work involved in making application for refund, government should consider exemption from service tax.
6. Exports credit should be given at 7 per cent across the board without linking it with the PLR. However, in the meantime interest subvention scheme should continue till 31st March 2012.
7. All exporting units may be given 200 per cent deduction on investment made in plant and machinery for expansion and modernisation of manufacturing facilities.
8. Government should provide diesel at international price to units having captive power plant or using their own generators for exports production as power cost constitute and important component of total cost.
9. An Export Development Fund (EDF) should be created for MSME exporters with a minimum corpus of Rs 5,000 crore be created as diversification of exports has become all the more important particularly for traditional sectors of exports.

10. Existing schemes – Focus Market scheme, Focus Product scheme and Market-linked Focus Scheme should be extended for three years so that exporters can undertake detailed product and country diversification strategy to boost India's exports as additional products and countries may be added to the lists.
11. Simplifying procedures, introducing accountability and effective EDI among all agencies involved in exports can bring down the transaction costs effectively.
12. Development of exports related infrastructure like ports, airports, roads, containers for facilitating exports logistics as delays on account of these bottlenecks adds to 0.5 per cent of FOB exports per day.
13. Constituting of an "Exports Facilitation Board" under the chairmanship of Prime Minister. Members of the board has to include commerce minister, finance minister, textile minister, surface transport minister, minister for shipping, minister for labour, president FIEO, chairmen of other exports organisations etc.
14. National Rural Employment Guarantee Programme (NREGP), only provides 100 days of wage employment in a year, to each rural household in the identified district at minimum wages. Export industry can provide guaranteed employment for at least 250 days in a year at better wages and could give an undertaking to this effect to district collectors. With a view to further focus on women, 60 per cent of the employment can be earmarked to female workers in such units. Extension of NREGP to exports will provide more employment in this sector while at the same time, reducing government expenditure under this scheme. The savings made could be utilised for other schemes for socio-economic development.

India's exports to the new markets

S.No.	Region	2007-2008	%Share	2008-2009(Apr-Dec)	%Share
1	East Europe	42,702.32	0.0651	44,258.87	0.0755
2	Southern Africa	1,452,388.30	2.2145	1,084,696.07	1.8492
3	West Africa	1,399,029.14	2.1331	1,090,433.27	1.859
4	Central Africa	103,622.96	0.158	112,510.05	0.1918
5	East Africa	1,691,300.64	2.5787	1,653,964.23	2.8197
6	Latin America	2,277,856.91	3.4731	2,288,232.31	3.9011
7	East Asia	567,316.53	0.865	568,054.06	0.9684
8	ASEAN	6,593,187.48	10.0527	6,162,885.59	10.5067
	India's Total Export	**65,586,352.04**		**58,656,738.94**	

Source: http://commerce.nic.in

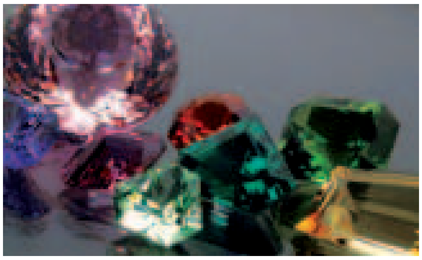
Fair are some of the prominent fairs among others where Indian exporters showcased their products since 2005. TIBCO-2009 is scheduled to be held from June 3 to 7 this year and a lot of exporters are pinning their hopes on this fair to bag voluminous orders.

Romania is strategically located in the eastern Europe having a big market and easy access. Establishing shop in this country can provide access to other potential markets like Poland, Bulgaria and Hungary. Seizing the opportunity, FIEO has decided to encourage, promote and build strong brand equity for Indian products through Indian Trade Centre in Bucharest. Moreover, the inventory levels in the western European markets (which are some of the prime export markets) are fast drying up and businessmen from this region are visiting these fairs to place orders for the coming months. Sakthivel, thus, feels that participating in such shows would benefit Indian exporters hugely in improving the situation and reaching the export targets.

Far East optimism

FIEO is working towards developing a regional hub in Hong Kong, a city considered to be the focal point of east Asian trade. Having proximity to almost all the countries in this region, Hong Kong attracts traders from all over the world to transact business with the countries in the region. Therefore, FIEO is moving towards establishing a base in this commercial hub and reaching out to Far East countries like Vietnam, Philippines, China, Taiwan and others.

The recently concluded China Sourcing Fair featuring Home Products and Baby & Children Products sellers at Asia World Expo in Hong Kong turned out to be jubilant show for the Indian exporters. In spite of tough



Precious stones and jewellery exporters are one of the worst hit by the recession.

competition from their Chinese counterparts, Indian companies made good business and bagged some bulky orders at the fair. As this fair was timed to coincide with one of Hong Kong's busiest sourcing periods, thousands of buyers from world over thronged to visit the fair and place orders. It became evident from this fair that Indian exporters have an upper hand over Chinese and the rest of the world in natural materials like jute and leather. The learning point from this fair is that the Indian exporters have to focus more on stainless steel products and high-end products made of coir and jute as China or any other east Asian country for that matter is way behind India in these segments. Sarah

Benecke, executive director of Global Sources, organiser of the fair too feels that in the area of stainless steel and metal decorative items China limited itself to manufacturing basic products while India is moving into high-end products. In terms of competition, Benecke adds that India and China are not competing with each other as there is very little overlap in the products they are selling. China has an edge when it comes to mass production and basic products such as bedroom furniture, but India has advantage in middle and high-end products.

Africa calling

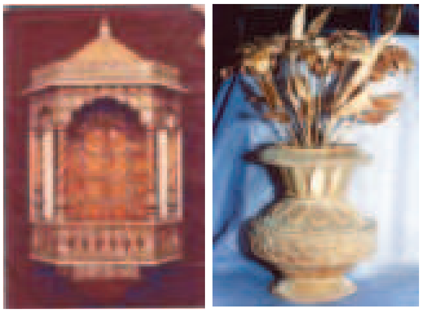
Africa is still a huge and unexplored market for Indian exporters and some immediate measures have to be taken to tap this mammoth market. Besides the size advantage, Afrcian markets also pose some serious challenges. Many African countries like Zimbabwe, Ethiopia and Somalia among others are torn with internal civil wars. Violence and social disturbances hinder the economic growth of these countries. Though it is an uphill task for the FIEO to penetrate into these countries, it is not an impossible one. There are certain things that need immediate attention and have to be addressed in the shortest possible time. Bilateral relations, tax policies, customs and import laws etc. are some of the pressing issues awaiting win-win solutions. While these things cannot be sorted out over night, FIEO is taking right steps and making right noise at right places.

