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PUBLISHER'S DESK

V emerge from R

If all good things must come to an end, so must all bad things or rather the not so good ones. The query recession logically led everyone to ask was: how long will it take to return to stability? And people have been coming up with interesting forecasts and explanations. Now, after months of angst, the R word seems to be receding. Or is it really?

At least the media is gung-ho about reports pouring in about who's in, who's out. France, Germany and Japan, reportedly the first ones to win the race, show the V-sign as the US and the UK – the great U's of the World – squeak an 'Oh Gosh!' But the early winners are yet to really feel an economic recovery, confess the leaders, as they gear up to grapple with risks like rising unemployment, renewed deflation and roving depression.

We talk about the prospects of a sustainable recovery and already the industry seems to be adapting to the prevailing economic conditions. As Maritime Gateway sets out to explore the global LNG market in times of turbulence, we see MISC Berhad, the Malaysia international shipping line, come across as a diehard optimist. The world's largest single owner/operator of LNG fleet with 29 carriers is focussing on infrastructural and technological advancements to keep it going and paying in the long run.

But lack of finances is hitting shipping companies hard. Several of them in India, with an ageing fleet, are seeking soft loans from the government and it seems unlikely that the Centre could help meet the fleet expansion target by the end of the Plan period. The starving ones could as well bake innovative ideas and surprise themselves with the cake. Well, the best coming out during the worst cries(is)!

Warm Regards,

Ramprasad, Publications Director
ramprasad@gatewaymedia.in

Letters

Catering to SE Asia

I am glad to know that Maritime Gateway has extended its outreach to Southeast Asian readership. We being a container liner operator based in Singapore, we are happy to read articles on the Indian maritime sector and also interviews with industry players. Keep up the good work.

Muthu Jagannath, general manager, Transliner Pte Ltd, Singapore

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OPINION Gagan Seksaria

Port Privatisation: The Next 100 Days

Political interference injects perceived risk and uncertainty in an already regulated investment option with a high cost of entry and this is a sure turn-off for investors.

The last decade, for the private container seaports sector, is akin to a high energy orchestra with the government in the conductor's seat alongside investors and operators playing the music. The cargo owners have offered keen applause. In 2008-09, private container terminal operators handled 81 per cent of container volumes in India, exactly opposite of the 19 per cent they had handled 10 years ago.

Port-efficiency has been dramatically impacted across the coast of India and now there are impressive differences between efficiency in a private terminal and a public one. For ex., JNPCT's 680-m terminal at Nhava Sheva handled 1.06 million TEU in the fiscal ended March 09. GTI, a relatively new operator handled 1.46 million TEU on a 712-meter quay in the same period making it over 30 per cent more productive than JNPCT per quay metre. At GTI's productivity levels, JNPCT could inject another 30 per cent to its own handling capacity or 10 per cent to India's largest and most important port. This is a simplistic comparison and there is little doubt that even at 1560 TEU per quay metre, JNPCT is one of the most productive ports in the world. The real comparison will be between Kolkata container terminal and JNPT or Chennai.

> There is a strong and rising private equity interest in India's port projects, the latest being US$ 161-million investment by 3i in Krishnapatnam Port. Decent placements were made in Mundra and Pipavav too.

Half of the 100 days have passed in which the shipping ministry, quite nobly, thought it could award six PPP projects. At best, not meeting the announcement will only be a relative loss compared with the last five years of private investment in Indian ports. At just over Rs 3,000 crore, it is less than half of the investments brought in the first five years of the decade. Thankfully, the trade downturn makes it appear that port users have infrastructure capacity to play with but at our 7 million TEU compared to China's 100 million, we've got work to do. Just the incredible difference in these two numbers suggests that the scope for growth is immense and private companies will readily invest in any project that comes along the coast and hence the need to encourage simultaneous capacity development instead of sequential.

The new rules are at the core of this slack. The recently published draft 'Major Ports Regulatory Authority Act 2009' is a significant move following the model concession agreement and guidelines for upfront tariff fixation. The nomenclature of the Act itself shows deep issues and reluctance to level the playing fields for Indian ports. Kandla and its 'non-major' competitor Mundra will continue to be a million miles apart even as they are only 70 km apart in reality. Besides, the intention to use one document across ports and varying kinds of cargo terminals disallows flexibility in the process.

Further, the two cornerstones of the new policy are: one, that every project will be approved by a PPP Appraisal Committee, chaired by the secretary in the finance ministry and constituting multiple stakeholders. The second is the upfront fixation of the tariff by a cost plus method which adds a lot of guesswork to the investment evaluation process given that costs are not clearly known before the project is operational.

The interest in PE points to a calculated willingness to depart from the funds' typical business model of having an exit horizon of 3-5 years on their investments since a port investment is a longer term, low risk, stable returns play. While this much-needed financial investor faith in the Indian port market is great news, the one thing that financial investors will not live with is opaqueness and regulation-driven uncertainty. They would rather hope that the government get out of the way. MG

Gagan Seksaria is a founding member of and a Principal in Tuscan Ventures.

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Fishing activity

Goa Port foresees trouble

Fishing trawlers of the Khariwada fishing jetty, dotting the seas off Mormugao, could lead to the port there losing a key global security code.

Mormugao Port Trust (MPT), a port since 1885, fears that the existence of a fishing jetty within its jurisdiction and close vicinity of the berth may force it into troubles.

"The frequent criss-crossing and operation of a large number of fishing boats and trawlers has resulted in captains of visiting ships expressing concern about the security scene in the MPT," port trust chairman Praveeen Agarwal said.

The port trust has issued a notice in local newspapers expressing their fear to lose revenue due to existence of this jetty within its jurisdiction.

"Such a fishing jetty has to be at a permanent location outside Vasco bay (which houses the port), otherwise MPT will lose its International Merchant Ships Facility and Port Security (ISPS) code compliance and merchant and passenger ships will stop calling at Mormugao Harbour completely," he said.

Agarwal said recently an international passenger cruise ship left the Mormugao habour within few hours of berthing due to the insecurity caused by fishing trawlers and boats.

He said ISPS compliance of MPT has also been questioned due to close proximity of the jetty to berths number 10 and 11 and due to large number of fishing vessels operating in the port operational waters.

International merchant ships and cruise passenger ships will not call at ports which do not comply with the ISPS code, Agarwal said.

He pointed out that MPT had signed a memorandum of understanding (MoU) in 1998 to shift the jetty outside the port jurisdiction. "The tripartite agreement was signed between Goa government, MPT and Goa fishing boat owners association."

Meanwhile, rubbishing that an MoU has been signed with the MPT, the state government said fishermen cannot be moved from the existing jetty till they are given a proper facility as promised by the port. "The MoU is yet to be signed with MPT. They will have to immediately shift the fishermen to temporary jetty within the port jurisdiction and later construct a jetty at Baina bay," state fisheries minister Joaquim Alemao said.

He said the MPT has assured to construct Rs 150-crore worth jetty which will help the fishermen to move away from the port. -PTI

Major ports

Throughput up by 1.89%

The first quarter of 2009-10 saw a flat growth in the throughput of major ports. All the 12 major ports of the country have registered a growth of 1.89 per cent in cargo traffic at 136.58 million tonnes as against 134.05 million tonnes in the corresponding quarter of 2008-09.

Nevertheless, the major ports collectively fell short of the shipping ministry's target of 143.03 million tonnes. Paradip Port registered the maximum growth of 25.35 per cent, while Kolkata Port witnessed the maximum decline of 18.73 per cent. On the container front, all the 12 major ports handled 1.05 million TEU of container traffic during the first two months (April-May) of 2009-10, a decline of 12.3 per cent over the corresponding period of 2008-09.

Port projects

Top global firms eye India

Global firms including Rio Tinto and Noble Group are interested in participating in India's Rs 558 billion ($ 11.5 billion) port expansion projects, Shipping Secretary APVN Sarma said.

India would build 50 new ports over the next five years as it looks to overhaul creaky infrastructure and reduce congestion at ports that is holding up trade and growth. "There is enthusiasm and lot of participation by the 'who's who' in the shipping and port sectors," he told Reuters.

Other consortia to show interest include ones with Portugal's top construction firm Mota-Engil, London-based investor Eredene Capital and local firms such as Larsen & Toubro.

The country would double port capacity to 1.5 billion tonnes by March 2012, when cargo traffic would also have doubled to 1 billion tonnes. The government would spend about Rs 450 billion on fleet expansion and inland waterways by 2012, he added.

Cargo ship

Seaways Valour calls at Chennai terminal

MV Seaways Valour of Seaways Shipping made its first call at Chennai International Terminals Pvt. Ltd. (CITPL) recently. The vessel carrying 150 TEU of finished fertilisers commenced coastal ocean carriage of these cargoes as part of the full end-to-end logistics chain. The vessel has 1158 TEU capacity with LOA of 145.250 mt and is the second service to call at CITPL since beginning operations in June 2009. CITPL, the second container terminal at Chennai Port Trust, is a joint venture of PSA of Singapore and Sical Logistics Ltd. of Chennai.

Krishnapatnam Port

Rail sidings start work

The inside port sidings at Krishnapatnam Port Company Ltd (KPCL) have become fully operational following the Railway notification 'Commercial Circular letter No. 171 of 2009'. The inside port railway yard consists of a main line and three loop lines – one each for iron ore, coal and general cargo.

With the opening of this siding, the rake handling capacity has increased to four rakes of iron ore unloading, three rakes of coal loading and two rakes of general cargo. On the first day of opening the sidings, nearly 700 iron ore indents were placed from the Bellary-Hospet sector.

The rail corridor will be built in two phases. The first phase, a 19-km line connecting the port to the Chennai-Kolkata main line, is already operational. Phase two will consist of 91 km of new broad gauge rail line between Obulavaripalle in Cuddapah district and Krishnapatnam Port.

Eden Channel

Haldia has an alternative

The survey to check the viability and necessity of the alternative riverine channel to revive the ailing Haldia Dock Complex under Kolkata Port Trust (KoPT) is expected to be completed in the next two to three months. Ministry of Shipping (MoS) has started work on the feasibility of the Eden channel, an alternative channel on the confluence of the Hooghly and Haldi Rivers.

More water will be diverted into the Hooghly to deepen the Haldia channel. Commissioning of this alternative channel will cost over Rs 60 crore and it will have a draft of 8.5-9 metres. A track survey of the new channel has already been conducted and the channel has been found fit for navigation.

2009H1 trade volume

DP World clocks 20 mn TEU

Global marine terminal operator DP World handled more than 20 million TEU across its portfolio of 49 terminals in the first six months of 2009. Those terminals that are consolidated for accounting purposes reported a throughput of 12.3 million TEU, a decline of 10 per cent against the same period last year.

CEO Mohammed Sharaf said, "The first half of 2009 has seen some of the most challenging operating environments our industry has ever known. Whilst DP World performed better, the 10 per cent decline in consolidated volumes will lead to an inevitable decline in first half profit before tax against the same period last year."

In the first half of the year DP World opened new terminal development at Doraleh, Djibouti and two terminals in Algeria, at Algiers and Djen-Djen, have joined the network taking the operational terminals to 49 across 27 countries.

2009 H1 Throughput Summary (TEU millions)

Approx. Region Splits	2008 H1	2009 H1	Decline 2009H1 v 2008 H1 (in %)
Americas and Australia	1.9	1.6	-16
Asia Pacific, India Subcontinent	3.0	2.7	-10
Europe, Africa, Middle East	8.7	7.9	- 9
TOTAL TEU	**13.6**	**12.3**	**-10**

Liquid terminal

Cochin Port invites bids

The Cochin Port Trust (CPT) has invited global tenders for setting up a multi-user liquid terminal at Puthuvypeen near the port. The proposed terminal would be used for bunkering and also to handle import of LPG.

CPT has appointed Feedback Ventures as the transaction adviser for the project, estimated to cost Rs 184.22 crore. The project will be awarded on a design, build, finance, operate and transfer (DBFOT) basis for a concession period of 30 years. After construction of the terminal, separate global tenders will be invited for operation, a port press release said.

Tuticorin Port

Record single-day traffic

Tuticorin Port handled a record single-day traffic of 1,17,641 MT to coincide with its 35th foundation day celebrations recently. By doing so, the port has bettered its earlier record of 1,16,595 MT handled in 2008.

The traffic included major cargoes such as industrial coal handled at the anchorage and copper concentrate, fertilisers and containers alongside the berth. Chairman G J Rao congratulated the employees of the port, cargo handling workers and port users for their contribution.

New facility: Meanwhile, a new additional photo pass section, exclusively for container trucks, has been declared open on the port premises recently. The additional pass section, situated on the service road in front of the Indian Potash Limited (IPL) godown, would facilitate smooth flow of container traffic through the 'blue gate.'

The facility, inaugurated by chief engineer N Sankar Rao, being operated through wireless mode for the first time, will improve the smooth flow of the container trucks through Blue Gate and help users to make productivity in handling of containers, the chairman added.

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NEWS

Q1 performance

Firms post mixed results

Thanks to the bad performance of international trade and increased supply of ships, shipping companies have had a rough sailing in the first quarter of the fiscal 2009-10.

According to Lloyd's Marine Intelligence Unit, nearly 10 per cent of the world's merchant ships are swaying gently at anchor. The situation has been no different for Indian shipping companies too. Here's a quick look at the performance sheet.

The Shipping Corporation of India Limited has reported a decline of 57.14 per cent in its net profit at Rs 1.2 billion for this quarter, down from Rs 2.8 billion in the corresponding quarter of the previous fiscal. Total income fell by 11.19 per cent to Rs 10 billion from Rs 11.26 billion.

Great Eastern Shipping Company Limited has registered a decline of 64.02 per cent in its consolidated net profit at Rs 1.54 billion, as against Rs 4.28 billion in the corresponding quarter of the previous fiscal. Total income fell to Rs 8.4 billion from Rs 11.51 billion in the corresponding quarter of 2008-09.

Mercator Lines Limited has registered a decline of 41.4 per cent in its net profit at Rs 444.8 million on consolidated basis, compared to Rs 759.03 million in the corresponding quarter of the previous fiscal. Total income fell by 9.33 per cent to Rs 4.47 billion compared to Rs 4.93 billion in the corresponding quarter previous year.

Essar Shipping Ports and Logistics Limited recorded a consolidated net profit of Rs 61.3 million, as against a net loss of Rs 727.5 million in the corresponding quarter of the previous fiscal. Total operating income of the company increased to Rs 6.76 billion compared to Rs 6.35 billion, registering a growth of 6.45 per cent.

Varun Shipping Company Limited registered a decline of 91.33 per cent in its net profit at Rs 18.49 million, compared to Rs 213.33 million in the corresponding quarter of the previous fiscal. However, total income of the company increased from Rs 2.08 billion to Rs 2.22 billion.

Shreyas Shipping and Logistics Limited recorded a net loss of Rs 27.13 million on stand-alone basis, compared to a net profit of 91.07 million in the corresponding quarter of the previous fiscal. Total income earned by the company fell to Rs 254.59 million from Rs 625.88 million in the corresponding period previous year.

ABG Shipyard registered a growth of 1.93 per cent in its net profit at Rs 479.2 million, compared to Rs 470.1 million in the corresponding quarter of the previous fiscal. Total income of the company increased to Rs 3.93 billion compared to Rs 2.72 billion.

Great Offshore Limited posted a growth of 84.84 per cent in its net profit at Rs 222 million, as against Rs 120.1 million in the corresponding quarter of the previous fiscal. During the same period, total income earned by the company increased to Rs 2.29 billion from Rs 1.79 billion.

Unused Alang plots

Lease revocation sought

It looks like the world's major ship recycling centre, Alang in Gujarat, India, has unused capacity. Some of plots leased by the Gujarat Maritime Board (GMB) for ship breaking are vacant and have been unused for several years. The GMB leased 173 plots in Alang and 38 of them are lying unsed, according to media reports.

While the world is reeling under recession, ship breaking industry is flourishing in these extreme times as shipowners all over the world are disposing of their excess tonnage to wade through the recession. While Alang has its hands full with ships to be recycled, officials at Alang are expecting the GMB to revoke the leases from those who have not used the plots all these years. Indian shipbreaking yards, it may be noted, are known globally for doing a good job and charging reasonable prices.

Secondary market

SCI to buy cheaper ships

Shipping Corporation of India Ltd. may buy four to five used ships later this year mainly to import coking coal under a planned joint venture with Steel Authority of India Ltd., a senior company executive said.

"A proposal for buying ships, possibly from the secondary market, is being discussed," the executive said. "It will be placed before the board in August."

The SCI is in talks to set up a joint venture with SAIL to own 25 per cent each in the joint venture, SCI chairman and managing director S Hajara said. The remaining stake could be offered to private partners, including local or overseas financial institutions, Hajara added.

Slow steaming

Maersk Line wins award

The Danish shipping major Maersk Line has been named Sustainable Shipping Operator of The Year for its reductions in energy consumption and emissions. The award, presented recently by Sustainable Shipping at a ceremony in London was given in recognition of Maersk's efforts in reducing the environmental impact of its business operations.

Maersk Line proved that two-stroke engines on container vessels were able to run continuously at low loads ensuring a more flexible and energy-efficient vessel operation. In 2007, Maersk Line initiated a study on 110 vessels which showed that despite traditional policy of 40 to 60 per cent as minimum engine load, it was safe to go as low as 10 per cent, sid Søren Stig Nielsen, Senior Director and Head of Sustainability in Maersk Line.

Being able to select any given speed down to 10 per cent engine load, enables a more flexible voyage and schedule planning as well as vessel savings amounting to 10-30 per cent fuel and CO_2. For a post-Panamax container ship it amounts to saving US$ 1 million equal to 3,500 tonnes fuel and 10,000 tonnes CO_2 per year.

Euromed service: The company has announced changes to its Euromed service (43G) serving Northern Europe to the Eastern Mediterranean with effect from July 20. The revised rotation, to commence from vessel Maersk Bintan 741/0919, will be Felixstowe-Rotterdam-Bremerhaven-Alexandria-Port Said-Haifa-Ashdod-Gioia Tauro to Felixstowe.

Changes to our current Euromed rotation are: Gioia Tauro removed from the Southbound rotation and added to Northbound and Haifa added Southbound.

Tourism boost

Cruise shipping policy okayed

The Indian government has approved Cruise Shipping Policy this year. With the implementation of this policy, experts hope the growth in diverse sectors would spill out and earn precious foreign exchange for the country besides generating enormous employment opportunities.

The cruise shipping policy includes various measures conducive to growth of tourism like development of facilities at ports and connectivity through rail, road, transport, air and metro, quick completion of immigration formalities, hassle free custom clearance and proper waste disposal system ensuring cleaner ocean.

With the world's most favourite cruising areas like the Carribean, Mediterranean, Alaska and some parts in South East Asia have become saturated, there is tremendous opportunity for Indian Ocean region and a great potential for India with its large coastline, say experts.

To boost cruise tourism, the government will provide Central Financial Assistance to State Governments/UT Administration/ Central Government agencies under these schemes:

(i) Product/infrastructure development for destinations and circuits

(ii) Large revenue generating project

(iii) Assistance to central agencies for infrastructure development

The government will also take the following steps:

(i) Relax Cabotage for cruise ships for a period of 10 years.

(ii) Offer rebate upto 50 per cent in vessel-related charges including berth hire and pilotage.

(iii) Develop marina for yachts and small boats at all important coastal tourist destinations like Goa, Cochin and Chennai on BOT/PPP model wherever possible.

Auto export yard

Sical signs MoU with MOL

Sical-MOL proposed joint venture for an automotive management yard at Ennore Port in southern India is expected to cater to India-based automotive exporters and importers.

Sical Logistics Ltd., India's leading provider of multi-modal integrated solutions for the logistics of bulk and containerised cargo, has signed a memorandum of understanding (MoU) with Japan's Mitsui OSK Lines Ltd. (MOL) to operate the automotives management yard at Ennore Port, near Chennai. MOL is among the world's largest shipping and logistics firms and one among the leaders in global automotive transportation.

Takashi Kurauchi, managing executive officer of Mitsui OSK Lines, and LR Sridhar, managing director of Sical Logistics, signed the MoU in the presence of S Velumani, chairman-cum-managing director of Ennore Port Ltd.

The joint venture will be engaged in yard operations such as storage and preparation for loading of vehicles at the export port and of all operations for exports of Nissan vehicles, for which MOL has already secured a contract.

The yard will manage automotives in CBU (complete built-up unit) form and will cater to automotive exporters/importers based in India.

The proposed JV will combine the expertise of MOL in global automotives transportation and yard management with Sical's competencies in multimodal integrated logistics and terminal operations.

Private equity

Caravel sells stake to buy vessel

Chennai-based logistics firm Caravel Logistics Pvt. Ltd., having its presence in warehouse and container shipping services, sold 17 per cent of its stake to Switzerland-based private equity firm BTS Investment Advisors Pvt. Ltd.

According to reports, money through the transaction will be used to buy a container ship of 700 TEU capacity in addition to setting up a container freight station in Chennai. Caravel has recently entered the coastal shipping service for transporting containers along the Indian coast. Currently, it runs the services through a hired container ship.

Logistics pacts

ABG-LDA to offer services

French shipping and logistics firm Louis Dreyfus Armateurs (LDA) and Mumbai-based ABG Ports Pvt. Ltd. have inked a 49:51 JV for offering efficient port and logistics services to customers and Indian ports. ABG also plans to transfer the group's bulk handling division to the new JV.

ABG-LDA plans to invest US$ 80 million by October this year to buy barges and cranes for operations. The JV hopes to drive a revenue of Rs 180-300 crore.

Frost & Sullivan

DHL wins awards

DHL, the leading logistics company, has been recognised for its industry-leading excellence in Asia Pacific with five wins at the 2009 Frost & Sullivan Asia Pacific Transportation & Logistics Awards. At a ceremony in Singapore held recently, the company received two of the coveted regional 'Best Practices' awards - Manufacturing Logistics Service Provider of the Year and Green Logistics Service Provider of the Year.

The Frost & Sullivan Asia Pacific Transportation & Logistics Awards are held annually to recognise outstanding performance by companies in the transportation and logistics industry in the Asia Pacific. The awards are based on in-depth discussions with industry players and end-user companies as well as research and Frost & Sullivan analysis.

DHL senior management with the award.

LCL consolidation

Wilson Pipeline revamped

The worldwide restructuring of Wilson Sandhu Logistics (India) Ltd. has just finished and this includes its worldwide LCL consolidation service, Wilson Pipeline from India to Europe, the US, Canada, Persian Gulf, South America, Australia and New Zealand. The services are operated from Nhava Sheva and the ICDs nearby, and cover all the major ICDs and gateway ports in the country.

Wilson Pipeline, its LCL consol service, has been in operation since 1993 and is registered as a multimodal transport operator with the ministries of Shipping and Road Transport. WSL is one of the leading players in the Scandinavian trade route.

