India's premier maritime business magazine

₹ 100

maritime gateway

AUGUST 2013 WWW.MARITIMEGATEWAY.COM

RNI NO: APENG/2009/30633 POSTAL REGISTRATION NO: LII/RNP/HD/1137/2013-15
DATE OF PUBLICATION: 06/08/2013

Ro-Ro terminals in the race

With India's annual car production expected to triple by 2020, more ports would have to quicken the pace of development of their infrastructure requirements to be the largest collateral gainers

EFFICIENCY OUTSOURCED

Ship management companies are finding new business opportunities in times of recession. These third party service providers help vessel owners cut cost and improve efficiency

India's premier maritime business magazine
maritime gateway

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

Sr Assistant Editor Sreekala G
sreekala@gatewaymedia.in

Assistant Editor Deepika Amirapu
deepika@gatewaymedia.in

Special Correspondent Ritu Gupta
ritugup@gmail.com

Special Correspondent Bhagyashri Kamat
Bhagyashri@gatewaymedia.in

Sr Designers Vijay Masa, Lakshmi Dandamudi

Designer Nagaraju N S

Marketing & Sales

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

West Vinod G Sr Manager - MarCom
vinod@gatewaymedia.in – 099498 69349

Subscriptions and Client Relations

Shaik Fareed fareed@gatewaymedia.in – 090143 89489
Ashok ashok@gatewaymedia.in – 094918 05508

Digital Edition

Wesley Rajiv

Maritime Gateway is printed by L Vijayanand Reddy published by L Vijayanand Reddy on behalf of Gateway Media Pvt. Ltd., Plot No.761, Road No.39, Jubilee Hills, Hyderabad – 500 033, A.P., India and Printed at M/s. Kala Jyothi Process Pvt. Ltd., 1-1-60/5, RTC cross roads, Musheerabad, Hyderabad - 500 020. and Published at Gateway Media Pvt. Ltd. Plot No.761, Road No.39, Jubilee Hills, Hyderabad – 500 033, A.P., India
Editor: L Vijayanand Reddy

Feedback

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

P3 alliance: A challenge for ports

The P3 alliance, a mammoth vessel sharing arrangement between Maersk Line, MSC, and CMA CGM, has stirred up the shipping sector. This alliance is the largest ever in container shipping as it constitutes 45 per cent of total Asia-Northern Europe market share.

Ever since the decision was announced, major container shipping analysts including Drewry, SeaIntel, and Alphaliner have said that it could lead to container shipping becoming a mass product. According to analysts, the concentration of three major alliances and a sharp focus on unit costs and prices in the future will make it difficult for individual carriers to differentiate themselves from each other. This will result in a host of companies offering the same services.

But more than carriers it is the port sector that will get affected due to such mammoth alliance. Rationalisation of ports and terminals within the P3 network may be a bridge too far, at least initially, says a Drewry report.

Ports and terminals will have to realign themselves with better connectivity and infrastructure to be selected for the P3 network. The main criteria will be the ability to handle Ultra Large Container Vessels (ULCVs) efficiently, with little margin for error. There should be long and deep quays in place and the terminals should be equipped with large cranes. Each terminal will have to have a container yard capable of evacuating large container volumes to the hinterland, which normally requires good intermodal connections.

More than carriers it is the port sector that will get affected due to such mammoth alliance.

Still it will not easy for ports to get accepted. It will be a major challenge for the alliance to choosing a key port in Southeast Asia. While Maersk Line uses Tanjung Pelepas and CMA CGM uses Port Kelang, in Malaysia for distributing cargo from other countries such as Indonesia, the Philippines, Vietnam, and Thailand, MSC's hub in the region is Singapore.

If the alliance partners decide to rely on just one hub port, it will lead to major realignment of services and feeder network. Besides, Maersk may have to restructure its Daily Maersk Service to balance it with the feeder need of CMA CGM and MSC. Though the alliance is yet to make a final decision on choosing the ports or terminal, all three have family connections to terminal operators. This may influence their decision and in the end some ports may lose out.

So such alliances during the time of recession will help carriers cut cost and achieve economies of scale. However, it may not be good for ports which have invested heavily on infrastructure and technology. It seems like a story of one man's gain is another's loss.

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

India's premier maritime business magazine
maritime gateway
AUGUST 2013
VOLUME 5 ISSUE 11

(Image for representative purpose only)

Temasek Racing Exxon to build biggest LNG Terminal Stash

Temasek Holdings Pte unit is up against Exxon Mobil Corp. (XOM) and Royal Dutch Shell Plc (RDSA) in a contest to fill storage tanks that will hold three times as much liquefied natural gas as Singapore will consume this year. The city-state's Energy Market Authority is seeking feedback through the end of July for stocking an LNG terminal with capacity of as much as 9 million metric tonnes. The threefold expansion will allow Singapore to offer last-minute deliveries oil.