Africa Day was organised by FIEO in New Delhi in May 2009 with the aim of bringing together different African nations and addressing the common issues of trade and economic development. The federation called upon the Heads of missions of African nations to work in close cooperation to create conducive environment for all and concentrate towards betterment of trade and economic ties. It may be noted that India-Africa trade had grown by around 43 per cent compared to the previous year to Rs 46,463.5 crore during 2007-08 compared to the previous year and reached Rs 46,463.5 crore. During April-December 2008-09 this figure was at Rs 39,416.4 crore implying that there is still a lot of scope for growth to happen. There is huge potential for exports to Africa as Indian exports to this region represent only 6.7 per cent of its total exports.

Internal issues

While it is essential to promote the Indian trade in other countries, it is all the more important to create a vibrant and conducive internal business environment in the country. The political, legal and executive environments in India pose some challenges to the export fraternity that render them uncompetitive at times in the international markets. Though the Indian central bank – Reserve Bank of India – had brought down the repo and reverse repo rates, most of the banks have not reduced their benchmark prime lending rates (PLR) to the desired levels as yet. Higher cost of credit from the banks will only increase the price of the end product and hence FIEO is insisting on reducing the export credit rate to 7 per cent flat without linking it to the PLR. This will not only provide cheaper credit, but also will liberate the export credit from the fluctuations of the PLR.

> "Indian exporters have to focus more on stainless steel products and high-end products made of coir and jute as China or any other east Asian country for that matter is way behind India in these segments."



India has an edge over other countries in high end jute and coir products.

There is also a lot to be done to improve the performance of MSME exporters. The federation feels that MSMEs and their concerns have to be addressed by opening a dedicated chapter for them in the Credit Policy. It also urges the central bank to look at the larger objective of inclusive growth for the MSME export sector.

It had been a good time for exporters under the UPA government in the last five years and the comeback of the same government for a second term has instilled confidence in the apex body to pursue with its demands in the interest of economic development. Sakthivel urged the new government to adopt a multi-pronged strategy to address the concerns of the exporters. He has put forth certain issues which if settled, will enhance the export quantities considerably. They include introduction of GST, full rebate of all indirect taxes, neutralising the fiscal stimulus packages offered by other countries, exemption from income tax, service tax and fringe benefit tax, creating Export Development Fund for the MSME exporters and constituting an Export Facilitation Board under the chairmanship of Prime Minister. With the Manmohan Singh government, known for its pro-economic reform policies, taking reigns for the second term, it may be expected that these issues be settled in the near future. One can also look forward to the government to come out with policies to support the Indian exports in their new markets with a respectable growth. MG

Freight Jobs Forward

The demand for logistics professionals is going up as the Indian economy is progressing. The need for freight forwarders, custom house agents, third-party logistics players, transporters and liner companies is increasing by the day as the nation works towards meeting targets in international trade.

A logistics performance index (LPI) devised by the World Bank ranks countries in logistics competence – customs, infrastructure, international shipments, tracking and tracing, domestic logistics costs and timeliness.

It rates India 3.07 on a scale of 5 giving a ranking of 39 among 150 countries. "This implies India has a long way to go to reach the top 10," says V Venugopalan, director of a Mumbai-based institute Indian Institute of Freight Forwarders. "To bring down the logistics share in the GDP, our infrastructure has to develop. It should ultimately generate employment and reduce distribution cost to give greater leverage for the industry to boost profits and for the nation to accrue benefits," he adds.

"After professionalisation you have to work as a trainee for at least one year, thereafter you can build a healthy career subject to your aptitude and attitude."

- V Venugopalan
Director, IIFF

Course	Duration	Eligibility	Fee
FFFAI Diploma in Logistics Shipping & Freight Forwarding	9 months	Aptitude test and personal interview for a Bachelor's degree holder from a recognised university	Rs 20,000
IIFF-FIATA Diploma in Freight Forwarding	6 months	Higher Secondary Certificate. Rule relaxed to deserving candidates with adequate work experience	Rs 15,000
Certificate of Proficiency in Customs Clearance	3 months	Higher Secondary Certificate	Rs 5,000

IIFF goal: To vocationalise the available manpower and provide them to the industry.

Faculty: Industry experts who combine work experience with teaching expertise.

Teaching methodology: Classroom sessions, individual and group assignments.

Placement opportunities: In domestic & international markets in 3PL, exim trade, warehousing, supply chain management, freight forwarding, shipping, CHAs, air cargo, transportation, logistics, international business. Placement assistance is provided.

Contact address: ***Indian Institute of Freight Forwarders***
311-313, Mahinder Chambers, Opp. Dukes Factory,WT Patil Marg, Mumbai – 400 071
E-mail: mgmt@iiff.in website: www.iiff.in Telephone: +91 (22) 67107495/96

Ironically, there are umpteen opportunities for trained manpower in the highly rewarding careers in freight forwarding. As the industry does not accept untrained manpower owing to technical reasons, a galore of opportunities awaits professionals at any given point of time. Yet, the inflow of personnel into this area has been minimal and the IIFF is trying its best to encourage more and more youth join the forwarding work stream.

IIFF is being promoted by the Federation of Freight Forwarders' Associations in India (FFFAI) since 2004 with an objective to train and develop human skills to match global standards. Since FFFAI is affiliated to the Geneva-headquartered FIATA, the institute too is affiliated to the international body which validates the course modules. "FIATA certification is accepted all over the world, hence there is extreme demand for our courses in freighting circles," informs the director.
The institute plans to offer distance learning and e-learning facilities and also promote research and development on subjects concerning the logistics industry.

The facade: The Academy Main Building complex (AMBC).
Inset: Namita Singh,head of Satnam Namita and Associates, who designed the project.

Ezhimala: A Naval Fortress

The Indian Naval Academy at Ezhimala, billed as Asia's largest with a strength of 750 personnel and 500 support staff, is the only centre in India imparting four-year B Tech courses in Electronics and Communications, and Mechanical Engineering for the newly inducted trainee officers.

*by **Sadhana***

Kannur, a seaside city in the northern part of Kerala, famous for forts and beaches, has established a strategic place in the naval map of India. Situated at an altitude of 286 m and 55 km from Kannur is Ezhimala, the formidable mountainous region bordered by sea on three sides. Flanked by the Arabian Sea, the inland waters and hillocks, the Ezhimala Naval Academy is considered Asia's largest officers' training institution.

This Indian Naval Academy functions under the Southern Naval Command based in Kochi. It is being shaped into a premier officer-training establishment of the Indian Navy and all officers inducted into the Navy, under various schemes, will have to undergo basic training here.