Project cargo

Panache lifts up

Project cargo weighing 287 tonnes was discharged at Kolkata Port recently. Vessel M V Atlant Regine was carring the consignment for Reliance Power. Agency house Panache Shipping Services Ltd. carried out the unloading operation through a heavy-lift vessel on to a barge positioned between the vessel and the berth.

The transport assignment, said Panache, has boosted its confidence in precision application for the smooth operations of project cargo handling. The agency has offices in Kolkata, Haldia and Visakhapatnam.

Fung Capital

Future's logistics arm gets stake

Hong Kong-based private equity firm Fung Capital has picked up about 26 per cent stake in Future Group's logistics arm Future Supply Chain Solutions and will pump in US$ 30 million for expanding the firm's supply-chain network.

"Fung Capital has agreed to invest US$ 30 million in phases, of which US$ 10 million will be injected immediately. They have taken up to 26 per cent stake," Future Group founder and CEO Kishore Biyani said in a statement.

The group is also proposing to rename its logistics subsidiary as Future Supply Chain Solutions as a recent Madras High Court order restrained it from using the trade name 'Future Logistics' on a petition filed by Chennai-based namesake.


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Edible oils

Imports on, taxes off

State-owned public sector undertakings will import edible oil depending on demand from states and the government will hold off imposing import taxes till November.

Indian state-run trading firms will import edible oils for subsidised distribution, Agriculture Minister Sharad Pawar said. Government firms stopped importing edible oils last November after they imported about 360,000 tonnes as there was no demand from state governments after international prices fell.

Meanwhile, a leading industry analyst said India, the world's top buyer of vegetable oils so far this year, will hold off imposing import taxes until November as a patchy monsoon curbs oilseed output and consumption rises.

Dorab Mistry, head of vegetable oil purchasing at Indian conglomerate Godrej International, said he would keep his earlier estimates of India importing 8.5 million tonnes for the oil marketing year ending October 2009 as a result.

“We must expect the new higher level of per capita consumption in India to continue at least for the foreseeable future,” Mistry said in a speech delivered in Turkey for a palm oil conference.

“India will continue to import between 650,000 and 700,000 tonnes per month.”

India’s imports outpaced China’s this year after prices fell sharply and the government scrapped import taxes on edible oils like soyoil and palm oil in March last year. A patchy monsoon in India’s oilseed producing states has fuelled orders even further, although better rains in July have raised hopes for a near-normal harvest.

Indian traders expect the government to re-impose the duty in September, ahead of the crushing season in October, although it could wait until after a string of festivals that starts with the Muslim festival of Ramzan in the third week of August and ends with the Hindu celebration of Diwali in mid-October. The bulk of the country’s vegetable oil imports are sourced from Indonesia and Malaysia, the top palm producers.

Mistry also maintained his forecasts for Malaysian palm oil stock trends, with inventories staying below 1.4 million tonnes in August and peaking in November at around 1.8 million tonnes. -Reuters

Demand recovers

Cotton exports likely to rebound

India’s cotton exports are likely to rebound in 2009-10 with 1.4 million tonnes of the fibre projected to be sold in the overseas market, an international cotton body said.

“Indian exports (cotton) are expected to rebound strongly in 2009-10 to 1.4 million tonnes,” the International Cotton Advisory Committee (ICAC) said in a statement.

The fibre export from India, the world’s second largest cotton producer, dipped substantially last year as Indian prices remained uncompetitive amid global economic slowdown that hit demand badly, according to industry experts. The shipments are estimated to be below 1 million tonnes in 2008-09, they said.

According to ICAC, the global cotton demand is expected to recover slightly this year depending on an improvement in the world economic growth. The demand is forecast to recover marginally to 23.5 million tonnes in 2009-10, it said. -PTI

White sugar

Govt. extends duty-free imports

India, the world's top consumer of sugar, has issued a formal order to extend duty-free sugar imports, according to a government statement.

Agriculture Minister Sharad Pawar told the parliament that India has extended its scheme to allow duty-free raw sugar imports until March and white sugar imports up to November.

Private traders – who are registered with the Agricultural and Processed Food Products Export Development Authority – have been allowed to import white sugar till the extended period along with three state-owned firms.

The government's move to allow imports of up to 1 million tonnes of tax-free refined sugar until November 30 is expected to help prevent a shortage and keep prices under control.

Seafood import

China threatens ban

Beijing has threatened to ban import of seafood and other food products from India if New Delhi continues to restrict import of milk products from China, according to the government.

"The Chinese side ... said that if India insists on this decision (to ban import of milk and milk products, including chocolate and chocolate products), China will respond to the safety and quality issues for imported products from India," Minister of State for Commerce and Industry, Jyotiraditya Scindia, said in a written reply to the Parliament.

In a response to the extension of ban on milk and milk products, including chocolate exported by China to India till December 24, the General Administration of Quality Supervision, Inspection and Quarantine of China had conveyed that it had encountered food safety problems in imported food products from India, including seafood products. China, however, has not imposed a ban on import of the food products, Scindia said.

The government has conveyed to the neighbouring country that India has taken note of their concerns.

Territorial jurisdiction

FIEO flays service tax net

President of the Federation of Indian Export Organisations (FIEO), A Sakthivel, stated that the extension of territorial jurisdiction in the Budget 2009-1020 will substantially expand the service tax net on activities in the entire CSI (extending 12 nautical miles) and EEZ (extending 200 nautical miles) from the land mass of India. Besides, this would increase cost of offshore exploration (for oil & gas) and increase cost of both export and import. Since many ports do not have adequate draft and since vessels have to go through transshipment and barges, this would add to the cost of imports & exports, which will ultimately have to be borne by the shipper.

TCC honours Sakthivel: FIEO President A Sakthivel was felicitated in Chennai recently for being presented the Padma Award by the Indian government. Chozha Naachiar, president of the Tamil Chamber of Commerce honoured the FIEO chief with a shawl. Ajay Sahai, director general of FIEO, M Rafeeque Ahmed, ex-chief of FIEO, Sivakkanan, Member of the Managing Committee of FIEO, Elais Sait, Secretary General of Seafood Exporters Association of India were also present.

Chozha Naachiar, president of the Tamil Chamber of Commerce, honouring A Sakthivel, president of the FIEO in Chennai.

Foreign trade policy

Indian exporters hit hard

India Inc. is opposed to protectionism practised by the European Union (EU) by way of agriculture subsidies and non-tariff barriers on services exports and faces adverse conditions in the European market, especially the pharma and IT sectors, a survey by has revealed.

The Federation of Indian Chambers of Commerce and Industry (FICCI) survey on India-EU Trade Relations reveals that Indian exporters are seriously affected by the huge amount of subsidies enjoyed by EU farmers through free seeds and fertilisers and a freight subsidy to producers.

LNG TRADE LINGERS

The world LNG trade faces a rare situation. As production and terminal projects face delays and freight rates go down thanks to overcapacity in the fleet, the addition of 40 more ships this year could further spur the surplus. While the jobless market waits for the economic crisis to ebb, India's initiatives in gas exploration trigger an interesting debate, examines Radhika Rani G.

Think energy, talk energy, trade energy. The slogan syncs with the road show of a different kind set off recently in Mumbai where energy was exuded, explained and exchanged! Well, India's largest ever auction of oil and gas exploration areas has just begun, with the government offering 70 oil and gas exploration areas and 10 coal bed methane blocks as part of the eighth edition of the New Exploration Licensing Policy (NELP).

The exploration areas that include 24 deepwater and 28 shallow water blocks are likely to attract investments worth US$ 3 billion (Rs 14,457 crore) for the government. Petroleum Minister Murli Deora looks energised. "NELP is India's success story in its endeavour to achieve self-sufficiency in hydrocarbons," he beams, summing up the mood at the promotional do that is to hit the US and the UK in the next few weeks.

Over 100 firms, including global giants like Anadarko Petroleum, South Korea's Samsung and Noble Energy, attended the show, perhaps to make hay when the recession shines. The presence therefore is self-explanatory, petroleum secretary R S Pandey affirms as he anticipates a positive response to gas exploration bids.

LNG the choice

In the wake of imminent dangers posed to nature by energy-related emissions like carbon dioxide and greenhouse gases, sustainable energy supply and consumption models have become sensible means. What is needed is nothing short of an energy revolution, says Fatih Birol, chief economist at the International Energy Agency. "Securing the supply of reliable and affordable energy; and effecting a rapid transformation to a low-carbon, efficient and environmentally benign system of energy supply are the two central energy challenges facing us today," Birol explains.

As the awareness of the adverse impact of oil and coal consumption on the environment and the nuclear energy grows, natural gas is tipped as the next big energy option. Liquefied Natural Gas or LNG, say experts, has become a method of choice in satisfying growing gas and power generation demand.

World LNG demand, according to Ocean Shipping Consultants, is likely to rise from 158 billion cubic metre (bcm) currently to 269 bcm by 2010

and to 428.5 bcm by 2020. It may be pointed out that natural gas as an energy source in Asia was only 10 per cent of the total primary energy use in 2000 against the world average of 23 per cent. But a decade down the line, with rising natural gas demand and limited gas reserves in Asia Pacific countries, new opportunities have opened in the continent.

In a way, LNG remains a growth market and expenditure levels could see an upward trend, say experts. Lucy Miller of energy analysts Douglas-Westwood observes, "Asia has the largest proportion of global LNG expenditure. Between 2008 and 2012, the region accounts for 43 per cent of the US$ 106.8 billion of our global forecast." As overall capital expenditure (Capex) is set to reach new highs, US$ 106 billion is projected to be spent on export terminals, LNG carriers and import terminals over the next five years, the market researcher adds. As for terminal building activity, it can be seen in Thailand, the Philippines, Singapore, Myanmar and New Zealand.

What is LNG?

Natural gas at -161 degrees celcius transforms into liquid. This is done for easy storage and transportation since it reduces the volume occupied by gas by a factor of 600. LNG is transported in specially built ships with cryogenic tanks. It is received at the LNG receiving terminals and is regassified to be supplied as natural gas to the consumers. LNG projects are highly capital intensive in nature. The whole process consists of five elements:

1. Dedicated gas field development and production.
2. Liquefaction plant.
3. Transportation in special vessels.
4. Regassification Plant.
5. Transportation & distribution to the Gas consumer.

LNG supply contracts are generally of long-term nature and the prices are linked to the international crude oil prices. However, the LNG importing countries in recent times had started asking for medium/short term contracts with varying linkages.

Global LNG business

While the delivery of very large LNG carriers and offshore production of LNG were the centre of attention during 2008, chronic overcapacity in the fleet combined with the slowdown in projects seems to have tempered optimism this year.

According to Barry Rogliano Salles, LNG fleet had reached a total of 296 ships by the turn of 2009, including 61 carriers delivered in 2008, taking the total carrying capacity to 41 mcbm. This represents an increase of around 20 per cent in global LNG shipping capacity.

The excess capacity of tonnage, says the shipbroking firm, has created a rarely seen state of affairs in the LNG shipping market – many ships are awaiting employment. And this in turn, has had an immediate impact on rates, especially those concerning short-term charters, BRS concludes.

"The short to medium-term charter market fell due to increase in the number of open vessels resulting from delayed gas projects and falling gas demand from the third quarter of 2008," is how MISC Berhad, the world leader in LNG shipping, sees the emerging trend.

Meanwhile, the current global fleet has reached 319 with a total cargo carrying capacity of 45.2 million cubic metres (cbm). Another 56 LNG vessels of 9.7 million cbm on the orderbook, held mainly by South Korea and Japan, are scheduled to be delivered over the next three years, informs Navin Thakur, LNG shipping analyst at Drewry Maritime Services.

Order book delivery schedule by Shipyard

Shipyard	2009	2010	2011	2012	Total
Daewoo H.I.	6	8	5		19
Hanjin H.I.	1				1
Kawasaki H. I.	2	1		2	5
Mitsubishi H.I.	1	1			2
Samsung H.I.	11	6	5	2	24
Hudong S.B.	2				2
Imabari	1				1
Hyundai Samho H.I.	1				1
STX S.B.		1			1
Total	25	17	10	4	56

Source: Drewry Maritime Services

On the other hand, production of LNG using offshore installations seems to be an economically viable option in the face of falling oil prices and depleting conventional natural resources. Shipyards, shipowners and energy companies have identified the potential in this segment that is opening up to a wider market. According to BRS, Samsung and Shell are working in the area of developing floating LNG

India demand

By 2010, the annual import total for the Asian markets is forecast at 21 bcm, rising to 38 bcm by 2020, Ocean Shipping Consultants predicts.

While natural gas demand in India is about 179 million metric standard cubic metre per day (mmscmd), the domestic supply is only 87 mmscmd. Out of this, after internal consumption, extraction of LPG and unavoidable flaring, around 74 mmscmd is available for sale to consumers, says the Ministry of Petroleum and Natural Gas.

India has allotted 68 per cent of its 3.14 million square kilometres of area for exploration. While the search has been initiated in only 15 of the 26 sedimentary basins, the government aims to auction the remaining 1 million square kilometres in the next two to three years.

Further discoveries and their development are likely to fuel the economy by bringing down India's 70 per cent crude imports, the government hopes. Major natural gas production in KG basin that commenced in April 2009 is set to produce 80 million cubic metres of gas a day by December and is hoped to double India's gas production and earn about US$ 42 billion revenue.

Oil and gas, being critical input for downstream industries like petrochemicals, fertilisers and energy, occupy 45 per cent of India's primary energy requirements. Ironically, the country has enough reserves to tap for domestic consumption. According to V K Sibal, director general (Hydrocarbons), India holds about 205 billion barrels of hydrocarbon resources. Of this, only 67 billion barrels has been established through drilling while 138 billion barrels more is yet to be found.

"There is a huge gap between resources and established reserves, so it provides a big opportunity to E&P companies," Sibal sounds optimistic.

The country's main producers of natural gas are Oil & Natural Gas Corporation Ltd. (ONGC), Oil India Limited (OIL) and JVs of Tapti, Panna-Mukta and Ravva. Under the

"The Government is committed to intensify the pace of oil and gas exploration to bring 80 per cent of Indian sedimentary basin under exploration by the end of Eleventh Plan by 2011-12."

-Murli Deora,
Minister of Petroleum and Natural Gas

production sharing contracts, private parties from some of the fields also produce gas. The government, under the NELP, has been allowing private and public sector companies with the right to market gas at market determined prices.

Most of the production of gas comes from the western offshore area. The onshore fields in Assam, Andhra Pradesh and Gujarat States are other major producers of gas. Smaller quantities of gas are also produced in Tripura, Tamil Nadu and Rajasthan. While OIL operates in Assam and Rajasthan and markets on its own across the country, GAIL does the job for it in Rajasthan. ONGC operates in the western offshore fields of Mumbai High and other states and again GAIL markets the gas and a part produced by the JV consortiums. On the other hand, gas produced by Cairn Energy from Lakshmi fields and by Gujarat State Petroleum Corporation Ltd. (GSPCL) from Hazira fields is sold directly at market determined prices.

India's LNG fleet

While all these exploration efforts hope to make India self-sufficient and perhaps even take it to the league of major LNP exporting nations like Algeria, Qatar, Indonesia, Malaysia and Australia, the country for now is in the list of importers like Japan, South Korea, Taiwan and Western Europe. Be it imports or exports, the country needs terminals and even a fleet of its own to transport the hydrocarbons.

As world LNG demand is likely to grow on an average of 7.6 per cent each year, increased vessel building programme too is the need of the hour. "Unfortunately none among the world fleet has an Indian Flag," says Navin Thakur. "The two dedicated vessels for LNG trade in India – Disha and Raahi – both have Malta flag and have been employed by Petronet LNG to ship LNG from Qatar to Dahej LNG terminal in India." Besides these two, other LNG carriers discharge at Dahej and Hazira LNG terminals, but they are not tied to any long-term contract.

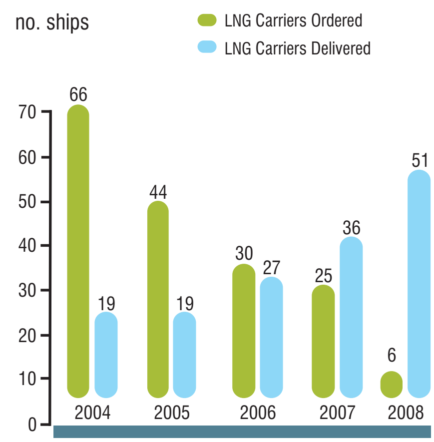
For now, two LNG terminals are fully operational in India:

- Dahej LNG terminal (Capacity 10 mtpa)
- Hazira LNG terminal (Capacity 3.6 mtpa)

Besides these, other projects are:

- Ratnagiri Gas and Power Limited (formerly Dabhol) LNG Terminal (Capacity 5 mtpa) – under construction and due to come online this year.
- Kochi LNG terminal, being developed by Petronet LNG, is in the advanced stages of planning.

NUMBER OF LNG CARRIERS ORDERED AND DELIVERED



Source: Barry Rogliano Salles

The projects in India

- Petronet LNG Limited (PLL), a JV promoted by GAIL, IOCL, BPCL and ONGC was formed for import of LNG to meet the growing demand of natural gas. PLL has constructed a 5 mmtpa capacity LNG terminal at Dahej in Gujarat. The terminal was commissioned in February 2004 and commercial supplies commenced from March 2004. PLL is planning to expand this terminal to 10 mmtpa by 2008-09 to meet the growing demand of LNG.
- Shell's 2.5 mmtpa capacity LNG terminal at Hazira has been commissioned. The Rs 27 billion Dabhol LNG terminal (total 5 mmtpa capacity, with about 2.9 mmtpa available for merchant sales) may also become operational soon. LNG terminals at Kochi in Kerala, Mangalore in Karnataka and Krishnapatnam/Ennore in Tamil Nadu are also under active consideration and may fructify in next 4-5 years.
- The price of LNG for the Dahej project is linked to the JCC crude oil price. It has a fixed price for the first five years and a floating floor and ceiling price thereafter. The selling price of LNG in Gujarat is US$ 4.87 per mmbtu (Rs 8777/mcm) and outside Gujarat is US$ 4.88/mmbtu (Rs 8800/mcm LNG is comparatively cheaper than alternative fuels/feedstock like naphtha, furnace oil, LSHS and light diesel oil

According to experts, India's LNG imports are likely to touch 62 million tonnes by the year 2012 and 84 million tonnes by 2025. "And to transport such a large quantity, the country will need about 25 LNG vessels by 2012 and 34 by 2025," says Amit Mitra, secretary general of FICCI. Indian shipowners could well gear up to meet this future demand keeping in view that most LNG exporting countries hire their own flag fleet rather than depend on third-party vessels.

Assuming that each LNG vessel can transport 2.5 million tonnes per year, the value added by a unit of gross registered tonnage (GRT) will be around Rs 2,211 to the Indian economy, says a study. "This would

The ABC of LNG

Where does LNG come from?

A majority of the world's LNG supply comes from countries with large natural gas reserves. These countries include Algeria, Australia, Brunei, Indonesia, Libya, Malaysia, Nigeria, Oman, Qatar, and Trinidad and Tobago.

What countries import LNG?

There are 60 LNG receiving terminals located worldwide. Japan, South Korea, the United State and a number of European Counties import LNG.

How is LNG transported?

LNG is transported in double-hulled ships specifically designed to handle the low temperature of LNG. The carriers are insulated to limit the amount of LNG that boils off or evaporates. This boil off gas is sometimes used to supplement fuel for the carriers. LNG carriers are up to 1000 feet long, and require a minimum water depth of 40 feet when fully loaded.

How is LNG stored?

When LNG is received at most terminals, it is transferred to insulated storage tanks that are built to specifically hold LNG. These tanks can be found above or below ground and keep the liquid at a low temperature to minimize the amount of evaporation. If LNG vapors are not released, the pressure and temperature within the tank will continue to rise. LNG is characterized as a cryogen, a liquefied gas kept in its liquid state at very low temperatures.

How is natural gas stored?

Natural gas may be stored in a number of different ways. It is most commonly stored underground under pressure in three types of facilities such as depleted reservoirs in oil and/or gas fields, aquifers and salt cavern formations.

How is LNG used?

LNG is normally warmed to make natural gas to be used in heating and cooking as well as electricity generation and other industrial uses. LNG can also be kept as a liquid to be used as an alternative transportation fuel.

Why use LNG?

Natural gas is the cleanest burning fossil fuel. It produces less emissions and pollutants than either coal or oil.

Is LNG flammable?

When cold LNG comes in contact with warmer air, it becomes a visible vapor cloud. As it continues to get warmer, the vapor cloud becomes lighter than air and rises. When LNG vapor mixes with air it is only flammable if it's within 5-15 per cent natural gas in air.

What about security?

All LNG ships must comply with all pertinent local and international regulatory requirements, which include regulations and codes set forth by the International Maritime Organization (IMO).

mean that if India acquires an LNG fleet of 25 vessels by 2012 there would be a value addition to the economy of Rs 519.60 crore (assuming that one LNG ship is 1,38,000 or 94,000 GRT). Similarly, an LNG fleet of 34 ships would mean a value addition of Rs 704.6 crore to the economy," reasons Amit Mitra.

Also, India has a 20-year LNG supply contract with RasGas in Qatar for the supply of 7.5 mtpa of LNG. The LNG is being shipped at Dahej LNG terminal. Hazira LNG terminal is not tied to any long-term contract. It only imports short-term/spot LNG cargoes.

In August 2009, Petronet LNG signed a 20-year SPA with Exxon Mobil Corp for the supply of 1.5 mtpa of LNG to be discharged at Kochi LNG terminal. The LNG would be supplied from Gorgon LNG plant in Australia. The agreement is deemed historic as it is the first long-term sale of LNG from Australia to India.

Since Petronet LNG has signed the SPA deal with Australia, a minimum of two dedicated standard LNG vessels (145-170,000 cbm) would be required to ship LNG from Gorgon LNG to Kochi LNG terminal. "But ordering new vessels for the project looks unlikely," says Navin Thakur. In the current fleet itself, there are plenty of LNG carriers available for employment. Therefore, in all probability the business might go to some of the relatively newer ships in the LNG fleet, irrespective of their flag.

Industry observers hail the pact since long-term agreements seem to be the only answer to supply and price uncertainties, especially in this sector.

As the demand for natural gas rises given the limited indigenous gas reserves in many Asia Pacific countries, India has all it takes to become potential LNG exploration hub. But will the shipping industry gear up to seize the opportunity is not yet clear. MG

INSIGHT

Imports to go on

Navin Thakur, a leading LNG shipping analyst at Drewry, is optimistic about gas generation in India that is to happen through various exploration sites being set apace. India, he reasons, may not be a leading exporter given the domestic demand for natural gas. To add to this, the country does not have liquefaction infrastructure in place.
"At the moment, there are no plans of any company planning to build a liquefaction terminal in India. Therefore, scope for gas shipping at the moment appears to be limited," he tells **Maritime Gateway**. Excerpts from an interview.