Investors shun risks amidst slowdown

Investors in equity markets continue to prefer the companies with a healthy balance sheet and focus on emerging markets due to the ongoing global economic slowdown. According to Drewry Maritime Equity Research (DMER), businesses facing regulatory headwinds and business uncertainties have not been favoured despite being available at attractive valuations.

V.O. Chidambarnar Port creats record in handling salt

V.O. Chidambaranar Port Trust created a record in handling of salt in bulk this month. A quantity of 13,200 MT of salt in bulk was loaded in the vessel *M.V. Great Gain* at Berth No. VI on July 13, 2013,, the highest tonnage ever achieved in a single day in the Port, thus breaking the previous record. S Natarajan, Chairman of the port thanked all the stakeholders who contributed to achieve this feat.

Eighty per cent of Essar Ports earnings will be in dollars

Essar Ports, India's second-largest private sector port and terminal operator, has said it is moving towards a system where almost all its customers will pay it in US dollars. The company has recently begun the process of migrating to a dollar tariff structure, its chief executive Rajiv Agarwal said.

"Some of the customers we are working for have income in dollars. They have a dollar balance sheet. Because the pricing is dollar denominated, for example, steel," Agarwal said. "Customers will have to pay tariff in dollars, which will then be converted into rupees at the prevailing exchange rate."

The development comes at a time when India's rupee has plunged to a record low against the US dollar.

Gangavaram, Kakinada ports see 35% growth in cargo

Gangavaram and Kakinada ports in Andhra Pradesh have registered an average growth of 35 per cent in cargo handling. During the first quarter of this fiscal, Gangavaram Port handled 4.2 million tonnes cargo as against 3 million tonnes in the corresponding period last fiscal, posting a growth of 40 per cent.

Of this, more than 85 per cent was coal, while the remaining were limestone, timber, fertilisers and other items, said port officials. Last fiscal, the port handled 13.09 million tonnes cargo, and expects over 15 million tonnes this fiscal. Kakinada deepwater port registered a 30 per cent growth in cargo handling during the first quarter at 3.5 million tonnes. In 2012-13, the port handled 12.07 million tonnes of cargo and is set to touch the 14- million tonne mark this year, according to Kakinada Port sources.

India now Nigeria's biggest crude oil buyer

Indian High Commissioner to Nigeria Mahesh Sachdev said recent statistics showed that India had been buying more of Nigeria's crude than the US over the last three months. "India will continue to cooperate with Nigeria to improve its economy and it will also assist the country in capacity building of workers in both the public and private sectors," Sachdev said, during a courtesy visit to the Governor of Niger state in northern Nigeria. On the bilateral trade, he said the present figure stands at $10 billion, even as the total investment of India in Nigerian economy could be valued at $16.6 billion.

According to a study by the Asian Development Bank (ADB), once the coastal ships started plying, trade imbalance between the two countries would come down by $1 billion. The new service would also help reduce cost and time of transportation of goods, the findings of the ADB study indicated.

Gujarat to start cruise liner service

In a bid to promote coastal tourism, Gujarat government is contemplating to introduce a cruise liner service between Mumbai and Porbandar by the end of this year. The plan is to introduce a cruise ship, to be run by a private operator, which will take tourists from the city to Porbandar and Kutch as part of a 3-day package. Gujarat has the longest coastline of 1,600 km. Government has identified 17 beaches along the coastline and its focus is to develop coastal tourism in these places and make Gujarat a coastal tourism destination.

Caterpillar to acquire Berg Propulsion

Caterpillar Inc. has signed a definitive agreement to acquire Johan Walter Berg AB, including its core brand of Berg Propulsion, a leading manufacturer of mechanically and electrically driven propulsion systems and marine controls for ships. With the acquisition, Caterpillar will transition from selling only engines and generators to providing complete marine propulsion package systems.

Headquartered in Öckerö Islands, Sweden, Berg has designed and manufactured heavy-duty marine thrusters and controllable pitch propellers since 1929. Its proprietary systems are employed in maritime applications throughout the world that require precise maneuvering and positioning.

India iron ore imports sink 78% in June quarter

India's iron ore imports plunged 78 per cent in the April to June quarter from a year earlier. The shipment data, coupled with a 9.1 per cent drop in iron ore imports by top buyer China in June, is expected to drag on global prices of the steel-making raw material that have already shed more than 12 per cent so far this year.

India imported 185,113 tonnes of iron ore in the quarter ended 30 June, according to figures from the agency that tracks the data, down from 826,372 tonnes a year ago.

Shell marine products growing in MESA region

Shell Marine Products announced the further expansion of the availability of its range of marine lubricants in the Middle East-South Asia (MESA) region. Shell's portfolio of marine lubricants, including its flagship marine engine oils Shell Alexia S4 and Shell Argina is now available in the ports of Sohar and Salalah in Oman, as well as in Colombo, Sri Lanka.This follows Shell's entry into the Indian marine lubricants market in March 2013. Shell marine products also deliver to other ports in the MESA region such as Fujairah, Abu Dhabi, Ajman, Jebel Ali, Khor Fakkan, Mina Saqr, Port Rashid and Sharjah.