The Academy, say officials, will prove to be a research forum for all cadets and create intellectual warriors in the future. It is headed by Vice Admiral M P Muralidharan and Rear Admiral Kapil Gupta as the deputy commandant.

The Indian Naval Academy has commenced full-fledged training in June 2009 when the first batch of the B Tech programme commenced their course. The project, which is expected to incur a whopping cost of over Rs 720 crore, commenced basic training programmes, including four-year B.Tech in Electronics and Communications and Mechanical Engineering for all newly inducted trainee officers. The courses, recognised by the All India Council for Technical Education (AICTE), have been structured with the help of Delhi's Jawaharlal Nehru University. The syllabus and the curriculum have been drafted keeping in mind the current technical advancements and the skill sets

The Beginning

Though it took almost 22 years for the academy to come up, marred by litigation and acquisition delays, this centre of academic excellence has been the cynosure of all eyes after it was inaugurated by Prime Minister Manmohan Singh on January 8, 2009. Late Prime Minister Rajiv Gandhi laid the foundation stone way back in 1987 and the Cabinet approved the project in March 1995 to be executed in eight years. But the actual work started only in January 1998. The Kerala government came forward and provided 2,500 acres of land and basic infrastructure free of cost.

Historical facts

Ezhimala has got its own historical links associated with it. According to Hindu mythology, a piece of hill had fallen in this place when Hanuman was taking the whole hill with a medicine to Lanka for Lord Rama. Ezhimala is also called as the 'Mrithasangeevani garden' in early days and many rare medicinal herbs are found for Ayurveda purpose. It was once the headquarters of the Mooshika Kings during the Sangha period. This dynasty reached its zenith of glory during the regime of King Nandan. This region is also known as 'Elimala', 'Mooshika Sailam', 'Sapta Sailam','Mount Eli' and 'Mount the Eli' in history. It is also believed that Lord Buddha had visited Ezhimala. It was also one of the major battlefields of the Chola-Chera war of the 11th century. The first king of Mooshika Vamsham (Mooshika Dynasty) was Rama Ghata Mooshaka and his capital was Ezhimala.

Other attractions

Guru Freddy's Ashram started by the Belgium born Guru Freddy was also another attraction of Ezhimala till 1983. Known as the 'white Malayalee', he is a follower of Sri Narayana Guru and established his Ashram as per the advice of Nataraja Guru. The naval authorities acquired the Ashram in 1983. The Ezhimala beaches are also known for their rare view of Dolphin jumping. Carved stone pillars, an ancient mosque and an ancient burial chamber are seen at the foot of the hills. The Mount Dilli LightHouse remained a tourist attraction until it was acquired by the Govt. of India for building the Naval Academy.

Just right: *Prime Minister Dr. Manmohan Singh at the inauguration of the Indian Naval Academy at Ezhimala in January 2009.*

required to handle future acquisitions of the Indian Navy.

Apart from military training to groom the trainees into naval offices, a naval orientation course of 20 weeks for direct entry and short service commission officers (after graduation) in various branches of Navy and Coast Guard will also be conducted here. The total strength of the Academy in June 2009 is estimated to be 480 and the number is likely to go up to 1,200 by 2013. This would include officer trainees from the Indian Coast Guard and friendly foreign countries.

The following world class facilities are available at the Indian Naval Academy: well-lit, ventilated and spacious individual cabins for cadets' accommodation, 50 m Olympic size indoor swimming pool as well as a separate diving pool, athletics stadium, indoor basketball courts

Olympic size: *The well-equipped swimming pool.*

and several other playfields, world-class indoor firing range (under construction), watermanship training centre with several types of boats, modern classrooms, laboratories, workshops, library and auditorium and a comprehensive IT network connecting all facilities. All trainees will be provided with personal computers.

To keep pace with technological advancements, the academy will condition young aspirants with mental and physical attributes to perform under stress, think and react quickly and develop leadership qualities. In addition to this, the academy is according the highest priority to practical and hands-on training in seamanship, navigation, watermanship or damage control and firefighting.

The academy will be manned by a mix of uniformed and civilian personnel for the conduct of training and other administrative support functions. At its peak, there will be 161 officers, 47 professors/ lecturers, 502 sailors and 557 civilians. Along with the families of staff, the naval station will have a population of about 4,000. A well-designed township has been created to provide residential and other support facilities for these personnel.

Dream gurukul: *The cadet mess and squadro.*

The academy has completed seven passing-out parades. The recent passing-out parade was held on May 30 of which a total of 132 trainees, including 12 women, passed out after the successful completion of the 20-week course.

The academy, which covers an area of 2,452 acres along the North Malabar coast with a perimeter of 22 km of which 7 km stretch is beach, has three zones – training, administrative and accommodation zones. The academy's main building complex has the headquarters wing, service and technical training wings, laboratories, workshops, a library and a 1,736-seat auditorium. The academy plans to be a self-contained township with all facilities once the work gets completed.

INS Mandovi in Goa, which trains cadets for the three-year BSc entry scheme, will be shifted to this complex soon. However, INS Valsura in the Gulf of Kutch and INS Shivaji at Lonavala will continue to impart specialised training.

The Ezhimala Academy has INS Zamorin as the base depot ship, which was commissioned in 1985 for administrative and logistic support. The vessel derives its name from the Zamorins of Kozhikode (Calicut) – the dynasty which ruled Kerala's Malabar region between the 13th and 18th century.

The Academy also plans to induct foreign cadets soon. Many naval powers, including Japan and Korea, have evinced interest at Ezhimala.

The Academy also proposes to provide university education to its young officers in a military environment. The subjects are categorised into Physics, Chemistry, Mathematics, Meteorology, Oceanography and computers. Naval subjects are also covered during the training period.

Kavvayi backwaters, which forms a part of the academy, also has large forest area with a variety of flora and fauna. The watermanship training would be conducted at these backwaters. MG

Capt. Subhash Kumar

New chairman of Chennai Port Trust

Capt. Subhash Kumar took over as the new chairman of Chennai Port Trust from June 30 from K Suresh. Prior to this, he served as the deputy chairman of the port for 8 months. He also worked as the deputy chairman of Cochin Port Trust for 4 years and deputy conservator of JNPT and New Mangalore Port. His experience in shipping and port sector spans around 40 years. He is also a recipient of Bharatiya Udyog Ratan Award for his individual achievements and national development.

Matthew Ryan, appointed chief operating officer of CEVA Logistics, a leading supply chain management company.