How does the shipping industry see an opportunity in gas exploration drive initiated by the Indian government through NELP?

India is a net importer of gas. In the KG basin, awarded to various industry players through NEPL process, approximately 95 mmscmd (million metric standard cubic meters per day) gas productions is planned by 2012-13. Taking all the supply sources into account – existing production, KG-Basin planned production and LNG imports – India will still have a deficit of approximately 45 mmscmd. Demand deficit is not going to come down even if the KG-Basin production comes online as per the schedule. These numbers are based on Government of India and our assessment of the market. Therefore, the probability of India becoming a net exporter of natural gas is bleak.

Reliance, with exploration rights for huge reserves in the KG basin, is already planning to lay pipelines across the country to market their gas in the Western parts of India and therefore it has formed a wholly-owned subsidiary, Reliance Gas Transportation and Infrastructure Company Ltd. (RDTIL) to lay pipelines in the country. RDTIL has already sought permissions from the

Navin Thakur

Andhra Government to lay pipeline between Hyderabad and Goa. In the second phase, Kakinada would be connected to Hyderabad. This 1,400-km eastern coast to western coast pipeline (Kakinada–Hyderabad–Uran–Ahmedabad) would traverse the states of Andhra Pradesh, Karnataka, Maharashtra, and Gujarat. This will enable Reliance to tap into western markets which has a high concentration of major gas consumers in India.

How do you foresee India's LNG market in the future? Will the country find a place in the list of exporters?

There is a huge demand of natural gas in India. LNG has provided an alternative to meet this demand through import of natural gas. Markets all across the globe are experiencing turbulent times, India has still managed to put up a decent show on the economic front, having indigenous demand helps a lot. On the contrary, developed economies like Japan, US and European nations have fluctuating pattern of demand.

As a result, India and China have been soaking up all the excess cargo available in the market.

Since India is likely to remain a gas deficit state at least in the next five years, I do not see India becoming a net gas exporter anytime soon.

Unless someone is willing to invest US$ 15-20 billion to build a liquefaction plant to export natural gas, there is no possibility of natural gas exports from India in the foreseeable future. If that happens, there will be state pressure on the market players to provide gas to the Indian consumers first.

How different and difficult is it to build LNG carriers? What are the problems coming in the way?

LNG carriers are specialised cryogenic vessels which require special expertise to build. There are only a handful of shipyards which have LNG shipbuilding capability. Samsung, Daewoo and Hyundai are the leading shipbuilders of LNG carriers.

LNG shipping is a bit different from other shipping sectors. A typical LNG carrier (170,000 cbm) used to cost anything between US$ 200-230 million when last ordered in May 2008, however, the actual price is affected by specifications of the vessels, builder and country of build etc. This is a huge investment and therefore shipowners would want a guarantee of business before committing to any ordering. LNG ships are built largely to cater to a liquefaction plant /regasification project or a specific contract. Non-project based ordering is very limited. Ideally, a shipowner would want to have at least a 20-year long term charter agreement in place even before he orders a vessel at the shipyard.

There has been no ordering of LNG vessels since May 2008. This is largely due to two major reasons:

- The LNG shipping market is over supplied due to a string of speculative ordering in 2004
- Associated projects are getting delayed due to various reasons, finance is one of them

Final investment decisions for new projects have been postponed many times due to credit crunch in the market, Gladstone LNG, Gorgon LNG are the prime examples. In some cases, projects have been delayed due to political uncertainty drying up new vessel ordering, a point in case being Iran. As an industry practice, the right to ship the cargo is awarded through a bidding process, much before the project is commissioned. The timing is such that both the project and the associated vessels are delivered at around the same time. The mismatch of timing may cause huge idle tonnage, as is the case at the moment. Vessels associated with Qatari projects were delivered way ahead of their associated projects and as a result there are more than 30 LNG carriers languishing in the anchorage.

What kind of value will the new fleet add to the Indian registry and the economy?

It will certainly make a difference to the Indian economy in terms of collection of registration money and taxes. But it is highly unlikely that shipowners would opt for India flag unless mandatory. There is a feeling in the international shipping fraternity that acquiring an Indian flag is a cumbersome process and there are too many regulatory bottlenecks.

Though the Government of India has been able to lure international shipowners to opt for Indian Flag for coastal movement of cargo by allowing the first right of refusal to an India flag vessel. However, there is no coastal movement of LNG and it gives shipowners more reasons not to opt for India Flag. MG

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Abbreviations

mtpa	–	million tonnes per annum
cbm	–	cubic meters
mmscmd	–	million metric standard cubic meters per day
LNG	–	Liquefied Natural Gas
FID	–	Final Investment Decision
SPA	-	Sale and Purchase Agreement

Hotel Logistics

Timing Things

Hotels find it daunting to be never-out-of-stock perennially or to maintain replenishment lead time – the sum total of the order, production and delivery time. They would simply love to save on quality time, room and cost by outsourcing tasks like tracking freight movement, piling up stock in premium space, opening new branches and refurbishing projects.

by ***Radhika Rani G***

If refitting rooms in a luxury hotel is one aspect of Kuehne+Nagel's strategic services, supplying in-room products like cosmetics, toiletries, laundry bags and shower caps is its another facet. Providing such a varied range of hotel amenities is KN's unique selling point and the Swiss logistics major has come a long way since branching off its business nine years ago. KN has been cashing in on the logistics need since 2000 by providing integrated, single-source supply chain for hotel amenities in 15 countries.

For any hotel operator, cost-optimal distribution of luxury amenities is of absolute importance, says Achim Glass, corporate vice-president of KN's hotel logistics. "Hotels can spend months selecting the right manufacturer or amenity supplier and fighting over costs, while enormous potential for cost savings lies buried in the way they handle logistics," he explains.

With hotel chains looking for growth in leading tourist destinations like the Middle East, China and India, opportunities in specialised hotel services are opening up for logistics companies. As the hospitality sector in India is poised for rapid growth in the next five years – with plans to add more than 1.5 million hotel rooms by 2012 – its imminent requirements could be freight management, warehousing and distribution services.

Logistics companies are starting to respond to these procurement needs by diversifying their portfolios as e-commerce solution providers. Their new assignment involves a logistical survey of the hotel site, setting up receiving gateways and following up with suppliers, customs clearance, transit to warehouse, deconsolidation at warehouse and inventory management, delivery to hotel receiving ramp, and delivery to room, with unpacking, installation and recycling services.

DB Schenker, one of the new entrants in this segment, sees the potential growing in India. "India is expected to see maximum change in proportion of room supply in BRIC countries over the next three years," it foresees. This implies ample scope to explore amenities logistics.

Growth factors

- The gap between demand and supply of hotel rooms has led to the development of hotel industry, including adding a sizeable number of branded hotel rooms in the next two to three years.
- The existing growth potential for budgeted hotel remains the growth driver for the next five years.
- Foray of global hospitality companies to expand business volume with upcoming Commonwealth Games in New Delhi.
- Corporate growth in a booming Indian economy has led to greater business travel.
- Indian tourism industry is expected to grow by 7 per cent every year in the next 10 years, adding to the demand of hotel rooms.

The business model, as it simplifies the complex, makes sense to all the parties involved. If cost optimisation is the moon that it promises, logistics companies wouldn't mind going the extra mile to fetch and fix luxury shipments. And hotels? They can be hassle-free. MG

Schenker Solutions

The Right Timing

The transportation and logistics division of Deutsche Bahn that has been offering international air and ocean freight solutions besides logistics and global supply chain solutions, now forays into hotel logistics.

Having offered proven global expertise for numerous key industries, DB Schenker intends to leverage its expertise and meticulous planning for hotels to provide solutions ranging from order follow-up from suppliers to installation of products.

"We think this (recession) is the right time when the least investment is required to start with as compared to times when economy is booming," say the company heads in India. **Gaurav Kapoor**, head - marketing and special projects, who is instrumental in introducing and developing the hotel logistics vertical and **Sateshwar Tuteja**, director - key accounts and industry verticals, who takes the overall responsibility of verticals markets, sound upbeat as they speak to **Maritime Gateway** about the new project. Excerpts from the interview.

Gaurav Kapoor

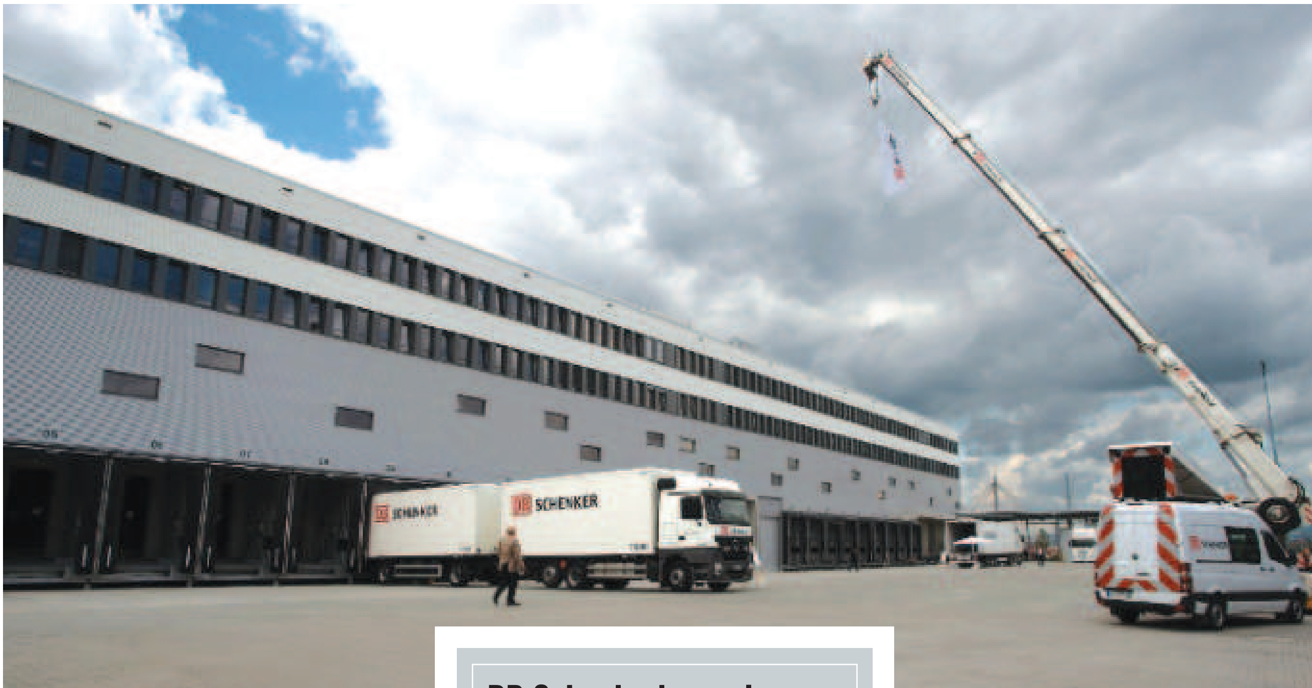
Sateshwar Tuteja

The foray

In the current recessionary scenario, where real estate industry is one of the first to go down and one of the last to recover; the top global brands in the hotels industry continue to maintain their position. World's top-20 chain hotel brands together saw their global room supply increase by 4 per cent at the beginning of the year. Most of the global hotel chain brands have extensive international development plan in new markets like India, China, Middle East and Americas. Amongst nominal decrease in few brands, brands like Crown Plaza and Express saw a growth of 12.3 per cent and 11 per cent respectively.

The hotel industry is looking at the time as opportunity to re-launch the mid-sized brands since recession causing many travelers to trade down from upscale brands. Despite some lack of liquidity in the market, the industry is looking at long-term growth. As a certain number of national economies have been affected by the global crisis, more and more hotel chains have shifted the focus on more promising markets like Brazil, India and China.

India's prospects for hotel logistics are high because it is one of the fastest growing economies of the world and one of the potential markets for almost every international hotel chain. Companies like Best Western International,



Accor Group and others are expanding in India and this has been increasing the potential for associated services, including logistics.

Potential in India

India ranks 18th in business travel and will be among the top-5 in this decade. Sources estimate that demand could exceed supply by at least 100 per cent over the next two years. India Hotel Industry is adding about 60,000 quality rooms, currently in different stages of planning and development and should be ready by 2012. MNC Hotel Industry giants are flocking to India and forging joint ventures to earn their share of pie in the race. The government has approved 300 hotel projects of which nearly half are in the luxury range. Room stock supply is expected to triple in Chennai and Kolkata and double in Delhi, Hyderabad and Bangalore.

Hoteliers' response

Logistics of hotel items are challenging and complex. This can be divided into logistics of consumer goods to a break-bulk shipment which requires expertise across the verticals and functions.

This gives rise to the need of an efficient supply chain to manage the entire flow of amenities; for an optimum utilisation of resources and on-time requirements. We fulfill these needs by providing global sourcing from suppliers, freight solutions, customs clearance, warehousing and distribution to customer based on a 'Never out of stock' (NOOS) operation at customer's place. Our e-commerce application enables the hotel customers to book its order on-line to maintain their applicable requirement at the moment.

As hotel logistics is in nascent stage in India, hoteliers may take some time to understand the benefits to outsource the entire spectrum of supply chain management, yet in long run it will be one of the biggest fields for our logistician to work with because of complicacies involved in supply chain, freight forwarding, global supplier's base etc. The field requires the expertise in all the areas from projects logistics to the supply chain management of FMCG goods. MG

DB Schenker's service module for hotel industry

- Order follow up from supplier
- Quality check - Security inspection
- Specialised packaging, if required
- Documentation compliance
- Optimal route planning
- Cost-effective multi-modal transport options
- Cargo consolidation
- Customs clearance
- Flight/Vessel booking
- Physical loading of goods
- Unpacking of goods
- Staging at third party location/ hotel site
- Warehouse management: Specific project
- Inventory control: Multi-stage delivery
- Products distribution
- Installation

The cost factors for hoteliers come from using the premium hotel space for stock of items, procurement of large quantities of amenities (which block money flows) and their availability at right time. This is coupled with the unpredictability in peak and lean seasons, when hotel should have enough of stock to serve every guest, else this may affect their service level. As these services are outsourced, which has now become a common practice among the hoteliers worldwide, the supply chain management of a hotel has become very cost-effective and hence hoteliers in India are now more receptive to the idea than ever before.

INTERVIEW

Multitasking With Ease

Over 20 years of experience in the supply chian service has helped LMJ Logistics identify challenges well beforehand and offer timely end-to-end customised solutions. As a result, says **Jayanth Kumar Jain**, Joint Managing Director, LMJ has every supply chain strategy that works for customers in increased product level visibility, productivity and cost-effective transportation. Excerpts from an interview with **Maritime Gateway**.

In what way does LMJ's pan-India presence help its core business to grow and expand?

A: At LMJ, we have been able to successfully create infrastructures across all the major ports and important cities in the country over the years. It has gone a long way to cater our clients from literally every part of the country. With the infrastructure in place we handle everything from warehousing to 3PL & 4PL; from port documentation, port logistics to customs clearing. For creating competitive advantage for our esteemed clients in this uncertain and changing environment, we bring one stop solutions to them.

What are your value-added services to clients?

A: We, at LMJ have customer-centric approach towards creating additional value for our clients in this competitive globalised economy. For example, in some cases, we even handle procurement for the clients and arrange for the transportation. We offer everything from our basket packaged to their varied needs and clients find us as their one stop solution.

How do you see yourselves in the face of increasing competition in the ICD/CFS business in India?

A: We have one ICD at Bangalore and a CFS each at New Mangalore and Visakhapatnam ports. At all these locations, we have a captive market through our own group companies and that acts as leverage. That's the advantage we already have and we are continuously building up the business through initiatives as per business requirement.

Please tell us about your infralogistics business. What is the strategic fit between this and your other business segments?

A: It is basically a logistics initiative related to infrastructure with regard to logistics parks and terminal markets. We are creating infrastructure for a logistics solution. Currently, we are handling three mega food parks under the Ministry of Food Processing. They are located in West Bengal, Tamil Nadu and Assam. So infrastructure is being created for the agro-processing industry, and other food related industries. When you say infrastructure, it will include assembling and packing facilities, warehouses, controlled temperature and cold storage facilities etc. So all the infrastructure is readymade and the end users will only have to set up their shop and use the facilities.

Overall , we are going to develop 16 logistics parks. Out of this, four have already commenced operations at Kolkata, Faridabad, Delhi and Kandla. There are another four that are being developed.

Terminal markets is a new thing in India and the Government of India has just started on this concept. We are looking at various locations to venture into this domain and we have been qualified for Mysore, Pune and Chandigarh locations to establish terminal markets.

Any expansion plans lined up for this year?

A: In the next 16 to 18 months, we will set up the FTWZ at Kandla and will simultaneously take up Haldia as well as. So, there will be two FTWZs up and running in the next two years.

We currently have 5 million sq ft of warehousing space spread across the country and are going to add another 1.5 million sq ft in the next nine months, by March 31, 2010. MG

The Ties That Bind

Growing trade between ASEAN and India

South East Asia (SEA) and India have enjoyed close social, political and economic ties that hark back millenniums ago. The Indian diaspora has become part of the social fabric of nations in the SEA region and Indian influences have contributed significantly in shaping the course of history in the region. The exchange of trade between the two regions has played an enormous part in influencing their socio-economic landscapes.

Symbiosis: *Benefitting from each other.*

by ***Nazery Khalid***

Trade between Association of South East Asian Nations (ASEAN) and India has grown in leaps and bounds in the last decade. Today, India is ASEAN's seventh largest trading partner, and both sides have become significant investors in the economies of one another.

The trade between ASEAN and India grew at a whopping average annual rate of 28 per cent between 2005 and 2008 – a testimony to their growing economic interdependence. Within the same period, ASEAN's exports to India grew at an impressive annual rate of 31 per cent, which is the fastest growth rate for ASEAN's exports to its major trading partners. Besides being key trading partner, India is also a major investor in the ASEAN region. India's investment in ASEAN in 2007 worth US$ 641 million was its largest in the region since 2000, providing solid evidence that India considers ASEAN as an attractive investment destination.

It is a measure of the close economic links between India and ASEAN that despite the global economic slowdown, the two trading partners do not look like cutting back trade with one another. In fact, trade and economic ties between them have never been stronger, and look set to even become closer. In 2008, India and ASEAN concluded the ASEAN-India Free Trade Agreement (AIFTA) negotiations for trade-in-goods. As trade barriers between ASEAN and India are dismantled, trade volumes between the two trading giants are poised to increase significantly in the foreseeable future. Under AIFTA, producers and manufacturers of goods in Indian and ASEAN will have access to a bigger combined market with a staggering population of 1.7 billion people.

The conclusion of AIFTA stands testimony to the value of the relationship between the trade powerhouses. It should be pointed out that AIFTA was reached despite the fact that difficult trade and technical issues arose during the negotiations between them that took several years to sort out. Even the issue of market access for palm oil – previously a major source of irritant between the two – has been resolved between the two. Of significance is that both sides managed to agree on the modality for tariff reduction and / or elimination, two issues which often led to deadlock in the discussions of free trade areas. The agreement on these issues provide the foundations for the facilitation the creation of a seamless market with a combined Gross Domestic Product (GDP) estimated at US$ 2.38 trillion as of 2007.

The conclusion of AIFTA marks a watershed event in the long-standing trade ties between India and the SEA region. AIFTA will act as a key to unlock the enormous economic potentials towards generating more trade and economic activities that will surely boost the standard of living of the people in the two regions and also in Asia as a whole. The socio-economic benefits of an initiative of AIFTA's magnitude will help in spurring the trade activities between India and ASEAN, enhancing their economic performance.

The impressive speed with which Indian and ASEAN officials finalised the text of the ASEAN-India Trade in Goods Agreement (AITGA) for signing during the ASEAN-India Summit in December 2008, has underlined the commitment of both sides to foster closer trade ties between them. In addition to AITGA, the officials also agreed on the ASEAN-India Agreement on Dispute Settlement Mechanism. These tariff reduction commitments have been implemented since 1 January 2009, and are poised to see greater trade volumes between these two close trading partners. With these commitments in place, ASEAN-India trade, valued at US$ 38 billion in 2008, is expected to reach US$ 50 billion by 2010.

Fits like a glove

In addition to trade of products, India and ASEAN are also committed to boost trade of services between them. The groundwork has already been done for negotiations on trade in services and investment – negotiated in a single package – between the two regions. Officials from both sides have expressed confidence that discussions on these two agreements can be concluded by the end of 2009. With negotiations in both trade in goods and services/investments between them nearing conclusion, their aspiration to create a comprehensive ASEAN-India Comprehensive Economic Cooperation Agreement can be realised sooner than later.

India and ASEAN being two fast-developing economies, their efforts to engage one another more actively in the area of trade is but a natural progression towards a closer economic bonding. Given the close ties that they enjoy with one another, and the increasingly obvious need for developing countries to develop greater economic resilience by creating a multilateral trading system, the enhancement of trading links between India and ASEAN is a logical, if not altogether inevitable, step.

As globalisation becomes more prominent, and as developing, trade-

Trade deal signed

India and the 10-member Association of South East Asian Nations (ASEAN) signed a free-trade agreement on August 13, 2009, paving the way for setting up a common market. This will give the 1.7 billion people in these 11 countries the option to choose from a plethora of products across borders.

Starting from January 1 next year, the agreement will gradually eliminate import duties on a host of manufacturing products over the next six years.

Products from Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Thailand, Singapore and Vietnam will enter Indian markets and vice versa. Both sides, however, have also drawn up a 'negative list' of products that would be outside the purview tariff reduction regime, so as to protect certain categories of domestic producers. India has kept 489 items outside the trade pact, mostly farm products, textiles and automobile components, thereby protecting these sectors.

India and ASEAN : *Ocean apart, close at heart* oriented economies reel from the global recession, there is greater impetus for trade-oriented nations to boost the trade with their trading partners, to make their economies more robust. This is especially the case for trading partners whose economies and production increasingly complement one another, in the way India and ASEAN do.

India produces a wide range of minerals and manufacturing goods and exports them to ASEAN, and is a leading provider of services, such as IT and outsourcing, to ASEAN. In turn, ASEAN produces primary commodities and a wide range of assembled goods such as electrical and electronics items coveted by Indian consumers. The products and services offered by India and ASEAN provide an ideal fit to the needs of one another. With AIFTA, trade between them is set to flourish and can reach even greater level of complementarity.

The elimination of tariffs of thousands of items traded between the two will unlock the sheer economic potential of the world's second most populous nation and one of its most vibrant economic regions. The creation of a huge market for both products and services will provide huge trade and economic opportunities for both sides.

Greater ASEN-India trade: A boost for maritime sector

Such close cooperation in trade is poised to result in greater maritime trade between ASEAN and India, since majority of their trade is carried using ships. Growing maritime trade volumes between the two will boost the development of maritime infrastructures such as ports, terminals and shipyards to facilitate more ASEAN-India trade. It can be expected that more investors from ASEAN will flock to India to help it build and upgrade its maritime infrastructure.