K D B Nair

New CEO of Opal Group

K D B Nair has taken over as the director-CEO of the Opal Group of Companies (Opal Asia Logistics, Opal Shipping Agencies, Opal Asia Depot, Opal Asia Marine Services Pvt. Ltd. and Opal Asia Line) from July 1. Nair, till recently the India Owner's Representative of Simatech Shipping, has a working experience of over 26 years, 23 of which he spent in the shipping industry. He has been associated with organisations in the Middle East, East Africa and India. He also brings to the table his experiences and interactions with the likes of Contship, Hanjin, Hyundai Merchant Marine, Wan Hai and Messina.

Sudhir S Rangnekar

INSA's new CEO

Shipping industry veteran with over 36 years of experience, Sudhir S Rangnekar was appointed as the chief executive officer of Indian National Shipowners Association (INSA). Rangnekar, an IIT Mumbai and IIM Ahmedabad aluminus, served Shipping Corporation of India for 31 years where the last 10 years were as a member of the board of directors. The last position he held was MD and Group CEO of Sical Logistics, Chennai.

Ramesh Jaisingh relected as the chairman of the Bombay Oversees Freight Brokers Association for 2009-10 for the second term at the 56th AGM held in Mumbai in June.

Nirja Sheth, daughter of deputy chairman and managing director of GE Shipping Bharat Sheth, Nirja has joined wholly-owned subsidiary Greatship (India) as officer-marketing.

S S Kulkarni

Chief Operating Officer, INSA

Shashank S Kulkarni who has been serving as the Secretary General of INSA has been re-designated Chief Operating Officer. In his new role, he and his team will provide support to the new CEO.

Blue blistering barnacles!

Learning from Nature

Shipowners worldwide spend millions of dollars every year to get the hulls of their ships cleaned from unwanted colonisation of barnacles and other bacterial formations. Researchers from North Carolina State University claim they have come out with a unique wrinkled coating for the ship hull that can restrain barnacle formations which can save shipowners' pockets as well as the environment. They say they learnt the trick from Mother Nature.

Marine fouling will not only reduce the efficiency of the vessel but also increase the costs of hull maintenance.

Popularly called as 'marine fouling' in the marine jargon, barnacle formations are hard to clean and special equipments that will scrub hard the hull surface are being used to get rid of them. It is a known fact that such colonisations around the hull in huge scales can bring down the ship's propulsive fuel efficiency and thereby have a negative impact on the cost structures and revenues. Further, bottom of a ship's hull is painted with copper-based paints and when it scrubbed, copper is released into the water thereby causing water pollution. Thus, marine fouling not only impacts the shipping business through unsolicited costs, but also the marine environment, which is affected through water pollution endangering the survival of marine species.

Clockwise from left - barnacle formation on the soft whale skin, on a stone, and on a ship's hull.

> **For many years, shipowners fought barnacles by coating their hulls with toxic substances that resisted barnacle build-up.**

While many technologies and equipment are available in the market today to do away with the fouling from the hull, there is no concrete method to stop the fouling to happen in the first place. But now it looks like one sees the light at the end of the tunnel. North Carolina State University engineers have created a non-toxic "wrinkled" coating for use on ship hulls that resisted build-up of troublesome barnacles during 18 months of seawater tests, a finding that could ultimately save shipowners millions of dollars in cleaning and fuel costs.

The research conducted by Dr Kirill Efimenko, research assistant professor in the Department of Chemical and Biomolecular Engineering, and Dr Jan Genzer, professor in the same department, shows for the first time that surface coatings containing nests of different-sized "wrinkles" are effective in preventing barnacles from firmly latching on to the coatings. "The results are very promising," Efimenko said. "We are dealing with a very complex phenomenon. Living organisms are very adaptable to the environment, so we need to find their weakness. And this hierarchical wrinkled topography seems to do the trick."

Researchers created the coatings by stretching a rubber sheet, applying an ultraviolet ozone treatment to it, and then relieving the tension, causing five generations of "wrinkles" to form concurrently. The coatings were further covered with an ultra-thin layer of semi-fluorinated material. During ocean tests performed in Wilmington, North Carolina, the wrinkled materials remained free of barnacles after 18 months of seawater exposure, while flat coatings with the same chemical composition showed barnacle build-up after just one month in seawater.

Engineers and scientists have strived for decades to uncover ways to keep barnacles off ship hulls. Barnacle colonisation on a ship's bottom increases the ship's "drag" in the water, forcing the engine to burn more fuel to maintain the same speed. After six months in the water, a ship's fuel consumption increases substantially, Efimenko said. That costs shipowners – including the military – plenty of extra cash. "It's like running your air conditioner with the windows open," Genzer said.

Barnacle build-up also forces owners to remove ships from the water and place them on dry docks for cleaning. This expensive procedure costs ships valuable time at sea when they could be making money.

For many years, shipowners fought barnacles by coating their hulls with toxic substances that resisted barnacle build-up. But those substances killed fish and other marine life in harbours, causing governments around the world to ban ships from using them.

That led to increased interest in endowing the ship coatings with wrinkled topographies. The coatings share traits with surfaces found in nature, where rough surfaces such as shark skin generally stay free of debris build-up. In contrast, other marine species, such as whales, have smooth skin but often carry barnacles as unwanted hitchhikers.

The NC State team collaborated on the research with Drs John Finlay, Maureen E Callow and James A Callow from the University of Birmingham in the UK. The work was funded by the US Office of Naval Research.

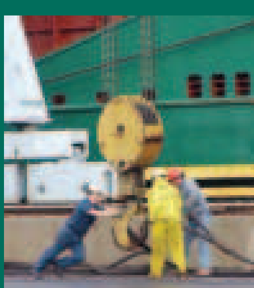
The global economic crisis is telling on transport workers the world around. Job losses and substantial cuts in wages can be seen in ports across countries. Thanks to the massive increase in casual and contract employment, port workers are being forced to opt for reduced working hours as per rationalised manning scales.

To discuss such 'union-busting' methods used by port managements around the world, 63 dockers' union leaders from 29 Asia-Pacific countries representing 47 ports gathered at a forum in Malaysia recently.

While recession-related issues have become a cause of concern of late, privatisation of port operations has been, for some time, threatening the jobs of dock workers and the existence of unions in Asia, the delegates unanimously agree.

"At times like these, unions have a role to play to look into issues relating to the welfare of dockers and also to help them through the transition process," says Nazery Khalid, the senior maritime researcher from Malaysia. "Good, proactive unions can act as partners to the management," he adds as he compares them to "the stereotypical unions of yesteryears that always take a contrarian, and at times adversarial, position against the management."

Dock, Stock and Barrel



As ports evolve their operations through the process of subcontracting and generating newer types of employment relationships, dock workers see the whole thing as detrimental to their conditions and rights. Union leaders view a via media as a viable option as they try to become proactive in their activism.