Singapore, the top investor

Singapore remains the single largest investor among all ASEAN countries, reveals the latest survey of the Federation of Indian Chamber of Commerce and Industries (FICCI). Singapore's FDI has grown from Rs 1,416.9 crore in 2005 to Rs 15,175.9 crore in 2008. Malaysia comes next with an FDI inflow of Rs 435 crore in 2008, the FICCI report says. Interestingly, FDI from Myanmar, reached Rs 34.7 crore in 2008, a jump from just Rs 2.3 crore during 1991-2005. Thai and Filipino investments declined since 2005. Investment from other ASEAN countries is expected to surge after the Free Trade Agreement is signed.

Among the cash inflows, the services sector (both financial and non-financial) accounted for 30 per cent with petroleum and natural gas coming next, followed by computer software and hardware, mining and construction.

> "Growing maritime trade volumes between the two entities will boost the development of infrastructures such as ports, terminals and shipyards to facilitate more ASEAN-India bilateral trade."

Having had experience in developing its maritime sector and having attained considerable success in areas such as port operations and shipping, ASEAN countries like Malaysia and Singapore can extend their knowledge and expertise to India and even invest in Indian maritime infrastructure to help develop and modernise its maritime sector. ASEAN maritime ancillary services practitioners can also share their experience in areas such as port management, logistics, electronic data interchange, shipping law, ship financing and ship management with their Indian counterparts. This will augur well for the generation of more maritime trade between ASEAN and India and will create a virtuous cycle that will benefit the maritime sector and economies of both sides.

The stronger trade links between ASEAN and India are set to mark a new chapter of economic prosperity between the two. Bilateral trades between individual ASEAN members and India have also grown and maritime trade volumes between the two trading powerhouses are set to increase significantly in the years ahead. It is up to the players in the maritime sector on both sides of the Indian Ocean to capitalise on the tremendous potential for trade and economic opportunities that can be generated between these two vibrant economic regions. MG

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China bunkering

Miles to go

China bunker ports: *Awaiting competition*

China's marine fuel market looks poised to double in size in the next few years to become Asia's second largest, but it will be cold comfort for traders watching dwindling demand for similar quality fuel oil from the power sector.

Thanks to tax breaks and looser regulation, sales of marine fuel will likely reach 12 million tonnes by 2013, key Chinese bunker suppliers estimated, as firms like PetroChina and Sinopec Corp continue to expand marketing networks.

"As we are expanding and upgrading infrastructure – more bigger terminals to handle bigger cargoes – that will help cut down costs sharply," Fu Bing, head of China's top bunker supplier, state-run Chimbusco, said.

"It's about grabbing some of the market share from competitors like Japan, Hong Kong or Singapore."

But despite 15 per cent annual growth in port handling volumes, traders warn Chinese demand for bunker fuel could still disappoint – limited competition and rigid customs rules will keep its prices more expensive than market leader Singapore, meaning ships will continue to take on as little fuel as possible when docking at the country's ports.

"My main concern is there is no competition. We only take minimum volume there," said a trader with Danish shipping group AP Moller-Maersk, the world's largest container line, referring to a bunker port in southern China's Shenzhen where independent firm Brightoil is the only supplier.

In a fresh move to help companies boost sales, Beijing last month allowed firms to secure supplies from domestic refineries with a waiver of a US$ 118 per tonne consumption tax and the 17-per cent value-added tax normally levied on fuel oil.

Such a policy will encourage suppliers such as Sinopec Corp, which operates major refineries along the coast, to raise domestic fuel oil production, meaning the country may not have to sharply raise imports from places like Singapore, Europe, Japan or Venezuela.

Bright spot for trade

China's bunker fuel sales have been growing at a rapid clip as its shipping volume booms along with its economy, and after it let in four new players to what had been a state monopoly.

The 6.3 million tonnes sold in 2008 is nearly double some 3.5 million tonnes in 2003, putting the country in the same league as South Korea or Hong Kong, but still dwarfed by Singapore's 30 million tonnes.

While the surge is small compared with China oil demand of 8 mn bpd, traders hope it will take up some of the slack left by China's dwindling imports of similar-quality fuel oil.

This 400,000-bpd market has been shrinking at double digits in recent years, after Beijing's crackdowns on local refineries that use heavy fuel as feedstock and growing use of cleaner natural gas in power generation.

"It's a new bright spot, a new growth area, as selling fuel oil cargoes into China is becoming increasingly difficult," said a Singapore-based trader with Brightoil Petroleum Ltd., one of China's five bunker players and the only independent player.

Still not competitive

China's bunker sales to foreign vessels and Chinese liners plying international routes – as opposed to its much larger domestic market – had long been dominated by Chimbusco, which has been in an energy alliance with top energy firm PetroChina since late 2003.

Just over two years ago Beijing let in four new players, Brightoil and three firms fully or partly owned by Sinopec. Around May, China lifted restrictions on supply points, allowing all the five players to operate in any ports, sending firms rushing to expand networks.

"Why do we have the confidence for growth? Because the monopoly was broken and we can utilise our own refinery supplies to cut down costs," said a trader at top refiner Sinopec, which in 2003 entered a bunker partnership with China Shipping Group. But a market with only five suppliers to serve the huge container and commodities fleet calling at more than 20 Chinese ports is just not competitive enough against Singapore, Asian traders said.

"Prices are still very high, everyone is taking minimum volumes here," said a Shanghai-based veteran bunker trader. Bunker supplies were about US$ 15-20 per tonne more expensive in China ports than in Singapore, taking into account freight and port fees.

China also lacks another effective tool to compete – the freedom to blend various grades of fuel supplies to optimise margins. To pre-empt smuggling, the customs offices insists the quality of oil pumped into a bonded tank is the same as that sold to ships, traders said. -Reuters MG

Malaysian footprint

Agility opens new logistics hub

Agility has opened a logistics hub close to Kuala Lumpur, boosting the company's total warehousing capacity in Malaysia to over 34,000 sq m. The new 13,000-sq m facility in Bukit Jelutong, Shah Alam has 12 loading docks and 14,000 pallet positions and dedicated areas for pick and pack, kitting to line operations, consolidation and deconsolidation, cross docking, RMA programs, and reverse logistics. The new facility also includes an office facility of close to 3,000 sq m, which will become the new headquarters for Agility in Malaysia.

STX:
Set to Win Big Orders

STX Shipbuilding has been growing on its strength of outstanding shipbuilding technologies and world-leading productivity. A rising star in the offshore domain, it has the facilities and the capacity to come up with competitive products like drill ships, FSUs and LNG FPSOs. The Korean major strongly believes in cherishing a dream – to find the way to a better future.

by ***Sadhana***

Focus: *STX building on long-term outlook.*

With the economic turnaround drying up funds for downturn-hit shipping companies and hampering trade and commodity prices across the globe, there are a few shipping companies which have tried to beat the slowdown.

Though it is definitely not a boom time for ship and shipbuilding companies, with many companies reportedly declining orders in the market, South Korea's shipbuilding and shipping conglomerate STX expects to bag an order from Brazil's Petrobras for 240 offshore oil development vessels in the next five to six years. If this major deal clicks, it could bring a new life to the downturn-hit shipbuilding sector, as South Korea is home to the world's four biggest shipyards and has dominated orders for lucrative drillships and other types of sophisticated energy-related vessels.

As the orders are too big for any large single company to handle, major domestic shipbuilders will share the Petrobras projects, according to Kang Duk-Soo, chairman of STX Offshore & Shipbuilding Co. Ltd.

Modest start

Though Korea has become a world market leader in shipbuilding within a short span of just 30 years, the industry has been virtually built up from scratch. Just take a look at these figures: Korea's world market share in the early 1970s was about 2 per cent when compared to the present 38 per cent. The Korean government has provided major impetus to push the sector forward by subsidising Korea's shipbuilding industry.

STX Group is one of Korea's representative multinational corporations and mainly deals with shipping, logistics, shipbuilding, machinery, energy and construction and has eight key subsidiaries. Headquartered in Gyeongsangnamdo, South Korea, the South Korean holding company operates its business through two divisions: trade and ship maintenance.

Its trade business division provides shipping and energy materials, coal, oil, steel and others. Its ship maintenance business offers cargo management, marine, technical, insurance, crew management and other related services..

The company's main subsidiaries are STX Corporation, STX Offshore & Shipbuilding, STX Engine, STX Pan Ocean, STX Energy, STX Heavy Industries, STX Enpaco, STX Construction, STX Europe and STX Dalian.

STX Offshore and Shipbuilding, formerly known as STX Shipbuilding, Co is the world's fourth largest shipbuilder, owning STX Europe, Europe 's largest shipbuilding group. STX Offshore & Shipbuilding has built over 700 ships over the last 40 years in Busan and Jinhae. In 2009, it was renamed as STX Offshore & Shipbuilding Co Ltd. The company in a filing had said that the new name reflects the company's new engine of growth, the offshore plant business, which is being actively promoted by the firm from 2009.

Growing clientele

In its recent press release, STX Offshore & Shipbuilding has announced a US$ 34-million order from the Agency for Defence Development for a next generation naval test ship. The vessel, which is designed to weigh 1,200 tonnes and accommodate about 30 people is scheduled for delivery in 2012. Do Jong-chil, director of STX O&S Specialised Ship Division, said in a report that the order was clinched following the customer demands and strategic sales activities.

According to Reuters, the latest order is reported to have come on the heels of another order for the construction of eight tankers for an unnamed European company, with the option for further four vessels.

To add to their astounding success, the company has bagged the MSC Software, a leading global provider of simulation software and services. The company announced that STX Offshore & Shipbuilding has selected MSC Software's suite of engineering simulation software including Marc and Patran, to increase its product quality through greater simulation accuracy.

In 2008, STX Offshore & Shipbuilding delivered 56 vessels to shipowners and received 84 new vessel orders. STX Offshore &

> By ensuring the trust and satisfaction of our customers, guaranteeing our investors a profit, and contributing to society, we aim to become the world's leading shipyard in the 21st century.
>
> **-Kang Duk-Soo,**
> chairman of STX Offshore & Shipbuilding Co. Ltd.

Shipbuilding generated revenue of KRW 3,005 billion and employs 9,100 people. The head office is located at Jinhae, Korea and there are two R&D centres located at Changwon and Seoul. STX Offshore & Shipbuilding has gained a lot of experience in shipbuilding by producing world-class container ships, product carriers and high value-added ships such as LNG carriers, cape-size bulk carriers, VLCCs, VLOCs, PCTCs, drill-ships and 13,000 TEU very large-sized container ships. Its main business now includes offshore platforms including but not limited to F(P)SO, FPUs, drilling rigs, supply vessels, pipe layers, LNG floaters, and fixed platforms.

Fanning out: *The firm looks towards Wind-power related business.*

During 2006, the Company had four local subsidiaries including STX Shipbuilding, STX Engine, STX Heavy Industries, STX PanOcean and STX Energy. STX Shipbuilding acquired Norwegian Shipbuilder Aker Yards for expansion and diversification. Akeryards, one of Europe's largest shipbuilder, had technical background in Cruise shipbuilding.

Mergers & acquisitions

The STX group, formerly Ssang Yong Heavy Industries, recently had an IPO of STX PanOcean. The IPO gave the group a substantial amount of cash to acquire Aker Yards. STX PanOcean, acquired in 2006, is currently the second largest shipping company in Korea after Hanjin Shipping. And STX PanOcean is the key part of the group to engage in shipping businesses.

STX Europe AS, formerly Aker Yards ASA, is the largest shipbuilding group in Europe and the fourth largest in the world. With headquarters in Oslo, Norway, STX Europe operates 15 shipyards in Brazil, Finland, France, Norway, Romania and Vietnam. In addition, STX Europe holds a 30 per cent ownership share in Wadan Yards, which comprises two yards in Germany and one in Ukraine; these yards were formerly wholly owned by STX Europe. The company has three business areas: cruise & ferries, offshore & specialised vessels and other operations. In 2006, STX Europe acquired a majority share of Alstom's shipbuilding activities, with shipyards in Saint-Nazaire (former Chantiers de l'Atlantique) and in Lorient.

Aker Yards (later renamed STX Europe) was created in 2004 by combining the shipbuilding activities of Aker and Kvaerner. Aker ASA was the company's main shareholder until 2007. After having reduced its ownership share from 50.4 per cent to 40.1 per cent in January 2007, Aker divested its total shareholding in March 2007. In October 2007, STX Business Group secured a 39.2 per cent stake of STX Europe. Later, STX has increased their ownership share, and in January 2009 STX acquired the remaining shares in STX Europe and became the company's sole shareholder. In February 2009, it was decided to delist STX Europe from Oslo Stock Exchange where it was previously listed under the ticker STXEUR.

In July 2009, the company has entered into a 10-year US$ 233-million iron ore transport COA contract with Anshan Steel following their 2007 memorandum, reports China Metallurgical News. According to the agreement, STX will ship 1.7

million tonnes of iron ore per year from Brazil and Australia to the Chinese steelmaker.

Future plans

As part of their future plans, STX Shipbuilding plans to foray into offshore sector focussing on building drillship, FSU, LNG FPSO etc. The shipyard will push on R&D and strive to open up foreign markets in the offshore plant area.

Do Jong-chil, director of STX O&S Specialised Ship Division said in a report that the company plans to enhance building specialised vessels through technical cooperation with STX Europe and a number of inquiries on export in the defence industry, which is beneficial to development of the nation, are coming.

STX Offshore & Shipbuilding Co is also pursuing the development of the world's largest Very Large Ore Carriers (VLOC). The shipbuilder has

> "Aker Yards (later renamed STX Europe) was created in 2004 by combining the shipbuilding activities of Aker and Kvaerner."

confirmed that STX Offshore & Shipbuilding and Nippon Kaiji Kyokai (ClassNK) concluded a cooperative research and development agreement to build 40,000 deadweight tonnage (DWT) VLOC.

Until recently, 29,800-DWT VLOC constructed by STX Offshore & Shipbuilding in 2007 has been the world's biggest VLOC in existence, indicating that the shipbuilder will be able to succeed in expanding its current DWT capacity by 10,000 within a short span of two years upon the completion of the 40,000-DWT VLOC.

The development of the world's largest VLOC by STX Offshore & Shipbuilding and technologically-advanced ClassNK, will help STX win more orders. The soon-to-be-developed carrier is expected to slash freight fees backed by its light ship weight and enhanced safety. The company also plans to focus on the offshore facility sector as well as defense related vessels considered as high value added, next generation ships including cruise ships.

Despite the dramatic slowdown seen in the shipbuilding and shipping industries, STX plans to move forward by participating in international exhibitions including 'Kormarine 2009' (Busan) in October, and 'Marintec China 2009' (Shanghai) in December to achieve a breakthrough for securing orders.

Coal-handling Facilities Need a Lift at Ports

The resolve of the UPA government to put pending port infrastructure development programmes on a fast track will be a necessary shot in the arm for major coal-handling ports to build additional infrastructure in the 11th Plan period and also under the ambitious National Maritime Development Programme. **Maritime Gateway** comes up with the details.

The new Government's decision to enhance the existing capacities of the major mineral-handling ports could not have come out at a better time than this when these ports are nearing their capacities. In view of major long-term expansion plans by the steel industry in India, there is an urgent need to develop infrastructure to meet the industry's future requirements. Apart from the steel industry, the growing requirements of thermal power stations and coastal shipping necessitate the boosting of coal-handling capacity of Indian ports.

Speaking to Maritime Gateway after assuming office Union Minister of State for Shipping, Mukul Roy mentioned, "adequate emphasis would be laid on the pending infrastructure development programmes at the mineral handling ports." The minister added, "the problem facing port of Haldia in eastern India will receive due attention of the Union Government, concerning its navigability and infrastructure." Haldia port handles bulk of coal traffic for steel plants located in West Bengal and other part of eastern India hinterland including Bihar and Jharkhand.

Buoyant growth

Taking into account both the historical and recent growth trends in traffic of the mineral-handling ports, one can observe that the overall growth in coal imports has remained buoyant over the years (barring certain aberrations led by slowdown in the domestic economy leading to a slowdown in import of coking coal for steel plants).

According to figures provided by Steel Authority of India Limited (SAIL) officials, coking coal imports for its steel plants are likely to touch 10.5 million tonnes this fiscal through the east coast mineral handling ports of Paradip, Haldia and Vizag. Coking coal imports in 2008-09 will exceed that in 2007-08. The current fiscal, it is estimated, will end up with a throughput of about 10.5 million tonnes (mt) compared with 9.7 mt in 2007-08.

An estimated of 9.97 mt of coking coal has already been imported so far in the current fiscal and the port-wise breakups are Visakhapatnam 4.27 mt, Haldia 4.32 mt and Paradip 1.38 mt.

Momentum: *Inert port projects need impetus.*

The port-wise breakups of SAIL's coking coal import of 9.7 mt in 2007-08 were Visakhapatnam 4.57 mt, Haldia 4.01 mt and Paradip 1.13 mt. The import programme till the middle of this month suggests that there will be an additional import of 4.37 lakh tonnes, but the details of port-wise distribution of the additional imports are not available. The import of coking coal would be through two port discharge – Visakahapatnam-Haldia , Paradip-Haldia and Visakhapatnam-Paradip, depending on the situation.

During the month of July 2008, Steel Authority of India Limited (SAIL) made a record in loading imported coal in three east coast ports of Visakhapatnam, Paradip and Haldia. During the month, as many as 319 rakes were loaded, surpassing the target of 302 rakes set for the month and the previous best of 291 rakes.

The performance of Visakhapatnam Port was the best with a loading record of as many as 144 rakes (against a target of 126), followed by Paradip, 37 (35) and Haldia 138 (141).

The port of Haldia failed to reach the yearly target due to the restriction imposed by the South Eastern Railway on the movement of coal rakes to Rourkela steel plant in view of high wagon balance in the plant. Visakhapatnam Port, according to SAIL sources, can also take credit for achieving record daily loading of eight rakes of imported coal on SAIL account against the normal four rakes a day on an average. Import of coking coal belonging to SAIL through Haldia Port caters to Durgapur Steel Plant, Bokaro Steel Plant, IISCO and Durgapur Projects Ltd (DPL) while Paradip will serve Durgapur Steel Plant, Rourkela Steel Plant, Bokaro Steel Plant and IISCO; and Visakhapatnam, that of Bhilai and Rourkela Steel Plants.

According to sources from Haldia Dock Complex, Eastern Railway, South Eastern Railway and East Coast Railway while SAIL and Tata Iron and Steel Company have been importing coking coal through the east coast ports. Besides, several secondary steel producers based in eastern India have also been importing coking coal through Haldia, Paradip and Vizag ports.

The sources point out that the volume of traffic will gain ground with major expansion plans lined up by the steel industry in the eastern region owing to growing demand for finished steel products across the country. India's domestic consumption has been 50 million tonnes during 2007 as compared to 30 million tonnes during 2001. Taking into account the strong demand fundamentals with a projected GDP growth rate of 9 per cent, several new greenfield and brownfield expansion projects have been proposed, totalling an additional capacity of over 70 million tonnes per year by 2020.

As per P K Bishnoi, chairman-cum-managing director of Rashtriya Ispat Nigam Limited, "steel is a highly cyclic industry which has its own ups and downs. Based on the long-term demand cycles, steel plants across the globe plan their long-term expansion plans for enhanced production. This makes it imperative to put logistics in place, i.e. developing port infrastructure in India, through construction of berths supported by adequate rail linkages for handling coking coal in the years to come. This is more so because in the present context there are already indications of the economic revival."

India imports bulk of its coking coal requirement estimated at 20 million tonnes for its steel plants. This is because domestic coal has presence of high ash content. Therefore, adding up of infrastructure facilities at the mineral-handling ports is need of the hour to facilitate greater traffic volumes.

Projects lined up

Taking into account the growing demand of coal traffic, the government has lined up projects for implementation. Prominent among these include, construction of coal berths at Paradip, Mormugao and Ennore ports. The Supreme Court has allowed Paradip Port to construct deep draught coal berth for handling coal. The new coal-handling facility to be developed at a cost of Rs 479 crore will enable the port to enhance its capacity to handle 10 million tonnes of coal. The facility will generate about Rs 150 crore a year. This mammoth infrastructure project, will be constructed on Build, Operate and Transfer (BOT) basis at an estimated cost of Rs 479.01 crore, out of which Rs 408.90 crore will be borne by the BOT operator, while Rs 70.20 crore will be borne by the Paradip Port Trust. The length of the approved BOT Coal Berth would be 370 metres, alongside depth of 17.1 metres which will be capable of handling vessels of 1,25,000 Dead Weight Tonnage (DWT) and will have developed stacking area of about 1,47,000 sq m. The project is to be completed within a period of 36 months from the date of award of the concession.

The coal terminal at Berth No.7 in the Port of Mormugao, Goa is yet another infrastructure project that is being developed to enhance handling of coal volumes. It is built on Design, Build, Finance, Operate and Transfer (DBFOT) basis at an estimated cost

of Rs 252.44 crore. The project envisages construction of coal unloading facilities for import with a capacity of 4.61 million tonnes per annum at Mormugao Port is scheduled to be completed within 36 months from the date of award of concession. It is estimated that Mormugao Port will be able to handle additional quantity of at least 4 million tonnes of coal through this terminal. Further, this will also help in boosting the industrial economy in the hinterland of the port.

Another project lined up for ramping up coal-handling facilities is Rs 399-crore terminal facilities at Ennore Port. The project also includes deepening of draft of the port for the accommodation of deep draught vessels.

Railway connectivity a must

While creation of additional facilities will definitely provide a boost to the coal-handling facilities of the ports, railway connectivity linkages to the user industry would be prerequisite to make the projects complete.

The railways has been plagued for quite some time due to want of adequate cargo carrying capacity, especially that for coal. Equipped with addition of fresh capacity, the railways would be much better placed to handle coal traffic. Given adequate capacity, the railways would be in an advantageous position to transport imported coal from the ports to the end users.

Owing to the conventional cost advantage of moving coal in volumes, coal is transported by the railways in the country. Coal accounts for bulk of the freight segment hauled by the Indian railways followed by iron ore. The share of coal accounts for 45 per cent within the entire freight share.

During the period April-May 2009, Indian Railways earned Rs 9,215 crore through the haulage of commodities, compared to that of Rs 8,996 crore during the corresponding period in 2008. Of which, the revenue amounting Rs 1,852 crore was only through the haulage of coal (32.51 million tonnes). During the financial year 2008-09, the railways hauled a total 369.41 million tonnes of coal traffic generating revenue of Rs 20,029.82 crore out of the total commodity earnings at Rs 53,137.60 crore.