Elsewhere in Europe, France faces a fresh round of labour unrest as it plans to privatise seven state-controlled ports. Though workers have been resenting privatisation of container terminals for the last one year, they are laying down tools and mounting new challenges to the plans of the government. The CGT Union that represents France's longshoremen, is demanding fresh guarantees on jobs and wages. The ports of Le Havre and Marseilles – the country's container hubs – have registered a steep fall in box traffic last year owing to the indifference of the dockers.

According to delegates at the ITF regional conference held in Kuala Lumpur, "workers are bearing the brunt of failing financial mechanisms, capitalist greed and overdependence on the free market economy." The International Transport Workers' Federation (ITF) represents trade unions comprising 4.5 million transport workers in 148 countries. It expresses concern that managements are either asking workers to defer collective bargaining negotiations or are offering nothing at times.

India, Pakistan, Bangladesh, Japan, South Korea, Malaysia, Indonesia, Philippines, Thailand, Cambodia, Vietnam, Singapore and Australia were among the countries that represented at the Malaysia conference.

New manning scales, as per the National Industrial Tribunal Award, saw workers' unrest in some of India's major ports. While the marine department in Kochi Port witnessed a prolonged boycott of work, both the parties reached a consensus on the deployment of 12 crew members against the present 19 on tugs.

But the situation in Haldia dock complex is turning bad as contract workers are demanding a massive hike in their wages. They allege that contractors are paying them just half of the whole they are entitled to. As a result, loading of ships with sand and iron ore and unloading of trains is coming to a naught.

In the UK, permanent dockworkers of Great Yarmouth have been resisting the port's move to use casual labour for its terminal handling operations.

According to ITF regional secretary Mahendra Sharma, better coordination and solidarity among affiliates can help workers lobby and influence employers and governments on policies to help their lot. "The unions should organise all the workers in the transport industry – whether permanent, casual, contract or outsourced – to maintain bargaining clout," he notes.

Workers unions also opine that private port management and global terminal operators could hold periodic dialogue sessions with trade unions before embarking on large-scale outsourcing. Strategic learning seems to do good for both the parties. MG

Tax Holiday to Ports, ICDs, CFSs

Rationalising Rules

In the previous edition, the authors discussed clearance procedures required to be complied by Foreign Shipping Companies ('FSC') under section 172 of the Income-tax Act, 1961 ('IT Act') and practical challenges faced in that regard. In this article, they deliberate upon certain income-tax incentives to Ports, Inland Container Depots (ICD) and Container Freight Stations (CFS), in the backdrop of recent developments.

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

In commercial parlance, 'port' is a place of shelter where ships load and unload cargo for export and import. On the other hand, 'ICD' and 'CFS' are places where cargo is ordinarily kept before clearance by Customs Authorities with the objective of decongesting the functioning port. Yet, ICD and CFS are functionally distinct from each other, as has been clarified by recent Circular No. 18 dated June 8, 2009, issued by Central Board of Excise and Customs ('CBEC').

The said Circular explains that ICDs are self-sufficient custom stations and, for all practical purposes, a Customs House, at par with any port. On the other hand, CFS is only a custom area located in the jurisdiction of a Commissioner of Customs, exercising control over a specified port / ICD. Infact, an ICD may have number of CFS attached to it.

Under the provisions of IT Act, tax incentive is available under section 80-IA(4) to an enterprise for carrying out business of developing and / or operating and maintaining an 'infrastructure facility', subject to fulfillment of certain conditions.

The enterprise is eligible to claim 100 per cent deduction of its profits from such business for 10 consecutive years out of 15 years, beginning from the year in which the undertaking or enterprise develops and begins to operate any infrastructure facility.

Do ICDs and CFS come under 'Infrastructure facility'?The term 'infrastructure facility' (as amended by Finance Act, 2001) has been defined to cover a port, airport, inland waterway, inland port or navigational channel in the sea.

However, this definition as it stood prior to its substitution by Finance Act, 2001, read as under:

"a road, bridge, airport, port, inland waterways and inland ports, rail system or any other

public facility of a similar nature as may be notified by the Board in this behalf in the Official Gazette" (Emphasis supplied)

The Central Board of Direct Taxes ('CBDT') had, vide Notification No. SO 744(E) dated September 1, 1998 [as amended by Notification No. SO 391(E) dated May 28, 1999], separately notified CFS and ICD as 'infrastructure facility', being a public facility of a similar nature.

However, the Finance Act, 2001, w.e.f. Assessment Year 2002-03, introduced a new definition of the term 'infrastructure facility' under which the phrase 'any other public facility of a similar nature as may be notified by the Board in this behalf in the Official Gazette' was removed.

From a plain reading of the aforesaid amendment (as also clarified by CBDT Circular No. 7 dated August 26, 2002), the intention is to grant incentive under section 80-IA to ICD / CFS operations, where agreements were entered into on or after April 1, 1995 but on or before March 31, 2001. However, the deduction may not be available to ICD / CFS operations, if the same are carried out pursuant to agreements entered into after March 31, 2001.

As a result of this amendment w.e.f Assessment Year 2002-03, the notifications issued under old definition of 'infrastructure facility', arguably, lost their force with effect from April 1, 2001.

The need of the hour is to suitably rationalise section 80-IA to sort out issues and boost infrastructure sector.

"Following the recent CBEC Circular, it will be interesting to see how the income-tax appellate authorities interpret the term 'port' and 'inland port' vis-à-vis ICD and CFS."

In this context, recently, the Income-tax Appellate Tribunal, Delhi ('the Delhi Tribunal') in the case of the Container Corporation of India Limited, had an occasion to deal with the issue as to whether deduction under section 80-IA would be available to ICD operations, in light of the aforesaid amendment.

Container Corporation of India's case

Briefly stating the facts, the assessee, a public sector undertaking, is engaged in the business of transportation of containerised goods from ICD, CFS and Port Side Container Terminals spread all over the country. Transportation of containers was done through its owned wagons (i.e. rolling stock) on the Indian Rail system.

The issue before the Delhi Tribunal was whether the assessee was entitled to deduction under section 80-IA in relation to profits derived

from developing, operating and maintaining of the 'infrastructural facilities' (i.e. ICDs and rolling stocks).

Since, the definition of 'infrastructure facility' separately mentions 'port' and 'inland port', the Delhi Tribunal held that 'port' cannot be 'inland port'. Accordingly, it was held that ICD and CFS are separate 'infrastructure facility' and not part of 'port'. Further, the Delhi Tribunal observed that ICD and CFS were included in the extended meaning of pre-amended definition of 'infrastructure facility' by way of CBDT notification (supra). However, subsequent to the amendment in the definition, ICD and CFS ceased to be an 'infrastructure facility' and, therefore, their income was not eligible for deduction.