Freight share of coal hauled through the railways is expected to increase even further with the growing coal demand from existing integrated and secondary steel plants in the country owing to their expansion plans. Importantly, country's growing power demand would also increase the demand for coal. Forecasting higher coal demand from various growth sectors would require present railway infrastructure to be upgraded and expanded, which presently however is overstretched, especially in terms of wagon capacity.

For smooth and sustainable transportation of coal, the Railways needs to add comfortable numbers of BOX 'n' wagons. Currently, there is a shortage of BOX 'n' wagons required for transporting coal through railways. The shortage has been creating supply side constraints of coal to thermal power plants and integrated steel plants.

Coal hauling through railway wagons can be enhanced for both loading and evacuation from the source to the endpoint. Also, investments are required to increase the line capacity in signalling and telecommunications for faster movements of rakes. Since use of line capacity is as high as 150 per cent in South Eastern East Coast Railways, necessary boost to railway linkages will make the coal infrastructure development initiatives at the port complete. MG

Free Trade Flutters

Creating a deemed foreign territory locally, a pure trading hub, to boost foreign trade is what a Free Trade Warehousing Zone is all about. Government of India's initiative to build these free zones is a welcome sign to reduce the domestic logistics costs. The trade fraternity looks to using and benefiting from the twin advantages of superior infrastructure and reduced operational costs.

by ***Jagadeesh Napa***

Referred commonly as FTWZ, they are sanitised zones that are declared as foreign territories for carrying out trade. At the outset, FTWZ are considered to evolve into key links in the global logistics and supply chains. They operate as international trading hubs equipped with state-of-the-art infrastructure and facilitate a favourable operating environment for the exporters and importers with benefits like duty and tax-free transactions.

The concept

FTWZs are a special class of Special Economic Zones (SEZ) and are usually located within the SEZs. This is a new and evolving concept that the Government of India has embarked on, starting with the Foreign Trade Policy 2004-2009. One of the biggest USP of a FTWZ is that trade in this zone can be carried out in free currency without limiting to any one currency. While a regular SEZ can have manufacturing industries, an FTWZ is purely a trading hub with warehousing, packaging, assembling and allied facilities.

Having logistics and distribution centres that provide free zone environment, it integrates various aspects of logistics operations and enables efficient operational environment for trade – a much needed change in a country where logistics costs are one of the highest in the world.

Aimed at boosting foreign trade and attracting both exporters and importers equally, these free zones provide tax incentives and integrated logistics and storage facilities, thus offering them significant savings in terms of logistics and distribution costs. "With all those tax incentives and duty-fee facilities, users will save on storage and transportation costs which will lead to substantial reductions in total logistics costs," says Jayanth Kumar Jain, joint managing director of LMJ Logistics Ltd.

Many logistics services providers have shown interest in developing FTWZs since the government announced them in 2005. Some have applied and got approvals, while others are at various stages of getting

Ballooning: *Air blowing gradually into FTWZs.*

the same. For instance, private rail operator, Arshiya International has got approval for one of its five FTWZs to be established in India. This is going to be developed at Panvel, on the outskirts of Mumbai. Other players who got formal approval from the Board of Approvals include Balaji Infra Projects Ltd., Chiplun Infrastructure Pvt. Ltd., J. Matadee Eco Parks Pvt. Ltd., Jafza Chennai Business Parks Pvt. Ltd., Jhunjhunwala Vanaspati Ltd. and Haldia Free Trade Warehousing Private Ltd. LMJ has already got the approval for Kandla FTWZ which will be first of its kind. "As of now, we have already acquired the land and the necessary approvals from the state government are pending. We have also applied for a similar one at Haldia and will be put up in the second phase," Jain says.

FTWZs in India are governed by the SEZ Act 2005 and SEZ Rules 2006. They will fall under the administrative control of the Development Commissioner overseeing SEZ development. Similar to the SEZ, 100 per cent foreign direct investment will be permitted for the establishment and development of FTWZ. It will be considered as a deemed foreign territory where all equipment and material sourced from other areas of the country will be considered as imports and goods sold domestically will be considered as exports. For this purpose, a Domestic Tariff Area will be set up, through which all the imports and exports to areas within India will be carried out. This implies, the Domestic Tariff Area will be the link between the FTWZ and the rest of the country.

Benefits

- 100 per cent foreign ownership
- 100 per cent repatriation of capital and profits
- No minimum capital investment
- A shareholder's liability is limited to paid-up share capital
- No currency restrictions
- No corporate taxes
- No personal income taxes
- Readymade warehouses
- Excellent infrastructure, support services and communications

Infrastructure benefits

Every FTWZ will have customizsd and categorised warehousing solutions for different industries. Dry, wet and break bulk and containerised cargo storage options will be provided. They will be equipped with controlled temperature and humidity warehousing solutions; sophisticated material handling facilities; enhanced transport facilities; offices spaces and business centres; and other support facilities like medical facilities and canteen services. Users can share the warehousing space and equipment thereof to reduce on capital costs. They can simply lease the space and equipment as long as they want. Jain states that FTWZ is most suitable for those who have lot of imports and they have a good domestic market as well as markets in neighbouring countries. They can store the goods in the warehouses duty-free and sell them to the domestic or international buyers as and when feasible.

FTWZs promise big reduction in the time spent on customs clearance thus saving costs and enabling hassle-free operations and documentation process. Other support facilities like banking, insurance will be available on demand.

Fiscal benefits

A FTWZ brings along numerous benefits to attract traders, exporters and importers. Foreign entrepreneurs and investors shall have all the rights of ownership and will be free from various domestic stipulations.They need not partner with a local enterprise to bring in their capital into the country. Further, there is no limit of minimum capital investment. Investing in FTWZ also enables 100 per cent repatriation of capital and profits and for a shareholder, the liability is limited to paid-up share capital only.

On the taxes front, the government has given huge tax discounts to the investors in FTWZs. There are no corporate taxes and no personal income taxes. For traders, regulatory benefits like duty deferments and excise duty exemptions stand as big attractions. Customs duty deferment benefits can be availed in case users (buyers and sellers) wish to have longer storage time for their products in the FTWZ. Excise duty is exempted for products sourced from domestic markets including goods, spares, packing material etc. Income tax exemptions are also extended to the users along with the developers. MG

The Sane Service

An international freight forwarder & consolidator in India, Yusen Air & Sea Service (India) Pvt. Ltd. is the Japan-based NYK flagship company. With India headquarters at Gurgaon, the firm has branches in Delhi, Bangalore, Chennai and Mumbai, and sales offices at Hyderabad, Kolkata, Pune and two warehouses at Bilaspur, Haryana & Bangalore. "We are planning to expand ourselves and improve the numbers by strengthening focus on the untouched areas of North and South (India)," say **Penta Miyazaki**, its president and **Mukesh Rehal**, general manager – India operations. In an interview with **Maritime Gateway**, they give quick bytes about their company's growth based on the 5-S formula of 'Swift Services Smart Satisfied Solutions'. Excerpts:

Penta Miyazaki, president, Yusen.

Mukesh Rehal, general manager - India operations.

Proposed best practices in India

We wish to have standardisation of procedures in the new vertical of warehousing & distribution. Until and unless Indian corporates get the taste of premier services, they would not be able to support the expansion of this vertical.

We would like to create opportunities in this sector by standing up to the immediate needs of our customers.

Facing the recession

Recession did impact our business, but at the same time it has been giving us many business chances. We grew by 135 per cent in comparison to last year during the same period.

For India and China, it is all about the correction of the market. With the approaching of festive season, we are expecting to achieve all our targets for this fiscal year.

Strengthening network in the subcontinent

Subcontinent development has been on the cards since beginning, so we are working it out with the planned moves as per Yusen India strategy. Our immediate goal is to enhance the profitability and develop infrastructure in both northern and southern regions of the country.

Leveraging technological innovation

We have made improvements in the integrated system like implementation of YUNAS in YAS Worldwide and will try to enforce this user-friendly improvement very soon after some testing at regional level. This will be a dedicated move under Customer Relationship Management.

Clearing the bottlenecks

Lack of proper infrastructure and manual lengthy procedures are the biggest bottlenecks in the development of logistics in India. Although the government is investing lots of funds to clear these bottlenecks, still much needs to be done. However, I am happy that government has realised its importance and is presently focussing on this area.

Social commitments

Yusen India has been contributing towards Corporate Social Responsibility by supporting BBA (Bachpan Bachao Aandolan), which is working for the eradication of child labour and providing compulsory education to the underprivileged children. MG

PORT SCAN

Paradip Port

The Crown of Kalinga

The Port of Paradip started off with iron ore handling but is adept at managing multifarious cargo today. The autonomous port under the Major Port Trusts Act stands out as the well-connected port in Orissa despite being beset with infrastructure hurdles and hiccups, says **Radhika Rani G**.

Rapid industrialisation fed by abundant natural resources keeps Orissa often in the news. The ninth largest state by area in the country, the Kalinga land contains a fifth of India's coal, a quarter of its iron ore, a third of its bauxite and most of the chromite. And turning nature's bounty into public utilities are a group of factories and refineries dotting the 480-km coastline rich with marine life. The number of industries is only growing as more and more resources are being scouted for power and energy.

Having no big port worth its potential for exports and imports, the state relies heavily on Paradip, the only major deep-water port, situated 125 km east of capital Bhubaneshwar. Obviously, the port faces 'berth pangs' as ships wait endlessly to dock. To save time, the Steel Authority of India Ltd (SAIL) and Tata Steel have reportedly scaled down coal imports through the port for the month of August.

Paradip, therefore, has been in the news for the wrong reasons, say port officials as they try hard to lobby for more berths, at least five more. Port Trust chairman K Raghuramaiah is busy setting the record straight. He tries to drive sense that the 14 berths – eight for general, four for fertilisers and coal, and the remaining two for iron ore and oil are just not able to meet the growing traffic. Though steps are being taken to expedite loading and unloading given the limited space and manpower, the officials concede that the ambitious plan to jack up capacity from the present 71 million tonnes per year to 126 MTPA by the end of the 11th Plan period can remain wishful thinking. Missives were already shot

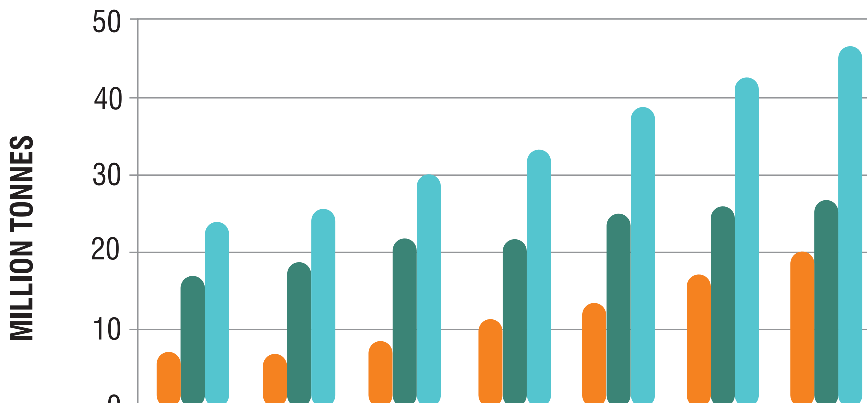
to the shipping and transport ministries to allocate Rs 300 crore for new berths and more staff. But the government is yet to respond.

The way up

Congestion is being perceived as a problem of late but it has in fact set the port competing against itself year after year ever since opening for traffic in 1966. If the volume of traffic has been growing, the port thanks its soft underwater soil that helps dredging easier and need-based. It has been cashing in on this strength by catering to general, project and container cargoes of heavy industries in the vast hinterland spread across Orissa, Jharkhand, Chhattisgarh, Madhya Pradesh, Uttar Pradesh, Bihar and West Bengal.

The port USP, says the chairman, ensures that shippers come back again and again. "The ultramodern technology for loading and unloading of cargoes, the state-of-the-art mechanised coal handling plant, rail and road connectivity for transportation, round-the-clock

The Growth Chart



	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Import	6.99	6.71	8.44	11.42	13.66	16.85	19.89
Export	16.91	18.6	21.66	21.69	24.86	25.59	26.52
Total	23.9	25.31	30.1	33.11	38.52	42.44	46.41

navigability throughout the year and high-level of operational efficiency make the port cost-effective for any exporter or importer," he notes.

The coal-handling plant, equipped with stackers, reclaimers, conveyors and ship loaders, is designed to handle 20 million tonnes per year. With such facilities in place, the traffic doubled in the last six years from 23.90 MT to 46.41 MT and the port management prides in the 9.36 per cent growth registered last year despite the global slowdown.

The operating surplus of the port has been steadily growing in the last five years, says the port management. From a surplus of Rs 199.74 crore during 2003-04, the port has achieved Rs 338.50 crore during 2008-09. One of the reasons is the port's zest to handle new cargoes. For instance, it handled raw sugar to the tune of 1,40,392 tonnes and imported crude oil of 1,575,842 tonnes during 2008-09.

Capacity addition

The port is in the process of modernising and mechanising all the existing berths in a phased manner, informs the chairman. Deepening of channels at a cost of Rs 253.36 crore is underway. The Dredging Corporation of India has commenced the work in June 2008 and is expected to complete it by March 2010. The depth of the entrance channel is being increased from 13 m to 17 m and the approach channel from 15 m to 18 m. Once done, the port hopes to handle Capesize vessels up to 1,25,000 DWT. A ro-ro jetty for handling project cargo, being constructed at a cost of Rs 4.83 crore, is likely to be completed by the end of August this year.

The port is also keen to construct five more berths – two with 10 MTPA for handing imported coal and iron ore exports, an oil berth for handling POL products and two multipurpose berths for handling clean cargo and containers.

Connectivity projects

The port, according to the officials, has a reputation of providing

The Port

The Beginning: Commissioned on March 12, 1966 and declared the Eighth Major Port of India on April 18 the same year.

The Status: A customer-friendly ISO-9001-2000 certified and ISPS complied deep-water, all-weather port serving importers and exporters.

The Cargoes: Iron ore, thermal coal, coking coal, chrome ore, manganese ore, charge chrome, ferro chrome, ferro manganese, limestone, hard coke, ingots and moulds, billets, finished steel, scrap, fertiliser, clinker, gypsum, project cargo and containers.

The Achievement: Traffic doubled in the last six years from 23.90 MT in 2002-03 to 46.41 MT in 2008-09.

The Target: To be a 18-m deep, 20-berth mechanised port with a traffic of 126 MT by 2012.

Milestones

1. One berth of 160 metres constructed and put to use for berthing of IOCL vessels as part of their refinery project. Another berth of 108 metres for berthing of Coast Guard Vessels commissioned in view of increased security measures.
2. A dry dock of 75:15:11 metre is ready to facilitate repair of all port craft and vessels that were hitherto sent to Kolkata and Visakhapatnam.
3. Two 1,350 BHP locomotives procured and added to the existing seven locomotives to strengthen the port railway system.
4. One stacker-cum-reclaimer commissioned on December 19, 2008 to increase the output at the mechanised iron ore handling plant.
5. IOCL-commissioned Single Point Mooring started on December 28, 2008 to handle Very Large Crude Carriers (VLCCs).
6. Round-the-clock CCTV Security Surveillance System was recently installed to enhance security measures.
7. Recently introduced Electronic Data Interchange system to simplify transactions between port and port users. Web-based messages are also being exchanged with users through the PCS central server.

Cargo Forecast

In Million Tonnes

Year	POL	Iron Ore	Coal	Container	Other Cargoes	Total
2008-09	3.24	14.27	20.16	0.03	8.71	46.41
2009-10	11.80	15.00	21.00	0.20	9.00	57.00
2010-11	12.70	17.00	23.00	0.30	11.00	64.00
2011-12	13.00	22.00	23.00	0.50	11.50	70.00
2016-17	30.00	25.00	30.00	1.00	14.00	100.00

prompt, reliable and friendly services to the customers. It is gearing up to add speed and volume to trade, they say as they detail the projects in progress.

Railway Line: The port railway has a route length of about 10 km and track length of 82 km with 25 full-length railway sidings to handle rail-borne traffic. "To improve the connectivity to the port, a new railway line is being constructed parallel to the existing railway line between Haridaspur and Paradip by a joint venture company and Paradip Port has 10 per cent equity," chairman Raghuramaiah informs. The 82-km stretch costing Rs 590 crore is being undertaken by RVNL, Orissa Industrial Infrastructure Development Corporation, Essel Mining & Industries Ltd., Rungta Mines Ltd., Jindal Steel and Power Ltd., SAIL, POSCO India and the port itself. PPT equity is 10 per cent. The project is likely to reduce the distance from Bansapani to Paradip by 50 per cent. The work has already started and is expected to be completed by June 2010.

> "Paradip Port has already completed construction of a dry dock. It has got facilities for dry docking of 60 m LOA, 12 m beam with 6 m draught vessels. All type of repairs for the vessels can be taken up here."
>
> **- K. Raghuramaiah,**
> Chairman, Paradip Port Trust

Roadways: The four-laning of the 77-km stretch from Chandikhole to Paradip (NH-5 A) has been taken up at an estimated cost of Rs 442 crore, including PPT worth Rs 40 crore. The work is nearing completion and ready for use soon. All these projects will drive cargo volumes for the port, the officials hope.

Civic amenities

The port has been paying attention to water, health, education and sanitation for the benefit of port workers. It draws raw water through the Taladanda Canal and stores it in three self-maintained reservoirs before supplying to the consumers. The port draws power from Orissa Power Transportation Corp and supplies it to all the colonies at a prescribed rate through a power supply network.

A modern 64-bedded hospital, primary and high schools for children are run in its jurisdiction. The port also provides a grant of Rs 5 lakh per year to Paradip College for offering degree courses in arts, science and commerce streams. Housing facilities are provided to port users/service providers and state/Central Government employees in addition to the port employees.

More than 8 lakh trees have been planted after the super-cyclone of 1999 ravaged the state. One lakh saplings are procured and planted every year inside the port area and the township, the officials inform. The port is well-connected to the nearest railway station Rangiagarh, which is four kilometres away.

As the port town is all set to become an industrial hub in the next decade with many industries skirting it, whether the port gears up to meet the challenges is the moot point.

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TREND

Pacts of Prosperity

Sister port agreements have always aimed at enhancing cargo traffic between ports. Developed as a simple marketing strategy to attract traffic, these pacts promote trade and economic development of the region more than drive just cargo volumes.

by ***Jagadeesh Napa***

Having friends abroad is a great way to build your personal network. It not only facilitates blossoming of friendship between the two, but also opens up a plethora of opportunities for exchange at personal, family, societal/cultural and business levels. The same principle applies to the relationship between two seaports located in two different countries separated by thousands of miles. Such relationships are kick-started through signing 'sister port agreements', as called in maritime parlance. As the saying goes, successful trade between two countries will have roots in strong bilateral relationships between the countries. As 90 per cent of the world trade happens through the sea lanes, ports are the ultimate gateways through which business relationships are established, nurtured and developed.

Sister port or friendship port agreements are primarily long-term marketing strategies to increase traffic between two ports. Such pacts facilitate ports to share information on port operations, development, management and technology employed. They also help exporters and importers to identify prospective clients/vendors to do business with.

Sister port pacts are not new to the port sector. Such agreements became popular since the end of World War II. Ports in Europe and US were the prominent ones to form sister pacts with each other and with ports in other continents. In the last one year in India, activity on this front picked up with Indian ports increasingly entering into this type of partnerships with international ports. Mumbai Port is the first Indian port to have a sister port agreement. It tied up with the Port of Marseilles in France in November 2008. Chennai Port followed suit a couple of months later with the Port of Halifax in Canada. Port of Gijon in Spain has, in fact, signed sister port pacts with two Indian ports – Jawaharlal Nehru Port on the west coast and Tuticorin Port on the east coast.

Give and Take: *Bartering works to build bilateral ties.*

In addition to promoting mutual trade and development between the ports, these pacts will foster sharing in the areas of engineering, port management (covering operations of specialised terminals), security and city relations among others. Besides, it will also pave way to promote tourism (cruise tourism) between the ports leading to flourishing of this industry. In case of Mumbai Port, major areas of focus are the energy products sector, automobile sector, container sector and other miscellaneous products. Exporters and importers doing trade with Europe through Mumbai Port are encouraged to use the Port of Marseilles as the preferred gateway port to Europe and vice versa. Port of Halifax, which is looking to beef up volumes from India, positioned itself as the nearest and cost-effective gateway to North American hinterland. The port's management stated that it is willing to extend necessary help to the automobile manufacturers in and around Chennai to use Halifax as the preferred gateway to the US and Canadian markets.

Thus, in the long run, these pacts will not only make possible cargo enhancement, but also lead overall development of the region and better trade relations between nations. MG

Regulating Major Ports

New government, new hopes, new laws and legislations seem to be the ongoing mantra in the Department of Shipping under the Ministry of Shipping. Constituting a dedicated shipping ministry unlike the earlier one was one of the first things the UPA government did as soon as it came into power for the second term and of course, this was welcomed by the maritime industries wholeheartedly. Now to provide right environment for the growth of the major ports, the Ministry of Shipping has brought out the proposal of introducing a regulator for major ports through Major Ports Regulatory Authority Act 2009 and invited comments from the industry and other stakeholders on the draft.

The Act is primarily aimed at establishing a new and powerful regulator to oversee the functioning of all major ports in India. If passed, the said act will enable the new regulator to expand its scope of authority and operations beyond the existing regulator – Tariff Authority of Major Ports (TAMP). The new regulator is also expected to address the discrepancies involved in TAMP functioning due to its restricted authority. Thus, it will essentially replace the Major Port Trust Act, 1963 and TAMP.

In the first place, TAMP is limited to devising tariffs for major ports and the private terminals operating within the major ports. Tariff decisions of TAMP were challenged by the private operators in court of law in the last few years and such issues are still pending for a final legal recourse. Hence, it is prudent, on part of the government, to bring in a superior authority with enhanced powers to oversee smooth functioning of the country's vital infrastructure establishments.

In a Nutshell

Name of the Regulator: Major Ports Regulatory Authority

Officer Bearers: Chairman and four members. They will be appointed by the central government on the recommendations of a committee consisting of Cabinet Secretary; Secretary, Ministry of Shipping; Secretary, Department of Economic Affairs, Secretary, Department of Legal Affairs and any person of high reputation in the field of management or regulatory affairs to be nominated by the Department of Shipping.

Functions: Fix and revise tariffs, lay down performance norms, standards of quality, monitor performance, dispute settlement / grievance redressal, advising central government.

Powers: All powers of a civil court. It has powers to call for information, conduct investigation, enforcement of orders, make regulations and punish offenders and violators of rules.

But, the announcement of the proposal in June evoked mixed response from the industry. While this is music to the ears of the some of the stakeholders, private operators are gauging this with utmost caution. The proposed legislation emphasises that the new regulator will lay down the performance norms, standards of quality as well as continuity and reliability of service to be provided by the port authorities and private operators. On these lines, the new regulator will monitor the performance and service levels in the major ports and check for compliance to the prescribed benchmarks.

In an attempt to make the regulatory authority more comprehensive and powerful than TAMP, the shipping ministry through this legislation has vested powers in the authority that are equivalent to a civil court. It means that any kind of legal issue falling under the jurisdiction of authority will be handled directly by the authority and no other civil court will be allowed to accept such issues. The legislation also authorises the regulator to bring down the whip hard on the defaulters. Section32, Subsection(1) says:

"If a person violates the Scale of Rates or contravenes the directions or fails to comply with the order of the Authority, such person shall be punishable with fine which may extend to Rs 1 crore and in case of continuing contravention with additional fine which may extend to Rs 1 lakh for every day during which the contravention continues." MG

Disappointing Draft

The Major Ports Regulatory Authority Act, 2009 (draft) has evoked mixed response from the industry. While the industry prima facie welcomed the Act, it feels that the government needs to do a lot before passing the Act. When **Maritime Gateway** approached **Ganesh Raj**, senior vice president and managing director, DP World, Australia Subcontinent, to air his opinion on the draft Act, he expressed his fears that the Act in its current form will have an adverse impact on the port sector. Here is the summary of his observations on the content of draft Act.

At a time when the Government of India is seeking greater participation from the private sector to fulfil its grand ambitions of developing a modern maritime infrastructure for the country, such restrictive regulations and policies will only deter investments into the country. The key guiding principles which form the bedrock and cornerstone of a credible regulatory mechanism must be characterised by the following principles:

- Autonomous, empowered and accountable institution;
- Transparent and consultative processes;
- Clearly defined objectives, role and jurisdiction of the regulatory institution;
- Appeals from regulatory decisions shall lie at a multi-disciplinary expert appellate authority;
- Regulatory mechanism must be dynamic and evolving to anticipate and meet emerging challenges.

Unfortunately, the current draft has failed to build a creditable regulatory mechanism, on several counts.

Ganesh Raj, senior vice president and managing director, DP World, ANZ/Pacific Region

Incorporation of the Authority

The Authority is proposed to be appointed on the recommendations of the government and will not be an independent autonomous regulatory and adjudicatory body. This will allow political executives to transgress into the regulator's selection, appointment, removal and financial allocation and will hurt the interests of the private enterprise.

No industry representation

The Authority lacks representation from professional bodies or private/non-governmental experts and may predominantly have retired bureaucrats and technical personnel drawn from public utilities. More disconcerting is the fact that there is no industry representation even in the committee on whose recommendations the chairperson and other members are to be appointed.

There is an embargo on the chairperson and members of the Authority from taking any commercial employment for a period of two years from the date he/she ceases to hold office. The same will discourage persons from the private sector to apply for the post of chairperson or member of the Authority.

No consultative mechanism

The draft does not propose any consultative procedure for its decision making concerning fixing of rates for services and use of property as there is no opportunity for private parties to object or comment on the decisions.

Scope of powers

There is no clear scope of the powers of the Authority, which might result in undue interference in the business of the private parties and can affect the function of the private parties. There is no clear demarcation of the functions drawing the line between the Authority and the central government as the central government has the power to require modifications or cancellation of scale of rates etc.

Lack of framed procedures

Detailed guidelines concerning the procedure for dispute resolution, framing of scale of rates and statement of conditions and performance standards and norms along with specific guiding principles or consideration or factors to be borne in mind in exercise of such powers have not been provided. However the same might be notified by the Authority at a later stage by way of a notification. But there is no mandate on the regulator to give public notice of proposed action/ proceeding, with a suitable and fair opportunity of hearing, to the concerned parties. It is pertinent to note that such guidelines/principles should be provided along with the draft in order to inform and enable the concerned parties to review and comment on the same.

Dispute resolution

In the light of the dispute resolution powers vested with the Authority, it is unclear as to whether the Authority can adjudicate disputes concerning the users of services or properties. Moreover, it may cause multiplicity of suits/ proceedings and hence will be prejudicial to private parties. The purport of the following phrase, is vague:

"disputes involving the port authorities/ private operators and a group of persons using the services and/ or properties with reference to application of Scale of Rates and/ or quality of services provided".

Legal proceedings against the central government

The draft effectively bars all suits, prosecutions or other legal proceedings against the central government or any of its officers, any authority, chairperson, member or other employees of the Authority for anything done or intended to be done in good faith. Detailed guiding principles have not been laid down for the functioning of such employees and staff which might be appointed by the Authority under the proposed provisions of the Draft.

In the run up to the successor pact for Kyoto Protocol, maritime nations are beginning to take sides on the issue of adopting a feasible instrument to curtail emissions from commercial shipping activity in the years to come. While the European shipowners back emission trading scheme, southeast Asian shipowners, especially from Singapore, support Compensation Fund. **Maritime Gateway** dwells into the details.

Considered to be the least emitter of green house gases (GHG), shipping is recognisably the most efficient form of commercial transport available in the world. It emits the lowest percentage of GHG per tonne mile, a universal measuring unit of GHG for transport industries. But given the colossal scale of commercial shipping crisscrossing the continents and dotting the international coastlines, it accounts for a sizeable chunk of GHG emissions. As reported earlier, an International Maritime Organization (IMO) study says that shipping industry contributes 4.5 per cent of total carbon emissions and has the potential to raise this figure in the long run if the issue is left unattended.

While the developed countries like EU strongly insist that shipping and aviation industries be included in the successor climate pact to Kyoto protocol, it is very difficult to bind them in as they do not fall under any one nation's purview.

Nonetheless, serious efforts are being made in this direction and the so called enthusiasts of the green cause have even proposed a few market-based instruments to curtail the GHG emissions. European Union has called for action from countries across the world to work together through the International Civil Aviation Organization (ICAO) and the International Maritime Organization (IMO) to agree on the global measures by 2010 and to be approved by 2011. Though European Union members propose to use different market-based instruments to reduce shipping emissions, they have been strongly advocating "emissions trading scheme" as the preferred instrument. Emission trading scheme otherwise known as carbon trading, which has now become popular in this part of the world, is being successfully carried out as part of the instruments approved under Kyoto Protocol for pollution caused by manufacturing. But another group of influential stakeholders of the industry belonging to the other part of the world are backing a rather traditional instrument – bunker tax to be levied on the purchase of each gallon of bunker fuel. A closer look at both these will reveal the intricacies involved.

A PricewaterhouseCoopers study points out that a voluntary credit-based emission trading scheme will save several billion euros for land industries. Emissions trading has become popular at regional level among different countries in the last few years. Being traded mostly among the developed countries, it is aimed at providing funds to the low GHG emitting developing countries. A European environmental legislation proposed two years ago to have a voluntary emission trading scheme that involves every vessel plying in the EU waters. Those backing this scheme state that the scope of the proposed emission trading scheme is to create emission reductions to the lowest economic cost for society as a whole. Swedish Shipowners Association asserts that a credit-based emission trading to reduce nitrogen and sulphur oxide emissions and their harmful effect on the ecosystem will be a better alternative than command and control measures that are legally binding. The association adds that the trading scheme is being accepted by both land and maritime industries, promising greater penetration of environmental measures and ensuring enforcements. It draws inspiration from the existing regional emission trading schemes that are prevelant in EU and US.

On the other hand, Singapore Shipowners Association (SSA) proposed a bunker tax system and considers it as a better solution compared to emission trading sceme. Coined as "compensation fund", the proposed bunker tax will be levied at the time when shipping lines purchase bunker fuel. SSA asserts that the international compensation fund will be a sure shot way to reduce GHG emission by ships. "The compensation fund, when adopted by the IMO, should have provisions enacted that recognise and reward progressive operators who develop or deploy environmentally friendly technology for their ships, as well as provisions to incentivise the development of innovative green technologies," states the association. Though SSA is backing the compensation fund at IMO, Singapore's Maritime and Port Authority (MPA) is yet to decide whether it will back a compensation fund or an emissions trading scheme.

SSA feels that that an emission trading scheme, as an open market mechanism, could be cornered by a small number of players. It has expressed fears that a single company could buy up all the credits. SSA executive director, Daniel Tan says, "emission trading scheme, in our view, is rather speculative in nature as it will be open to trading. As regard compensation fund, a levy may be imposed on the shipowner when the vesse takes bunkers from a port. It is a finite amount where the shipowners are concerned. It is also predictable where cost to the shipowner is concerned. However, our conditions on the compensation fund is that this levy has to be imposed across the board, i.e. every country has to implement it to enable a level playing field."

Countering the SSA's proposal to have a compensation fund, the Europeans express their concerns over increasing costs because of the proposed tax and fear that it may result in shifting of cargo from water to land transport. As European waterways carry a major part of the cargo, shipowners fear that a bunker tax would raise their operating costs, leading to higher costs to the end customers and thus prompting them to shift cargo to road transport. Given the stance taken by these parties, one has to wait and watch for the developments that are expected to unfold as the run up to COP 15 to be held in Copenhagen in December 2009. MG

FOCUS

East Europe Trade

Economic slumps have always offered lessons to learn and opened up new vistas that changed the dynamics of doing business time and again. The Indian export fraternity, one of the worst hit by the recession, is now learning to diversify its basket of markets and is grappling to find a firm foothold in those neglected markets.

by **Susenjit Guha**

Instead of relying on traditional export markets like the US and Western Europe, it's wise for Indian exporters to look for opportunities elsewhere as the economic recession has robbed the traditional markets of the necessary buying power. As the heat of the global economic meltdown is being felt worldwide, merchandise export values of India continue to dip to US$ 10.74 billion, down 33.2 per cent in last April, and in May the figure was US$ 11.01 billion, down 29.2 per cent.

The need is for spreading the basket rather than putting all the eggs in them while weaving the next Foreign Trade Policy (FTP). Union Commerce and Industry Minister Anand Sharma had that in mind when he spoke recently at an interactive meeting between the CII and the FIEO promising sops for diversification of Indian exports to non-traditional areas. Although he was upbeat about the decline being arrested and of a boom time up ahead, he said, "We will look at diversification so that

Get set, go: *India has huge potential for exports to East Europe.*

"Most of the new nations are now part of the EU, which has expanded over the years taking in Cyprus, the Czech Republic, Estonia, Lithuania, Slovakia, Poland, Hungary, Slovenia and the others."

other continents which have not been traditional destinations of Indian exports are also covered. This will help in boosting our exports."

Countries to reckon with

Among the focus areas are the east European countries that formed part of the 'iron curtain' before the Soviet Union morphed to Russia. Some of them belong to the former USSR, while others were part of communist bloc in east Europe where Indian exports can make their presence felt to ride over the recession. But these nations are not new to Indian exporters as exports to the Soviet bloc were up and running much earlier. The regions that are now independent nations are not unaware of Indian products, as they had used them earlier.

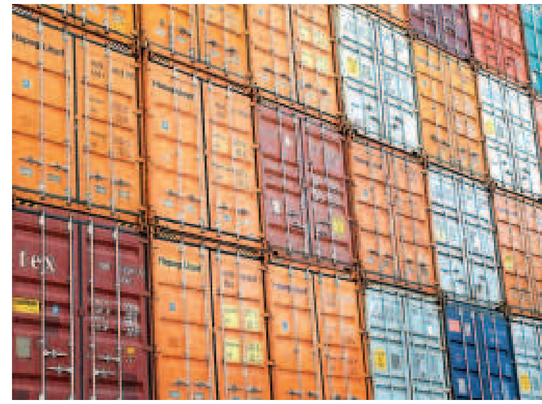
But quality was a factor that didn't matter much during those times, but huge quantities did. The situation is different now and they expect top drawer stuff at cheaper prices and could be open for an Indian export thrust. Most of the new nations are now part of the EU, which has expanded over the years taking in Cyprus, the Czech Republic, Estonia, Lithuania, Slovakia, Poland, Hungary, Slovenia and the others. Nearly all of them are conversant with some Indian products. The single documentation facility, instead of separate and myriad formalities, is bound to facilitate India's trade to those areas. Indian exporters could avail of the new ports for entry, saving loads in shipping costs.

Even though the prospects of East European countries do not appear so bright on the face of it, there is huge potential that still remains untapped. Although low growth potential of the relatively new entrants to EU compared to the traditional markets remains apparently less encouraging, a Kearney report revealed that along with China and India, the major east European countries are slated for growth. Some of them could be among the 10 most attractive markets of the world in the future.

Bolstering their economies by the US would be an antidote to Russia's clout in the region. And an enlarged EU is in the US' interest, taking in more nations on the fringes leading to enhanced political and economic significance. It does not matter if the east European countries don't match up to the greater EU's GDP at the moment. It is the Indian presence in east Europe all these years – despite the low contribution to its export trade basket from the region – that can be ideal for kick starting the process once again in the changed global political and economic scenario. Some time back a FICCI study highlighted the impact that an enlarged EU would have on India's trade and investment.

Making inroads

FIEO pounced on the opportunity with the global recession underway by penetrating into Romania, using trade fairs and exhibitions to showcase Indian products. By starting off with an Indian Trade Centre in Bucharest, Romania's capital, with both showcasing and warehousing facilities, it has provided a gateway for greater participation of Indian exporters. FIEO is also getting Indian brand



equity established in the region in a big way. Since 2005, Indian exporters have availed of MODEXPO, TIBCO and Suveniruri Christmas Fair to reach out to more customers.

Romania, being the epicentre of trade in the region, Indian exporters, with their participation in fairs and exhibitions, can make headway into Poland, Hungary and Bulgaria – the countries which had an Indian presence, however small, when they were part of the Soviet bloc. When traditional and major markets lose their lustre, it is these fairs and buyer-seller meets that fuel the sparks and can once again take the earlier Indian merchandise presence in these regions to greater heights.

It is not only the traditional countries in the iron curtain, but EU itself that is also getting beefed up as a prospective market area with upwards of 500 million inhabitants. But being in the EU does not intertwine some of the east European countries with the economic, political and social conditions of the west European nations. Instead of being part of the European economy, the east European countries and markets are veering toward creating their own economic regions as many of them are busting old borders. It is the countries of the old Soviet Union, or the new European Union that would have much to offer to both India and China with their proven expertise in certain areas.

More than exports

India has to wake up to the reality fast and make deep inroads for investments as well into 'new Europe'. It is already a lucrative destination for skilled and comparatively cheap labour with a European sheen. India can lose much of its back office job to the 'backyard Europe' and as some analysts feel, could make foreign investment swing from the Asian tigers. Indian firms with gravitas to rough it out in unknown terrains and dig in, should not lose sight of this opportunity that could sharpen their teeth for cutting into the markets of a renascent EU when the global economy gets back on the rails and prepares to surge once again. As Indian firms are stepping out and acquiring businesses globally, tapping markets like Slovakia, Estonia and Poland for investments can also see them on the front line during the next turnaround.

Opportunities have always lurked behind periods of prolonged recession and some out-of-the-box approach to face the crisis head-on can pave the way for a formidable Indian presence in the east European markets. According to IIFT chairperson Rakesh Mohan Joshi, "The problem is that most developing and least developed countries are heavily dependent for their exports on a handful of products and a few markets." With job losses mounting in the Indian export units, the only alternative is to make another bid, but this time for a larger pie of the market in the former Soviet bloc.

Better credit facilities, enhanced duty drawbacks and income tax holidays should be provided to the textile industry, a prospective sunrise sector according to Padmashri and president of FIEO and Tirupur Exporters Association, Arumugam Sakthivel. Many in the government and outside are keeping their fingers crossed about the year-end scenario of our external trade as it is unlikely that the export target of US$ 200 billion for the next fiscal year can be achieved with the global recession waylaying hopes in the traditional export markets.

Seize or perish

Not only the east European countries that have joined the EU, but also the eastern part of Germany t has promises in store for Indian companies looking for a greater physical presence, according to the Director-Advisory Services, KPMG, Andreas Dressler.

To beat the global recession and for the survival of India's export industry and employment, the future requires finding the right markets fast in all the east European countries. If the gears are not switched quickly taking advantage of the ground clearance and backup support offered by the trade bodies, exporters could end up banking on the eggs in a single basket to their peril. MG

Taxability of Charter Hire Payments

Insight into Implications

In the previous edition, the authors deliberated upon the income-tax incentives to ports, inland container depots and container freight stations in the backdrop of recent developments. In this article, they analyse the tax implications on charter hire payments made to foreign shipowners, under the provisions of Income-tax Act, 1961 ('IT Act') and the Double Taxation Avoidance Agreement ('Tax Treaty').

by ***Girish Mistry & Nikhil Rohera***

Globally, shipping companies conduct their business through owned / chartered ships. Chartering of ship is usually done either on bare boat or time / voyage basis. At times, bare boat-cum-demise charter is also entered into.

In shipping terminology, 'bare boat' charter refers to charter of a ship simpliciter, i.e. without crew and equipment. A 'time charter' is charter of a ship with crew and equipment and is for a definite period. A 'voyage charter' is a charter for a particular voyage and is, generally, with crew and equipment. A 'bare boat cum demise' charter is a bare boat charter where ownership is intended to be transferred to the charterer (lessee) after a specified period.

The taxability of charter hire payments in the hands of shipowners depends on the type of charter as also the country of the shipowner's residence.

Taxability of bare boat charter hire payments

Under IT Act

Bare boat charter ('BBC') hire payments are for use and hire of the ship simpliciter. In the IT Act, the term 'royalty' has been defined to include payments for 'use or right to use any industrial, commercial or scientific equipment'.

An issue arises as to whether BBC hire payments can be considered as payments for 'use of equipment' and, hence, 'royalty' under the IT Act.

The Central Board of Direct Taxes ('CBDT') has clarified that ships are 'equipments' and BBC hire payments are, thus, in the nature of 'royalty'.

The Income Tax Appellate Tribunal ('Tribunal'), Chennai Bench, in case of West Asia Maritime Ltd. (109 TTJ 617) had an occasion to deal with this issue. In that case, the Tribunal referred to the definition of 'equipment' as given in certain dictionaries and commentaries and observed that the definition of 'equipment' was wide enough to include a ship. Accordingly, the Tribunal held that 'ship' is an 'equipment' and BBC hire payments would partake the character of royalty for use of equipment.

In light of the above decision as also the clarification issued by the CBDT, BBC hire payments paid to shipowners would, thus, be treated as 'royalty'. Such royalty received by a non-resident shipowner from an Indian payer is taxable in India @ 10.56 per cent on gross basis if certain conditions stipulated in section 115A of the IT Act are satisfied. Consequently, the Indian payer would be required to deduct tax at source on BBC hire payments made to non-residents.

Under Tax Treaty

In several tax treaties that India made with foreign countries (e.g Australia and Germany), the definition of 'royalty' includes payment for use of equipment (i.e. definition of 'royalty' is similar to the one given in the IT Act). As such, BBC hire payments would, similarly, constitute 'royalty' under the Tax Treaty and would be taxable in India on gross basis at the rates prescribed in the Tax Treaty (generally, 10-15 per cent. However, if the foreign shipowner has a permanent establishment ('PE') in India and the charter party agreement is effectively connected with the PE, then such royalty income (i.e. BBC hire payments) would be taxable as per the provisions of Article 7 (Business Profits). It may be noted that business profits to the extent attributable to the PE are taxable in India on a net-income basis @ 42.23 per cent.

> **"The much awaited Union Budget 2009 was presented by the Finance Minister on July 6. Though the budget has to some extent met India Inc's expectations from the new Government, it has evoked mixed reactions from the shipping industry.**
>
> **There was an expectation that procedural difficulties and administrative compliances on ship clearances would be minimised and streamlined but unfortunately, that was not done. However, with a separate Ministry of Shipping and the proposed Direct Tax Code, one can continue to keep the expectations high."**

However, in some tax treaties with countries like Greece and Sweden, the definition of 'royalty' does not include payment for use of equipment. In such cases, BBC hire payments would be characterised as business profits under the Tax Treaty and governed by Article 7, under which they would be taxable in India only if they are attributable to the shipowner's PE in India. However, determining the existence of a PE (whether in the form of a ship or otherwise) as also computing the profits attributable to such PE involves a complex exercise and generally depends on the facts of each case.

Taxability of time charter hire payments

Under IT Act

Time charter ('TC') hire payments are for provision of ship along with crew and support services. As such, since a TC hire payments is not necessarily linked to 'carriage of goods', it has been held by Indian Courts that these payments are not governed by deeming sections 44B and 172, which only deal with freight collections derived from 'carriage of goods'.

Further, since TC hire payments are not for use of equipment alone, TC hire payments may not be regarded as 'royalty'. This view finds support from the CBDT clarification (supra).

Even the Chennai Tribunal in case of *Poompuhar Shipping Corporation Ltd. vs. ITO* (108 TTJ 970), had observed that, generally, TC contracts are not for use and hire of the vessel but for provision of services through officers, crew and ship. However, based on the facts of that case, the payments under the TC contract were treated as royalty, since the language of the contract in that case suggested that payments were for use and hire of the ship.

TC hire payments are, generally, regarded as 'business income' of the non-resident shipowner and, such income, to the extent attributable to the operations carried out in India, is taxable in India on a net-income basis @ 42.23 per cent.

However, one cannot lose sight of the decision of the Mumbai Tribunal in case of *Caribjet Inc. vs. DCIT* (4 SOT 18) wherein, in the context of taxability of income from leasing of aircrafts, it has been held that there is no fundamental distinction between dry leasing and wet leasing.

Under Tax Treaty

Article 8 of the Tax Treaty deals with profits from shipping business. As per this Article, profits derived from operation of ships are, generally, taxable only in the country of residence and not in India.

One of the key conditions to avail benefit of Article 8 is that the enterprise should be engaged in the business of operation of ships. An interesting issue which arises is whether, in a TC hire contract, the lessor can be considered as engaged in the operation of ships so as to avail the benefit of Article 8 to its time charter hire income.

The OECD Commentary on Article 8 and the Commentary of learned expert on International Taxation, Prof. Klaus Vogel, clearly recognise TC as operation of ships by the lessor and, thus, covered by Article 8.

Recently, the Mumbai tribunal, in case of *DDIT vs. Thoresen Chartering Singapore Pte. Ltd.* (119 TTJ 621), had examined whether a voyage charter simpliciter is entitled to Article 8 benefit. The Tribunal referred to the definition of 'profits from operation of ships in international traffic' given under Article 8(4) of India-Singapore Tax Treaty and observed that carrying on transportation by the assessee himself either in the capacity of owner or lessee or charter is a sine qua non for claiming benefit of Article 8. Since, the assessee was merely chartering in and chartering out the vessels, the Tribunal rejected the assessee's claim for Article 8. The Tribunal, ultimately, remanded the matter back to the Tax Officer to examine the taxability under Article 7 and held that taxability would be attracted in India provided a PE exists in India. Further, it held that only so much of the income as was attributable to such PE would be taxable in India.

The key principle which emerges out of the above decisions is that, while entering into charter contracts with foreign shipowners, utmost importance should be accorded to the language of the contract for ascertaining the nature of payments to be made therein. A TC contract should not suggest that payments are for use and hire of ship in which case, such payments could be treated as 'royalty' as against income from operation of ships. Also, one needs to keep in mind that benefit of Article 8 may not be available if the enterprise is merely chartering in and chartering out vessels without itself being actually engaged in operation of ships.