The Delhi Tribunal also dismissed the contention of assessee's counsel that ICDs are part and parcel of 'inland port', since, according to Delhi Tribunal, had it been included in the term 'inland port', the CBDT would not have notified ICDs as separate infrastructure facility and would have clarified that ICDs are part and parcel of 'inland port'.

It is worthwhile to note that relevant provisions of the Customs Act, 1962 and Rules and Regulations framed thereunder were not brought to the notice of the Delhi Tribunal. Further, in light of the recent CBEC Circular No. 18 dated June 8, 2009, it will be interesting to see how the income-tax appellate authorities interpret the term 'port' and 'inland port' vis-à-vis ICD and CFS.

Operations carried out through 'structure at the port'

Interestingly, CBDT Circular No. 10 dated December 16, 2005, has clarified that for the purpose of section 80-IA, a 'structure at the port' for storage, loading and unloading will be included in the definition of 'port', if the port authority concerned has issued a certificate to the effect that the said structure forms part of the port.

ABG Heavy Industries' case

This issue as to what constitutes 'structure at the port' came up before the Income-tax Appellate Tribunal, Mumbai ('Mumbai Tribunal') in the case of ABG Heavy Industries Ltd. In this case, the Mumbai Tribunal was required to adjudicate on whether deduction under section 80-IA would be available with respect to cranes operated at the port. The Mumbai Tribunal noted that a certificate from a concerned authority was obtained by the assessee, which clarified that the cranes were an integral part of the port. Accordingly, it was held that operations carried out by the assessee (through cranes) were covered within the extended definition of the term 'port'.

Overturning Ruling

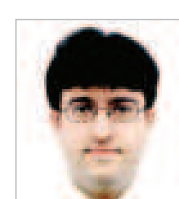
The Income Tax Appellate Tribunal has allowed ABG Heavy Industries Ltd to claim tax exemption on its income generated during 1997-1998 and 1998-1999 through hiring out of cranes to the JNPT. The tribunal agreed with ABG's contention that their activity was equivalent to the creation of a port, overturning its own ruling given in September 2006. The income generated by ABG has been termed as 'investment allowance' that is exempted from income tax under Section 80(I)A of the IT Act.

ABG has already contended that the Rs 80 lakh income generated through hiring out of cranes to the JNPT for 2000-2001 should also be treated as tax exempt in the wake of the appellate tribunal's ruling.

Courtesy: Renni Abraham/DNA

In light of the above, it will be interesting to explore whether the ICD / CFS can, in the alternative, be considered as a 'structure at the port', if a certificate is issued by the concerned authority in this regard. If such a certificate is indeed obtained, it may be contended that despite the above amendment in the definition of 'infrastructure facility', ICD / CFS are a 'structure at the port' and, hence, included in the definition of 'port' for the purposes of claiming deduction.

To provide a boost to the Indian infrastructure sector, it is the need of the hour that section 80-IA is suitably rationalised to sort out the above issues, especially, when India is expected to emerge as a major destination for container operations in the long run. MG



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

Q MARK

Garments-on-Hangers

Garments on the go. All Gung ho!

1 What is Garment-on-Hangers?

It is a system of transporting garments hung to hangers rather than folded in cardboard (corrugated) boxes. It is mostly used for high-end and valuable clothing.

2 What is its significance?

This is one of the most effective ways of transporting garments over long distances – across continents. It allows for smooth flow of the products across the supply chain.

3 How is it done?

Garments hung to hangers are primarily wrapped in polythene covers at the factory and are loaded (hung) into customised boxes. These boxes are then loaded into containers that go on a ship. At the destination (retail stores and malls), boxes are unpacked and hung on to the hangers during the night.

4 What are the benefits with this?

Protects the garments from damage during the voyage, removes the hassle of repacking or transferring items or open boxes, provides easy sorting, is highly efficient and improves productivity in the supply chain.

5 Who uses this service?

Fashion and apparel industries are the biggest users of Garment-on-Hangers service. The supply chain usually originates from Asian countries like India and China. Such garments are mostly exported to the US and European markets.

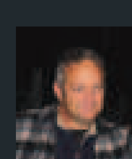
6 What is the size of this market?

It is estimated to be worth US$ 3.9 billion per annum in South Asia. India, Pakistan, Bangladesh and Sri Lanka alone are estimated to account for well over US$ 2.4 billion.

The day begins... at night

Nightfall could dawn the beginning of great work for many a night owl. Industries, especially in port cities, fall in the list. They light up the sky and make it just another busy day for workers to get set, go.

Every night is a busy day for thousands of people in the 'night shift'. As smoke billows out of furnaces and chimneys, darkness blends with the scintillating lights and the entire work area makes for a great visual treat.



Photos: **Peet de Rouw**
Peet, a former merchant marine sailor from the Netherlands, specialises in nautical photo-reportages. His free work can be seen at http://www.flickr.com/photos/nachtdienst or at www.denachtdienst.nl