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*

Return of the Native

Touching base: *Billionaire shipowner John Fredriksen (flanked by his twin daughters Katherine and Cecily), is ready to move several of his ships into the Norwegian international shipping register. (file photo)*

Shipping tycoon John Fredriksen is considering moving several ships into the Norwegian international shipping (NIS) register after the Nordic country's taxation for the industry has turned more favourable, daily newspaper *Dagens Naeringsliv* reported recently.

Fredriksen, the owner of dry bulk shipper Golden Ocean and the world's biggest independent oil tanker shipping group Frontline, already has seven ships registered under the Norwegian flag.

"We have 30-40 new vessels, bulk and tankers, for which we have not decided on any flag yet," Fredriksen, who controls a fleet of about 200 vessels, told the business daily.

"We are considering moving some of these to Norway," he said, adding that it would start with one or two vessels and then evaluate how it is going. "We have so much business in Norway, so it is natural for us to have some ships there."

Fredriksen described the new tax system, which has aligned to those of the European Union and is meant to keep the shipping industry competitive under the Norwegian flag, as "not bad".

Under the new Norwegian scheme, the Labour-led government also imposed 14 billion crowns (US$ 2.28 billion) in back taxes on undistributed profits retained by shippers over many years, but the industry is opposing the move.

Three companies, BW Gas, Farstad Shipping and Bergshav Tankers have taken the case to court, which is expected to go all the way to the supreme court and possibly further to the EU court system.

Deputy minister Rikke Lind from the Ministry of Trade and Industry was quoted in *Dagens Naeringsliv* as saying that it was important to register ships in Norway because it would benefit the whole maritime industry through increased activity and jobs.

Fredriksen has holdings in many other companies, including oil driller Seadrill and the world's largest fish farmer Marine Harvest. On Tuesday, shipping group Siem Offshore said it would transfer 25 vessels into the Norwegian scheme and set up a base for its international operations in Kristiansand in Norway. MG

Insurance meet

Bad Times a Boost

Major problems facing marine insurers have helped boost interest in the International Union of Marine Insurance's annual conference to be held in Bruges, Belgium from September 13 to 16. The organisers say more than 450 marine underwriters will attend event to resolve issues.

The main driver of the growing interest in the 2009 conference, says IUMI president Deirdre Littlefied, "is the fact that our market is facing a number of serious problems, some of which will have to be resolved before the end of the year."

However, the overriding concern for insurers is how to cope with the economic storm that has devastated shipping operations, the IUMI chief says. "Although we have seen some recovery in the financial markets and in the value of certain bulk commodities thanks to renewed Chinese demand, the world is still in a deep recession and shipowners face the deepest slump they have ever experienced," she adds.

Of all the world industries grappling with overcapacity, none is in such dire trouble as shipping, Littlefield affirms. "Too many ships chasing too little cargo, and a huge amount of new tonnage still on order despite cancellations."

While underwriters' claims exposure is reducing because of the increasing number of ships lying idle or going into lay-up, the plunge in cargo volumes and vessel values is hitting marine insurers hard. "Underwriters will soon have to make vital decisions on matters such as the Rotterdam Rules where a new convention is scheduled for signing in September that will radically affect the cargo liability regime, proposed changes in salvage arbitration procedures due to take effect in October, and how to deal with the piracy menace that escalates day by day, now in several parts of the world," Littlefield notes.

IUMI secretary general Fritz Stabinger says the importance of risk management to cargo underwriters during the downturn will be a major talking point. "There will be a particular and important focus this year on legal and liability issues."

DP World postings

Marine terminal operator DP World has announced the following appointments and organisational changes:

Matt Leech will be senior vice president and managing director, Americas region. He was formerly senior vice president, Business Development, based in Dubai. He moves to Charlotte, North Carolina, taking over from Dave Sanborn, who is leaving DP World this month to pursue other career opportunities.

Ganesh Raj, senior vice president and managing director, Indian Subcontinent region, will move to Sydney to look after the Australian region after Jack Williams, senior vice president and MD of Australia, retires by the end of August.

Anil Singh, formely senior vice president and managing director, Africa region, will be the India incumbent. A former master mariner, he joined DP World in 2008 from Thailand, where he spent seven years as the group CEO of containers terminals B1 and A0, a JV between APM Terminals, PSA and Marubeni. He was with P&O Australia for 13 years. His other assignments included CEO of Nhava Sheva Container Terminal, Mumbai, and as project manager for Asia/South America region based in Sydney.

Joost Kruijning, formerly chief operating officer, UAE region, becomes senior vice president and managing director of Africa region, effective September 1. He began his career in 1988, joining Sealand while still attending the Maritime Institute in his hometown Rotterdam, The Netherlands.

Clearship appointment

The Clearship Group has announced **S Venkatraman** as its vice-president-Air. A commerce graduate from Mumbai University, Venkatraman holds a diploma in Exports & Imports Management from Indian Merchants Chambers along with a DG qualification. He began his career in the financial services department of Cathay Pacific Airways Ltd. and aspires to take forth the Air division at Clearship freight forwarding group.

S S Hussain elected IPA chairman

S S Hussain, chairman of Jawaharlal Nehru Port Trust (JNPT), has been elected chairman of Indian Ports Association (IPA), the body of Major Ports in the country. He succeeds Dr A K Chanda, whose term as chairman of Kolkata Port Trust ended in June this year.

Hussain, who took over as chairman of JNPT on March 16, 2007, is currently the senior-most amongst the chairmen of major port trusts. He had held senior positions in the government of Maharashtra before assuming charge as JNPT Chairman.

Piracy Unabated

Gun-wielding pirates are threatening ships in Asia. If they are biding time on the shore in the Gulf of Aden, they could catch ships off-guard after monsoon. **Maritime Gateway** gives a quick round-up of the issue.

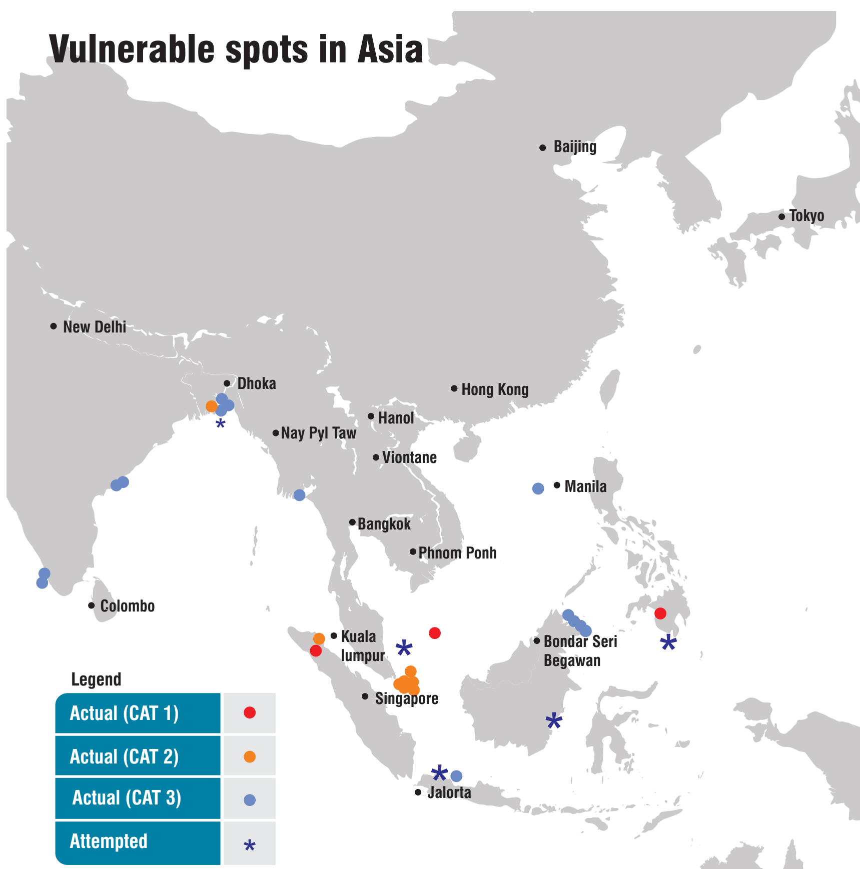
A total of 43 incidents of piracy and armed robbery against ships were reported in the Asian region in the first six months this year, a report on piracy says.

According to the half yearly report by Regional Cooperation Agreement on Combating Piracy and Armed Robbery Against Ships in Asia Information Sharing Center (ReCAAP ISC), 38 cases were actual incidents and five were attempted incidents.

Of the 38 actual incidents, 8 were incidents of piracy and 30 were incidents of armed robbery. Seven incidents of piracy were reported in the South China Sea and one incident was reported in the Straits of Malacca and Singapore.

Overall, there has been a relative decline in the total number of incidents when compared to the past five years due to the decline in the number of attempted incidents. Notably, the number of incidents reported at ports and anchorages has reduced significantly and these were mostly less significant incidents.

The ReCAAP ISC classifies the incidents into three categories – Very Significant (Cat 1), Moderately Significant (Cat 2) and Less Significant (Cat 3). Of the total number of incidents reported in the first half of this year, 3 were very significant, 16 moderately and 19, less significant. About 65 per cent of these incidents occurred during April to June.



However, multi-channel reporting and timeliness of reports can help issue incident alerts to seafarers, ReCAAP says, and urges ship masters, owners and operators to report all incidents to the nearest centre.

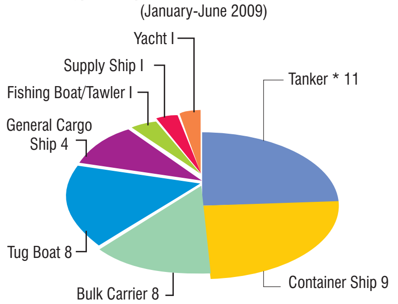
EU to train Somali forces

The European Union has recently announced plans to set up a training mission for security personnel in

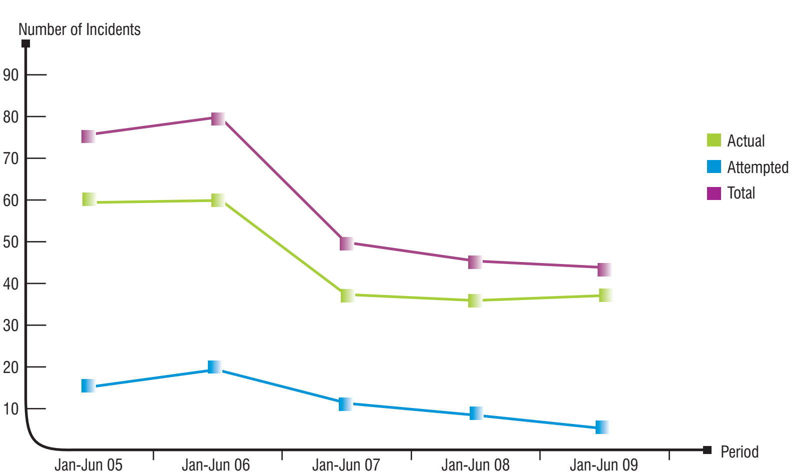
Observations for January-June 2009

- Decline in the total number of incidents compared to January-June of 2005-08.
- Drop in the number most apparent in Bangladesh, India and Indonesia.
- Increase in the number of moderately significant incidents compared to 2007 and 08 in South China Sea, off Pulau Aur, Malaysia, and Straits of Malacca and Singapore.
- Highest number of incidents involved tug boats due to their vulnerability. Overall, tankers were the most susceptible when anchored/berthed.
- Use of guns and knives relatively more than the past.
- Theft of cash and ship stores appeared to be most common.

Type of ships involved in reported incidents
(January-June 2009)



Actual and attempted incidents (January-June of 2005-2009)



Somalia by sending a planning team to the crisis-hit Horn of Africa nation soon. EU foreign ministers, who met in Brussels recently, decided to "explore the possibility of additional EU support to the security sector," a statement said.

EU is currently running an anti-piracy mission in the waters of the Gulf of Aden off the Somali coast, but senior officials have long conceded that the only real way to combat the problem is to combat it on the ground. The training will take place in neighbouring Djibouti that has French and US military bases.

According to European Union foreign policy chief Javier Solana, the EU will look at "the idea of training security forces", as well as how to help pay their salaries and boost cooperation with the African Union mission in Somalia. He said the EU will concentrate on three issues – how to help the security force train itself, how to pay the salaries of the new security force and how to cooperate with the African Union peacekeeping mission already working in Somalia.

Alert on future attacks

The multinational anti-piracy force operating off the coast of Somalia warns marines of an escalation in piracy incidents in September once the southwest monsoon recedes. The combined maritime forces operating in the area advise merchant navies to take proactive measures to thwart any attacks.

In anticipation of threats, the major naval powers have already deployed dozens of warships in waters off Somalia. More than 30 ships and aircraft from 16 nations, including members of NATO and the EU, are patrolling the waters off the Somali coast to ensure safety of sea traffic passing through the region. And now, even Norway and Croatia have expressed willingness to join the anti-piracy mission by sending two frigates and more ships to the region.

Meanwhile, piracy attacks around the world have more than doubled to 240 from 114 during the first six months of the year compared with the same period in 2008, according to a report of the ICC International Maritime Bureau's Piracy Reporting Centre (IMB).

"As in the last quarterly report, the rise in overall numbers is due almost entirely to increased Somali pirate activity off the Gulf of Aden and east coast of Somalia, with 86 and 44 incidents reported respectively," the report added.

Nigeria continues to be a high risk area, with 13 incidents reported in the second quarter to the IMB and at least 24 other attacks which have not been directly reported. "The majority of attacks are against vessels supporting the oil industry," remarked IMB Director Pottengal Mukundan. "There is a need for every incident to be reported and brought to the attention of the Nigerian authorities. This is the only way in which the true risk associated to the area can be determined and accurate advice be given to shipmasters, owners and traders."

By providing meaningful reports to governments and law enforcement agencies, the necessary resources can be devoted to effectively deal with the problem, the IMB chief adds. MG

Sage Comes of Age

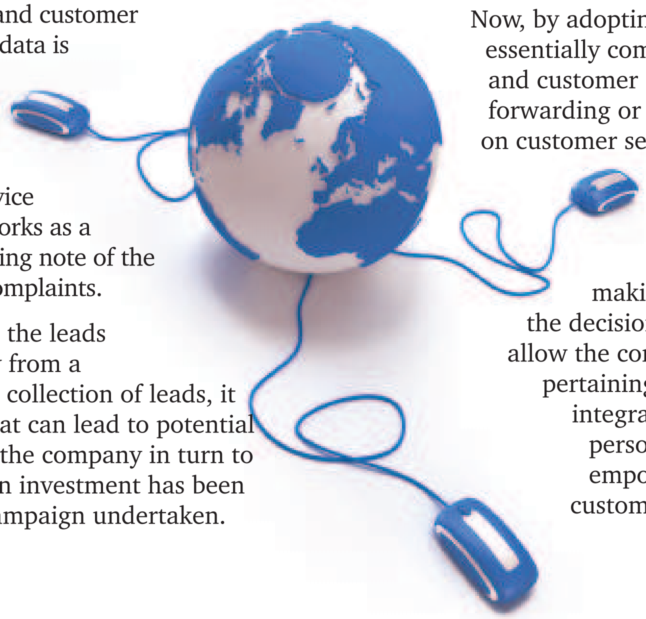
Software solutions provider Sage Software has developed a range of customer relationship management (CRM) solutions for the business requirements of the freight forwarding and courier express industry. Having recently provided CRM solutions to Red Eagle Shipping and Blue Dart, **Thomas Abraham**, managing director, Sage Software India (P) Ltd talks of his company's USP. Excerpts from an interview with **Maritime Gateway**.

What are the different CRM solutions and components provided by Sage Software?

We provide four different software solutions to the user industry. These include: Act by Sage, Sage CRM.com, Sage CRM and Sage Sales Logix. The CRM solutions essentially have three different components – sales force automation, customer service automation and marketing automation. Sales force automation manages sales cycle by collecting data pertaining to status billing, status of orders, contacts made to promote sales and value of receivables. It then integrates the data with the back office of the user organisation or the other decision-making tiers for improving sales efficiency.

Customer service automation collects data pertaining to shipments status and customer complaints. After collation, the data is integrated to different decision-making tiers of the user industry. The benefits of this service are dual. While it helps to integrate sales and service wings of the company, it also works as a redressal tool for customers taking note of the status of their shipments and complaints.

Marketing automation collates the leads generated by the company, say from a promotional campaign. Led by collection of leads, it takes into account the leads that can lead to potential sales for the company helping the company in turn to calculate whether the return on investment has been justified on the promotional campaign undertaken.



How can the freight forwarding and the express industry gain by adopting your CRM solutions, both in terms of providing customer support and improving bottom lines?

Let me highlight the fact that freight forwarding and express industry are the sectors which work in intensely competitive business environments. As a consequence, margins are always under acute pressure. To create and retain customers, appropriate service orientation has to be the key for the industry led by concurrent improvement in its internal efficiencies by upgrading its business processes. This would help the industry to bring in revenues.

Now, by adopting our CRM solutions, essentially comprising sales force automation and customer service automation, the freight forwarding or the express industry can focus on customer service – which is essential to create and retain customers. At the same time, they can integrate their various decision-making tiers, in turn decentralising the decision-making process. This would allow the company to act fast on decisions pertaining to customer service. By integrating the software, the sales person on the field can be further empowered to take sales and customer service decisions based on customised requirements. Also, personnel at the senior decision-making at sales or customer support at back office can undertake productive jobs that can add customer value. Through integration of the system, operational efficiencies can be improved to a great extent, helping the company curtail various operational expenses.

What were the Sage CRM solutions provided to Red Eagle Shipping and Blue Dart?

To Blue Dart we have provided our integrated Sage Sales Logix CRM solution to meet their end-to-end business requirements. The CRM software included sales, marketing, customer service, customer support and mobile automation solutions. It is also ideal for organisations seeking to automate their unique CRM business process at the lowest cost of ownership.

The Sage CRM.com solutions provided to Red Eagle are easy to use. Designed to bring manifold benefits of sales, marketing and customer care automation to the system of the organisation, they deliver the technology to bring in business efficiencies. With the CRM.com solution, the user company can analyse, forecast and report on key sales data. It can access relevant customer data in real time, including opportunities, call and escalation history, meetings, appointments multiple contacts and support cases. It can fast analyse, manage and synchronise sales, marketing and customer care activities across all interactions by e-mails, faxes or calls. It can also enable access to demand reports on business activities as specified by the management team ensuring transparency and effective communication.

Our Act by Sage! solution is a software made to meet the initial business requirements of companies. The operational features include centralisation prospect and customer relationship details, manage daily responsibilities and improve organisational productivity, forecast and track sales opportunities, gain insight into individual team performance, share and secure details across working teams. The solutions, available in a stand-alone or mixed use environment, allow administrators to provide a solution to match the work of each user and still enjoy the benefits of centralised customer data. The Sage CRM solutions provide enterprise-wide access to vital customer information anytime anywhere, so that the organisation can manage business with an integrated approach to inside and field sales automation, customer care and marketing.

How is Sage's CRM package competitive in terms of usage and application?

The flexibility, capability to be customised to the needs of users from freight forwarding and express industry and affordable cost makes our CRM package the most competitive product in the market. Small businesses can easily afford our solutions. The competitive element is also owing to the fact the software solutions can migrate as business processes evolve for the user industry by taking into account the critical business requirements of the industry.

What measures does Sage take for the successful implementation of its software solutions?

We have highly skilled implementation partners across on country. The partners works on behalf of Sage to implement the software solutions. The implementation partners have the requisite knowledge skills to consult and understand the business requirements of the user industry helping them to implement and use the software successfully. Additionally, they have the expertise to reconfigure and remodel the solution as per the requirement of the industry.

We also undertake end users training through our implementation partners followed by Sage's own comprehensive training programme. MG

IT

Advances in Telemedicine

Remote Medical Aid to Seafarers

Given the frequent incidence of emergency situations on ship, telemedicine can not only provide an immediate medical relief but also facilitate a substantial cost saving alternative, says **Raunek Kantharia**

Telemedicine, an obscure concept a decade ago, has received an unprecedented impetus with the advancement of information and communication technology. Though it may still sound like a wildly futuristic idea, the industry has seen a steady growth in the last few years. Lately, telemedicine has been the reason behind the substantial improvement in the quality of healthcare services provided to the seafarers at high seas.

A decade ago, it would have been difficult to think of a single stand-alone monitoring system providing remote medical aid to seafarers using unified collaborative communication solutions that allow audio-video communication along with simultaneous high speed data transfer. Today, there are around 200 different organisations around the world that provide medical assistance to ships without a doctor on board. Moreover, technological advancements coupled with few other factors are not only promoting possible initiatives to improve tele-delivery of medical assistance to seafarers, but are also bringing down the costs of these services.

The dawn of the satellite communication

The evolution of telemedicine activity, although gradual, took a definite shape with the advent of satellite communication. The boundaries of the oceanic communication system expanded, incorporating new avenues of communicating methods such as e-mail and live video footage. In 1980s, the launch of satellite arrays enabled aerial data transmission to any corner of the world, via computer or any other means of communication.

With the introduction of satellite communication, many telemedicine companies started mushrooming around the world. Though overcoming the initial setbacks of a freshly introduced technology was

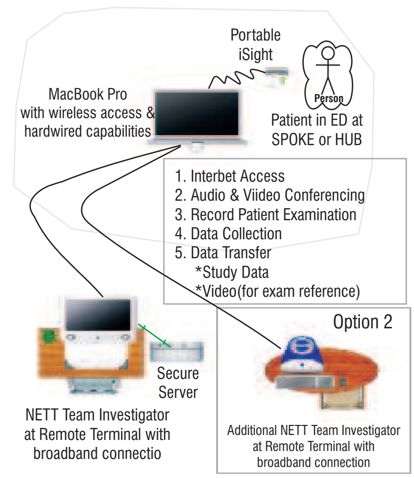
"The new system offers multiple data links and bandwidth connection of up to 128 kilobytes per second (kbps) and comprises three independent phone circuits."

not an easy task, the telemedicine service providers have come a long way. Companies such as Iridium and Inmarsat, which hold a large share of the oceanic communication industry, recount that in spite of a bumpy ride, they left no stones unturned to upgrade their satellite communication system to keep pace with the growing needs.

The companies state that things were different a decade ago when satellite communication comprised only of text email with character constraint and marginal data links. The provision of Internet on ship did change a few things but then, the data transfer was restricted to few kilobytes per second (kbps). It sometimes becomes difficult to believe that things on ship have now become as simple as plugging in a USB line.

To back up its statement, Iridium, based in Bethesda, Md., which has a network of 66 satellites orbiting 485 miles above the earth, tells us about its new open port system, deployed by the company last year. The new system offers multiple data links and bandwidth connection of up to 128 kilobytes per second (kbps) and comprises three independent phone circuits, which can be used simultaneously without interfering with the data transmission. This means that the crew can speak to the medical expert ashore and transfer large data files at the same time.

The integration of satellite communications systems with telemedicine service industry, therefore, has been immensely beneficial to both remote medical aid and shipping industries.



The Telemedicine Process

The process of telemedicine involves three main parameters :

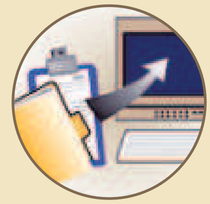
1. The team of trained personnel on board which record the vital parameters of the patient
2. The telemedicine service provider that receives the data and makes it available online a private data server.
3. The team of expert medical professionals that assess the data, and provide clinical opinions and necessary medical aid.

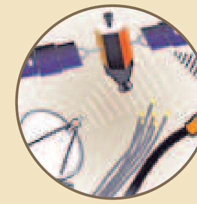
Methods of Providing Telemedicine Services

Even though the open port system is an extremely helpful device in transferring compressed video files and still images at high speeds, it suffers from one inevitable draw back – its inability to transmit large real-time video footage. However, Iridium is confident of introducing the feature in its upcoming project, a next-generation satellite network to be launched in 2014.

Standing close to Iridium is Inmarset, another telecommunication service provider giant, which recently added a satellite Inmarsat-4 to its 11-satellite network. The company states that the new satellite has been launched with the sole intention of taking the telemedicine industry to the next level. The Inmarsat-4 satellite operates in a geosynchronous orbit 22,240 miles above the Earth, transmitting data at an outstanding rate of 432 kbps. The stupendous height gives the satellite a massive coverage area of earth excluding the north and south poles. Moreover, the system also leaves an

Monitoring reality: *Satellite communication has enabled doctors to interact with patients, even in far-flung corners.*





CONSULTATION: SPECIAL PROCEDURES

Sometimes the patient is connected to equipment, and the distant consulting doctor can directly view results. One system lets specialists in Honolulu directly view ultrasound exams on pregnant women on the Neighbouring Islands. Also, doctors at Tripler can teleconference with an intensive care unit in Guam.

MEDICAL FILES TRANSFERS

Another form of telemedicine is non-real-time or asynchronous telemedicine. In one such application, a doctor in a remote location can send medical files and inquiries through a secure site on the Internet and receive a response minutes or a few hours later.

TELECONFERENCE METHODS

Teleconference systems can run on copper phone lines, but direct videoconferencing requires high bandwidth and may use fiber-optic cables. Areas without fiber-optic,such as American Samoa and Micronesia, can use satellites, such as UH's PEACESAT system.

Source: http://the.honoluluadvertiser.com

allowance for live video capability, also known as standard Internet protocol or Streaming IP.

Using a standard IP means lack of control over the network, whereas, the main advantage of streaming IP is its locked bandwidth that not only helps in preventing fluctuation of speed but also has more control of speed over the network. This can be extremely important in case of live videos used for gaining vital information about a patient's condition such as breathing patterns and behaviour traits.

Providing expertise

Though technological advancement has changed the way ship-to-shore communication has been done , the medical information is useful only if accurate diagnosis is provided. In the last few years, the number of companies providing remote medical aid has increased. These companies have a specialised team of medical experts that take calls from the mariners who have health-related problems.

MedAire Inc., based in Tempe, Arizona is one such company that has been providing medical expertise for the last 20 years and has literally seen the industry grow, from using single-link phone calls to multi-link exchanges that facilitate high-quality data transfer. The company's global emergency response centre has not only been involved with providing remote medical aid but also supplies medical necessities to mariners operating in remote areas. MedAire has seen a tremendous growth in the demand for telemedicine in the recent years. The company feels that the main reason could be the shipowners' late realisation of the overwhelming economic advantage that an investment in telemedicine services can entail.

The shipowners are now slowly starting to believe that telemedicine literally bridges the geographical gap and makes the whole remote diagnostic process realistic. Moreover, a general checkup is almost similar to the one done on land, the only difference – it involves an initial diagnosis done through real-time footage followed by an e-mail conversation between the medical officer and the physician ashore. Additionally, if the injury involves an open wound, high resolution pictures of the lesion are sent in order to receive immediate relief aid.

MedAire has also recently partnered with a UK-based company, Remote Diagnostic Technologies Ltd. (RDT), which provides telemedicine applications. MedAire wants to include in its system, RDT's Tempus IC, a monitoring device that facilitates even non-medical users to collect and transmit vital parameters such as pulse rate, blood pressure and electrocardiogram (EKG) from ship to remote medical services such as MedAire's own MedAire's MedLink Global Response Center in Phoenix, Arizona.

> "MedAire has seen a tremendous growth in the demand for telemedicine in the recent years."

Source: http://www.rdtltd.com

Shipowners using Tempus IC are extremely impressed with its performance and user-friendly interface. The system generates a set-up almost similar to a hospital's emergency room for sending and receiving information, as and when the things happen. The chances of discontinuity of data transfer are almost negligible because Tempus IC provides continuous video and audio feeds over a range of channels, including Bluetooth, Wi-Fi and standard telephone connections. Although the product did not attract enough attention initially, which they feel is mainly due to its high price of US$ 65,000, the demand for it is gradually increasing.

Besides, buying an expensive low-utility gadget in these difficult times is a matter of much deliberation for the companies running on a tight budget. Yet, the companies which have done the cost-benefit analysis of the product have realised the substantial cost-savings from it and are ready to invest on it.

Difficulties and future prospects

It would take considerable time before companies would embrace the concept of telemedicine in a full-fledged manner. Many companies are reluctant to imbibe the concept because they cannot envision the inevitable payoff in long-term savings, reduced liability and retention of qualified mariners.

Also, the initial costs of equipments and services might act as a hindrance, but sooner or later, the long-term benefits will overweigh the impending doubts. Moreover, the industry needs to adopt new processes and improve the existing ones to find fresh technological solutions for improving the healthcare of mariners. Language barrier is also one of the many difficulties the industry is facing in using these services. Most of ship personnel asking for medical diagnosis fail to communicate properly in English. Adopting remote medical assistance under these circumstances may be hazardous. Medical experts fear that their failure to communicate and understand particular language may result in misinterpretation of vital signs, leading to fatal consequences. Therefore, these issues that hinder the large-scale adoption of the services need to be sorted out.

Surprisingly, the present circumstances are exhibiting slight attitudinal drift, leading towards positivity. Nowadays, even the companies that own fleet of ships and those which do not venture more than few kilometers away from the shore are opting for remote medical services. Telemedicine companies normally charge an annual upfront payment of around US$ 750-6000 per ship depending on the crew size, distance of the ship from the shore and proficiency of the trained personnel on board. However, the shipping companies are now experiencing a subtle change in their thought process, which is moving beyond the economic perspective. This is mainly because the other forms of evacuating methods such as medevec is not only difficult to get but also involves the risk of vessel and helicopter crew. Moreover, receiving medevec at appropriate time is considered a grave problem.

Also, with rising competition in the shipping industry, companies are leaving no stone unturned to provide the best medical facilities for their people on board. MG

Q MARK

SHIP Chartering

The business of hiring and renting vessels for transporting cargo.

1 What is ship chartering?

Chartering is an activity within the shipping industry. A charterer may own cargo and employ a shipbroker to find a ship to deliver the cargo. He may also be a party without a cargo who takes a vessel on charter for a specified period from the owner and then trades the ship to carry cargoes at a profit above the hire rate, or even makes a profit in a rising market by re-letting the ship out to other charterers.

2 What is a charter party?

It is the name given to a standard contract between the charterer and shipowner. It is used to record essential details like charter type, ship type, exact rate, duration and terms and conditions as agreed by both the parties.

3 What are the different types of chartering a ship?

Voyage charter, time charter, bareboat charter and demise charter. Voyage and time charter are more popular among the charterers and brokers.

4 Should the charterer pay for fuel and crew costs?

It depends on the type of charter. The charterer pays for fuel costs under time charter and bareboat charter, while crew costs are paid only in bareboat charter. Under bareboat charter, the charter has to pay for all the operational expenses like fuel, crew, port charges, hull insurance etc.

5 Who charters ships for government-owned cargo?

In India, TRANSCHART, a government agency in the department of shipping does the chartering process - export or import government cargo.

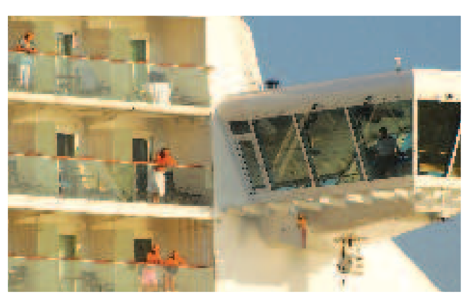
THIRD EYE

Life at Sea

The love for sea and ships began in my early years. As a child when I travelled to my beloved island in northern part of Aegean, the sight of the ferries, the port and the manoeuvers, made me excited and happy! I started to recognise from a distance all the ships by their special marks, the funnels, the bows, and the sound of whistles.

As a result, the decision to work at sea was the only possible matter. My education started at the maritime high school in Piraeus followed by the Marine Academy of Syros. The dream to become a Captain was strong but there were difficulties too – old fashioned learning, search for a job, the pressure at work… collapse of my dreams? But the love for sea was so great! The fantastic feeling of the Bridge and the marvellous colours of the sea encourage me to go on.

Now I am the Chief Mate and the love and passion for sea keeps growing! Of course, the problems too increased dramatically! Repeated surveys from the Port State Controls, Flag States, Registers, and Charterers made the stress to hit red! Endless paperwork, fast cargo operations, the bad sea, the mixed and infinite crews, the lack of communication with family and friends are some of the problems during a sea service.



Maritime organisations refer to the increasing problems of seamen, the lack of qualified officers and the increased numbers of accidents but what they can really do something is to improve the quality of our profession.

Ships are not only steel and cargoes, but also human and needs. I take courage when I look at the sunset at sea or take photos of ships for my collection.

Regards,

Apostolos Kaknis, Greece
My collection can be viewed at:
http://apostolossphotos.fotopic.net/

EVENTS

Spirit of triumph

Hebei Two felicitated

Minister for Shipping G K Vasan and office-bearers of shipping bodies during the felicitation of Hebei Spirit officers Capt. Jasprit Chawla and Shyam Chetan (third and fourth from right) in New Delhi.

Minister of Shipping G K Vasasn felicitated Capt. Jasprit Chawla, the master and Shyam Chetan, the chief cfficer of *M V Hebei Spirit* in Delhi after their release from 552 days detention in South Korea. Both the officers briefed the minister on their experiences during the detention, which also included a stint in the Korean prison.

Vasan commended the efforts of the entire maritime fraternity which stood by the two officers. He also appreciated the courage and resilience of Capt. Chawla and Shyam Chetan in facing the difficult period in Korea. Representatives of INSA, FOSMA, MASA, NUSI and MUI were present during the courtesy call. APVN Sarma, secretary, Ministry of Shipping, and Capt PVK Mohan, chairman of NSB also joined the minister in felicitating the two officers.

Chennai Custom House Agents' Meet

New norms for major ports soon

The shipping ministry is planning to introduce new regulations for major ports in the country, said Rakesh Srivastava, Joint Secretary in the Ministry of Shipping, Highways & Transports.

CHA representatives K Natarajan, Rakesh Srivastava, P S Krishnan, S S Palanimanickam, V Sridhar and G D Sigamani at the golden jubilee celebrations of Chennai Custom House Agents Association in Chennai recently.

Addressing the valedictory of the golden jubilee celebrations of the Chennai Custom House Agents Association (CCHAA), Srivastava said the Ministry had prepared a Major Ports Regulation Authority Draft Act 2009 to replace the existing Tariff Authority for Major Ports, which covered only tariff aspects. It would cover areas such as timing of port operations, outsourcing of material handling equipment and regulation of tariff for dry ports. CCHAA's pending request to nominate them as trustees in the Port Trust was conceded.

Union Minister of State for Finance S S Palanimanickam, chairman of the Central Board of Excise and Customs V Sridhar, Airport director, Chennai K Natarajan, president of the association P S Krishnan and secretary G D Sigamani were among those who spoke.

Gujarat conference

Port-led growth stressed

The national conference on 'Infrastructure and Ports: Emerging Areas of Opportunities in Port-Led Growth and Development' held in Ahmedabad recently provided a platform for interaction between the government and the industry for improving the ports and infrastructure sector. Chairman of Gujarat Maritime Board A K Joti inaugurated the two-day conference, that focussed on India's Port Superstar – Gujarat. Kandla Port Trust Chairman P D Vaghela and Senior Consultant (Ports) V P Shah were present. Additional traffic manager of KPT, M S Balani made a presentation on Kandla Port's achievements.

State's Principal Secretary (Ports & Transport), H K Dash, was the guest at the valedictory. Saket Projects Ltd, supported by major maritime players, organised the conference.

Chairman of Gujarat Maritime Board A K Joti (centre), D L Pandia and Kandla Port chairman P D Vaghela releasing the souvenir during the national conference on infrastructure and ports in Ahmedabad.

Calcutta Freight Brokers AGM

Call for prompt brokerage

CEO and president of Samsara group Mukesh Oza (second from left), CFBA chairman V K Chhajer (second from right) and Bharat Jain (left) at the 71st AGM of Calcutta Freight Brokers Association in Kolkata.

The Calcutta Freight Brokers Association has called upon shipping stakeholders to pay brokerage within a time frame and on the total negotiated freight to help freight brokers cover costs. A delay in payment has to be avoided to maintain professional standards, it said. The 71st annual general meeting of Calcutta Freight Brokers Assocation was held in Kolkata recently. Mukesh Oza, CEO and president of Samsara group of India, was the chief guest. The CFBA praised Oza's efforts in the growth of his group's infrastructure projects and the network of CFSs, ICDs and logistics parks across India.

The CFBA sought better roads connecting Kolkata Port besides a deep draft facility. The improvements should be taken up on a warfooting and the upgradation of the port facilities should be continuous, urged the association head V K Chhajer.

Graduation Day

Amet sends out 5th batch

Ishiaku Shekarau, executive director of Nigerian Maritime Administration & Safety Agency, flanked by Amet University officials, giving away certificates to graduating cadets in Chennai.

Chennai Port Trust

Independence Day celebrated

Capt. Subhash Kumar Chennai Port Trust chairman inspecting the guard of honour during the celebrations at the port to commemmorate India's 62nd anniversary of its Independence.

DP World trade meet

Plea for low transaction costs

Head – Marketing & CFS, DP World Chennai Capt. Ram Ganesan, Chief General Manager, IRTS, CONCOR (South) G John Prasad, CEO & Director of DP World Chennai Ennarasu Karunesan, FKCCI vice-president J R Bangera, managing director of Gokaldas Exports Pvt Ltd Rajendra Hinduja, and joint secretary of All India Granite & Stone Association Ms Raj Bhasin, at the DP World Chennai's trade meet in Bangalore recently.

Gateway Distriparks Meet

Logic in logistics discussed

Gateway Distriparks organised a trade meet in Chennai recently. Gopinath Pillai, chairman of GDL, introduced his team and welcomed the gathering.

Great Eastern Shipping

Closing Price as on **August 03, 2009:**
BSE: 260.35
NSE: 260.90

Great Eastern Shipping (GE Shipping) seems to be on order cancellation spree. After cancelling three bulk vessel orders in this year, it is looking to further reduce its order book. It has placed orders worth approximately US$ 1 billion in the recent years. But with deterioration of market conditions, the company is looking at cancelling further orders.

In a recently issued statement to the BSE, GE Shipping stated that it cancelled an agreement with a shipyard to build a Kamsarmax which was scheduled for delivery in 2012.

Now the company has seven vessels on order being built at various shipyards. This includes two Supramax bulk carriers, three Kamsarmax bulk carriers and two Suezmax tankers. GE shipping had cancelled two new building contracts that it had placed with a Chinese Shipyard in 2007, for the construction of two Supramax bulk carriers approximating 57,000 DWT.

GE shipping has one of the healthiest fleets in the world with average age of the fleet being maintained at 10 years. The collapse of the dry bulk market 2008 prompted GE to reduce its dependence on the dry bulk sector and thus sold off some of its old dry bulk vessels, reducing the tonnage. The contribution of dry bulk to the total capital has come down to 15 per cent from 22 per cent in 2008. The rest is covered by tankers.

GE Shipping management predicts the second quarter to be weaker than the first. Earnings from tanker segment in this quarter are expected to be less than the operational costs. But, the management is reasonably optimistic about the dry bulk segment which is expected to make average earnings. The company looks apprehensive about profit booking in the second quarter. It reported a 68 per cent fall in standalone net profit at Rs 126.28 crore in the first quarter, down from Rs 387.59 crore during corresponding period previous. Even on a consolidated basis, the net profit stood at Rs 154.17 crore, down from Rs 427.93 crore last year earlier.

Projection for the month of August 2009

In the month of August, GE Shipping will be traded on NSE in the range Rs 251 to Rs 290. A good resistance level can be experienced at Rs 300, while support level can be felt at Rs 245.

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

One year time charter rates (US$ per day)

Tankers	July Low	July High	2009 Low	2009 High
VLCC (modern)	32,500	37,000	32,500	55,000
Suezmax (modern)	25,000	27,000	25,000	40,000
Aframax (modern)	17,000	17,750	17,000	29,000
LR2 (105,000 dwt)	17,750	18,000	17,750	30,000
LR1 (80,000 dwt)	16,500	16,000	16,000	26,500
MR (47,000 dwt)	13,000	13,500	13,500	20,500

Dry Bulk	July Low	July High	2009 Low	2009 High
Capesize (150,000 dwt)	30,000	35,000	18,000	36,000
Capesize (170,000 dwt)	39,000	45,000	21,500	45,000
Panamax (75,000 dwt)	20,000	21,000	11,000	24,000
Handysize (53,000 dwt)	17,000	18,000	10,000	18,000

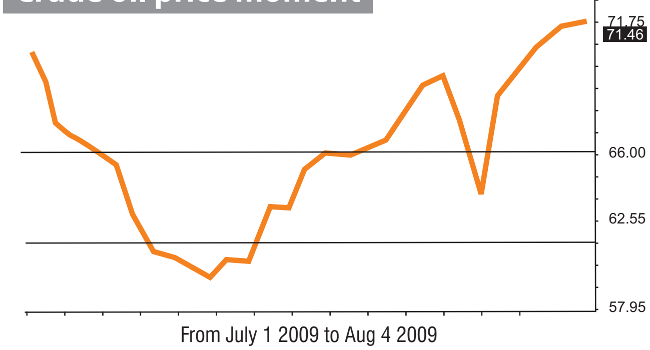
Source: www.fearnresearch.com

Ships sold for demolition in July 2009

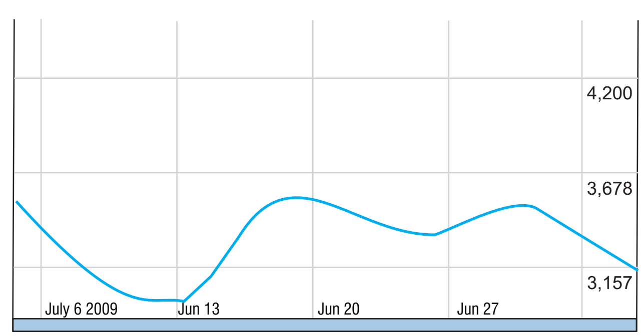
Vessel name	Size	Ldt	Built	Buyer	Price (US$ per ldt)
MOBO	76,324	16,684	1985	Chinese	240
Star Lanshan					
CV MSC Togo	1,548 TEU	13,750	1980	Indian	252
CV Golden Companion	1,552 TEU	9,536	1982	Chinese	250
MV Precious	15,480	6,871	1982	Indian	247
MT Sadamamd	94700	15143	1986	Bangladeshi	325
MT Veracity	40520	8919	1983	Bangladeshi	350
LPG BW Heracles	31485	10675	1982	Bangladeshi	305
BC El Greco	23720		1979	India	247
Cont MSC Seoul	1150TEU	9842	1979	China	260
Cont Xing Qian	656TEU	4536	1983	China	260
CV MSC Laurence	2,450 TEU	15,107	1977	Indian	245
CV MOL Glory	2,638 TEU	13,260	1986	Chinese	270
BC Temira	52,975	12,555	1978	Chinese	272
MV Rossel Current	24,491	8,379	1981	Indian	245
MT Centaurus	4,999	3,050	1982	Bangladeshi	306
BC El Greco	7,736	2,300	1987	Indian	247
MT Prime	40,231	9,208	1984	Pakistani	300
CV Qingdao Star	1,923 TEU	8,586	1985	Chinese	269
BC Murgash	13,902	4,235	1967	Indian	250
CV Green Moral	950 TEU	6,480	1976	Indian	250

Source: Fearnresearch

Crude oil price moment



Baltic Dry Index



July 3, 2009: 3520.00 **August 4, 2009:** 3159.00
Percentage change between July 3 and August 4: 10.25%

Source: Lloyd's List

EXECUTIVE DIARY

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

SEPTEMBER 2009

07-09

TranSec India Expo

At Bombay Exhibition Centre, Mumbai

Tapping on to the huge success of TranSec World Expo, Services International jointly with Niche Events, presents one of the fastest growing economies in the world. Transportation infrastructure developing at a phenomenal rate is the hot topic.

www.transecindia.com

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Ports and Shipping - Maritime Logistics and Infrastructure

At Hotel Le Meridien, New Delhi

The ASSOCHAM conference will discuss inter-modal links between gateways and hinterland in view of the accelerating demands of end-users for speedier and cost-effective services.

www.assocham.org

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

24-26

INMEX India 2009

At Bombay Exhibition Centre, Mumbai

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

www.inmexindia.com

OCTOBER 2009

05-08

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/

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

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/

SEPT 07-11

International LNG Technology and Project Week

At Shanghai, China

The 13th Global/Asia Energy dialogue event, specially organised for projects, market and technology exchanges among senior executives of global energy stakeholders, will focus on what's happening for the LNG world during and after the economic downturn.

http://www.lngweek.org/

OCT 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

OCT 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

NOV 04

Bunker Asia 2009

At Raffles City Convention Centre, Singapore

An exclusive gathering of experts and major players from the bunker, shipping and financial markets debating issues crucial to the industry – the shape of the industry the global economic meltdown.

http://www.bunkerworld.com

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1. Chennai Tiruvottiyur : 044-25920381/135
2. Chennai Port : 044-25382532
3. Bangalore : 080-28452078-85
4. Salem : 0427-2353521
5. Tuticorin : 0461-2340116
6. Cochin : 0484-2667463
7. Irugur : 0422-2629180
8. Tiruppur : 0421-2235772
9. Madurai :0452-2669995

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