MARKETS

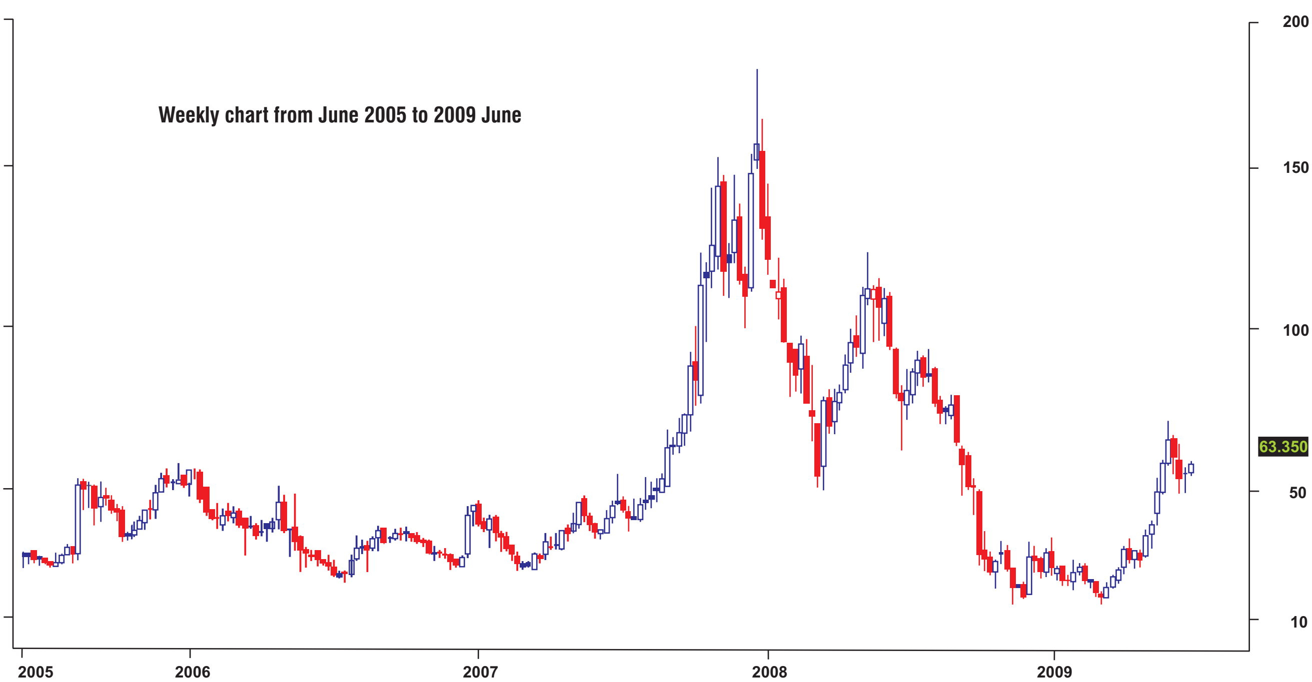
Mercator Lines Limited

Closing price as on June 30, 2009:
NSE: 63.35 **BSE:** 59.15

A glance at the 4-year run of Mercator Lines Limited (MLL) on the NSE indicates that this scrip experienced a major deviation during mid 2007 due to the surging exim trade volumes across the world. Shipping freight rates were skyrocketing during this time and along with other stocks in the shipping industry, MLL too rose at neck-breaking pace. It crossed the Rs. 185 mark by end 2007 which was the resistance level in that rally. From there began its rapid descent akin to its earlier rapid ascent. The year 2008 was a period of wide range of fluctuations for MLL and it further fell down due to the collapse of financial markets and the subsequent economic downturn. It went down as low as Rs. 25 limit for the first time. But due to the backward integration into coal mines, strong demand for coal imports, diversification into dredging and strong fundamentals, MLL bounced back in the first half of 2009. MLL has a strong fleet of bulk carriers, tankers and dredgers. While the bulk sector was quite affected in 2008, it is beginning to revive in this year and tanker market is going steady despite a recent fall. Dredging is considered to be a sunrise sector in India as almost all of the major ports and upcoming private ports across the country taking up dredging to increase their draft to accommodate bigger ships. Given this scenario, it is not surprising that MLL had made decent profit margins for 2008-09 and will continue to make so in the future. Its EBIDATA rose by 44 per cent and net profit by17 per cent YoY.

Projection for July 2009

In the month of July MLL will be traded on NSE between the range Rs.69 and Rs.56. While the resistance level can be experienced at Rs.75, support level can come at Rs.49. One may also expect some high volatility or fluctuations due to the central government budget announcement scheduled in July. The fluctuations may continue till the time the immediate effect will sink in.



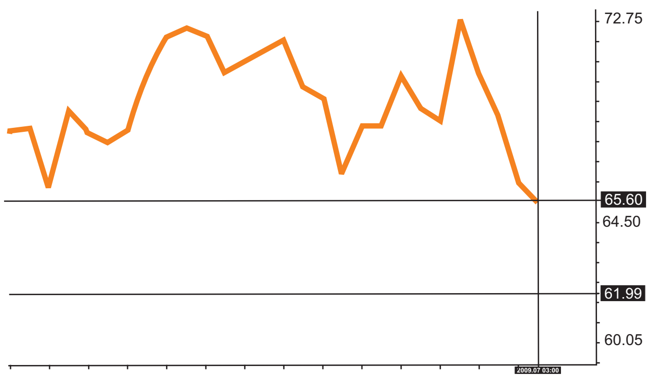
MLL in the last six months

- MLL's shipping revenue increased 50 per cent to Rs. 2211 crore for the year 2008-09. Vessel operating days rose by 13 per cent to 9970 during this period.
- Mercator Lines (Singapore) Limited, a subsidiary of MLL, has won Singapore Corporate Awards 2009 (SCA), in two categories viz; Best Annual Report Award (Bronze) in the "$300 million to less than $1 billion market capitalisation" category as well as the Best Annual Report Award (Silver) in the "Newly-Listed Companies" category.
- MLL has taken delivery of its new build Jack Up Rig at a cost of approx Rs 1000 crores from the world's leading shipyard Keppels FELS, Singapore. The rig was delivered on 11th March 2009 about three weeks before schedule and has been immediately deployed under a firm bare boat contract for a period of three years.
- MLL is planning to acquire three gearless post Panamax bulk carriers totaling 277,000 DWT on a charter basis for Rs. 500 crore. Out of the 3 vessels proposed to be acquired, two are from the New Yangzijiang Shipyard in China, which will remain with Mercator until 2014. The third vessel is from Sungdong Shipyard, South Korea and will be on a charter with Mercator until 2020.

Analysis provided by: R. Damodar Sai, Expert Advisers, Hyderabad

Crude oil price moment

Crude oil breached the US$ 72 level in June and has fell sharply to US$ 65.60 on July 3rd. If it breaks down below this level, further fall can be expected. This is a minor support level and hopefully it should recover from this level.



From June 1 2009 to July 3 2009

It looks like the movement of crude oil price in the recent months cannot be attributed to the rise in market demand. It is more to do with the gamble the oil market traders played in the last few months. Sensing that the forward prices were higher than the spot prices, oil companies and traders began stocking the cargo in an effort to realize higher margins after a few months. And this had led to the crude touching US$ 73.4 in June, the highest level after it sank to US$ 35 in February.

Source: Expert Advisers, Hyderabad

Road transport rates hiked

Following the government hike in diesel prices by Rs.2 per litre in India from July 1, truckers and transporters across the country have raised truck rental by as much as 8 per cent. This will have impact on the prices of all the goods and commodities at the consumer level as well as at the industrial level.

One year time charter rates (US$ per day)

Tankers	June Low	June High	2009 Low	2009 High
VLCC (modern)	35,000	35,000	35,000	55,000
Suezmax (modern)	27,000	27,000	27,000	40,000
Aframax (modern)	17,000	18,000	17,000	29,000
Lr2 105,000	18,000	18,500	18,000	30,000
LR1 80,000	16,000	16,000	16,000	26,500
MR 47,000	13,500	13,750	13,500	20,500

Dry Bulk	June Low	June High	2009 Low	2009 High
Capesize 150,000 dwt	31,000	35,000	18,000	36,000
Capesize 170,000 dwt	38,000	42,000	21,500	40,000
Panamax 75,000 dwt	18,500	24,000	11,000	20,000
Handysize 53,000 dwt	14,750	17,000	10,000	18,000

Source: www.fearnresearch.com

Ships sold for demolition in June 2009

Vessel name	Size	Ldt	Built	Buyer	Price (US$ per ldt)
MT Taipan	22,255	5,988	1980	Bangladeshi	300
CV OOCL Friendship	3,218 TEU	15,500	1987	Chinese	280
CV OOCL Freedom	3,161 TEU	15,500	1985	Chinese	280
BC Star Dover	43,082 TEU	11,300	1977	Chinese	245
CV MOL Columbus	2,996 TEU	15,204	1991	Chinese	265
RORO Kandalaksha	23,128	10,816	1984	Chinese	245
CV Msc Manila	1,150 TEU	10,000	1979	Indians	Undisc
MT Kasco	31,745	9,091	1981	Bangladeshi	280
PCTC Maltese Falcon	10,145	6,570	1978	Indians	260
MT Aktor	29,990	7,280	1986	Pakistani	280
PCC Morning Light	19,931	9,330	1978	China	243
PCC Morning Cloud	18,426	12,905	1978	China	240
CV Apl Tulip	859 TEU	6,736	1984	India	260
BC Hu Guan	53,521	11,191	1977	Chinese	245
MT Kashmir	45,000	8,771	1988	Indian (as is Fujairah)	240
BC Loverstar	41,051	8,341	1976	Indian	260
MV Sinai	16,746	7,204	1977	Indian	261
LPG Sigloo Norse	8,309 cbm	5,500	1982	Indian	270

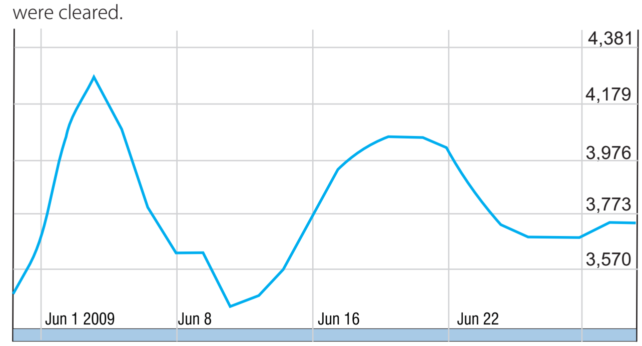
Source: Fearnresearch

Baltic Dry Index

Baltic Dry Bulk Indices as on July 6, 2009

Baltic Dry Index	3520
Baltic Capesize Index	6438
Baltic Panamax Index	3027
Baltic Supramax Index	1718
Baltic Handysize Index	749

DRY bulk freight derivatives traders returned to over-the-counter trading in June, in an unexpected and surprising revival. Around 83% of forward freight agreements have been settled using clearing houses since the freight market collapse in mid-September. Until then only half of all FFAs were cleared.



June 01, 2009: 3681 **June 30, 2009:** 3757
Percentage change during June 2009: 2.06%

Source: Lloyd's List

EXECUTIVE DIARY

JULY 2009

17-18

National Conference on Infrastructure & Ports

At AMA Auditorium, Ahmedabad

The conference, being organised by Saket Projects Ltd, will focus on emerging areas of opportunities in port-led growth & development with a special focus on India's port superstar Gujarat.

www.saketprojects.com/ports.htm

OCTOBER 2009

18-20

International Freight Week

At Abu Dhabi National Exhibition Centre

The event shall cover the entire transport and logistics industry. It attracts government officials and senior decision makers and exhibitors to demonstrate products and services to a high quality audience.

www.internationalfreightweek.com

28-30

5th Portech 2009

At Shanghai Marriott Hotel Hongqiao, China

The event invites top-level executives from the port industry worldwide to discuss the development trend of global ports in the economic crisis, the Asian strengths in the port business and focus on the tools and strategies necessary for the success of businesses relevant to China.

www.portechasia.com

SEPTEMBER 2009

07-09

TranSec India Expo

At Bombay Exhibition Centre, Goregaon, Mumbai

Tapping on to the huge success of TranSec World Expo, Services International jointly with Niche Events presents TranSec India Expo 2009 scheduled to be held during 7th - 9th September 2009 at Bombay Exhibition Centre, Goregaon, Mumbai, India.

India is one of the fastest growing economies in the world and its transportation infrastructure is developing at a phenomenal rate.

www.transecindia.com

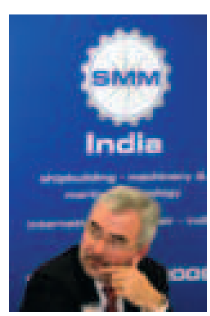
NOVEMBER 2009

12-14

SMM India 2009

At Bombay Exhibition Centre, Mumbai

The international trade fair will focus on shipbuilding, machinery and marine technology. Being held in parallel with Port International India, it will feature international speakers who will address current issues of the industry.



www.smm-india.com

DECEMBER 2009

02-04

Offshore Communications World Asia 2009

At Singapore

The event brings together the offshore oil & gas and maritime industries with technology providers to discuss and explore innovations and challenges offered through the latest communications and information technologies and solutions.

www.terrapinn.com/2009/ofc/

EVENTS

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

SEPT 24-25

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

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

www.transportevents.com

SEPT 24-26

INMEX India 2009
At Bombay Exhibition Centre, Mumbai

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

www.inmexindia.com

OCT 5-8

SCM Logistics World 2009
At Raffles City Convention Centre, Singapore

Leading supply chain and logistics professionals from some of the world's major brands and leading institutions will convene and discuss real supply chain challenges and issues during world recession.

www.terrapinn.com/2009/scmlog/

OCT 20-22

India Shipping Summit 2009
At Grant Hyatt, Mumbai

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

www.indiashippingsummit.com


NO CONGESTION, FASTER SHIPPING.
Looking for the fastest way to reach North America's heartland? Break away from the congestion and use the Port of Halifax. Handling post-Panamax vessels year-round, Halifax has the deepest berths on the East Coast. The Port boasts minimal throughput times and major intermodal links with rail and terminal capacity to grow. Make Halifax your Atlantic Gateway.
Call Sachin Singh today at +91 9899078758 or
e-mail: portofhalifax@jeena.co.in
Port of Halifax
www.portofhalifax.ca
Ambassador – India
Jeena & Co.
Tel: +91 11 25652546 Fax: +91 11 25652549