Wärtsilä to supply propulsion packages for 24 new vessels

Wärtsilä, the marine industry's leading solutions and services provider, has been contracted to supply propulsion packages for 24 new vessels being built for the Singapore-based China Navigation Co. Pte. Ltd (CNCo). The ships are being built at the Chengxi and Zhejiang Ouhua shipyards in China, and the contracts were signed with Wärtsilä licensee Hudong Heavy Machinery (HHM) in 2012 and during the first half of this year. All vessels will be fitted with electronically controlled Wärtsilä 2-stroke common-rail main engine systems, Wärtsilä Fixed Pitch Propellers (FPP) as well as Wärtsilä Seals and Bearings.

Indonesia's coal export to India up 40% at 77 MT in FY'13

Indonesia exported around 77 million tonnes of coal to India in 2012-13, registering a jump of 40 per cent over the previous fiscal. Most of the Indonesian coal imported by the thermal power plants in India is of lower calorific value. On the Indonesian government's proposal to restrict exports of certain grades of coal.

VIKING first with dual-approved thermal lifejacket

Following recent SOLAS approval, VIKING has launched a new dual-approved thermal lifejacket that raises the bar for its competitors. Leading marine and offshore safety equipment manufacturer VIKING Life-Saving Equipment has launched a new dual-approved thermal lifejacket with broad appeal for the offshore and commercial shipping industries operating in harsh, cold environments.

Raising the standards for personal safety, the company's new thermal lifejacket, PV9720, has been tested and approved according to new stringent lifejacket performance standards as well as existing thermal requirements. And it is the first on the market to comply with both.

COAST GUARD WOMEN PILOTS CARRY OUT MAIDEN MARITIME RECCE

The Indian Coast Guard notched a first among the armed forces when it launched an all women maritime reconnaissance mission from the air station in the Union territory of Daman. The maiden mission was flown seaward extending 60 nautical miles of Daman coastline and had four women crew comprising assistant commandant Neetu Singh Baratwal (captain), assistant commandant Neha Murudkar (pilot-in-command), assistant commandant Shrishti Singh (co-pilot) and assistant commandant Gunjan Shukla. This one-hour flight broke new barriers with regard to participation of women pilots in operation missions, official sources said, adding that the crew toiled long hours to handle the Dornier aircraft and sensors.

VOICES

I urge everyone to spare a thought for those courageous seafarers, men and women from all corners of the world, who face danger and tough working conditions to operate today's complex, highly technical ships, every hour of every day of the year – and on whom we all depend.”

- Ban Ki-moon
UN Secretary-General, speaking on the Day of the Seafarer

“We are working on a national manufacturing policy and it will be a reality soon. We have to have faith in ourselves that together we can achieve the targets that we have set for ourselves.”

- Anand Sharma
Union Minister for Industry and Commerce, speaking at investors conference in USA.

“Centre is keen on implementing Sethusamudram Ship Canal Project (SSCP) as it will not only benefit Tamil Nadu but also lead to a spurt in economic development of the country. In the counter affidavit filed it was stated that centre would implement the project in accordance with the court's guidelines.”

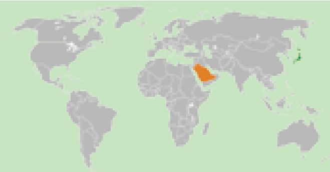
- G K Vasan
Union Shipping Minister

“We are preparing to adapt to annual growth of 4 to 5 per cent in the years ahead, compared with levels close to 10 per cent during the boom years before the economic crisis hit in 2008. I think the reality is that our industry has to get used to lower growth than we had in the past.”

- Søren Skou
Chief Executive of Maersk Line

NUMBERS

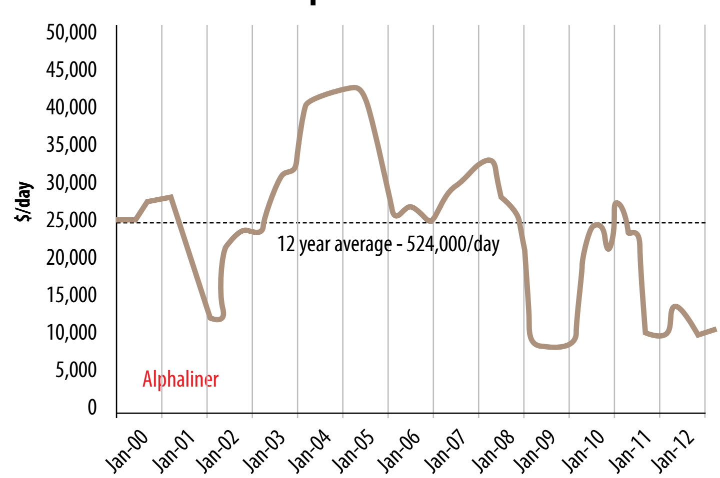
State of Panic: VLCC Earnings plunged **75%** compared to previous year.



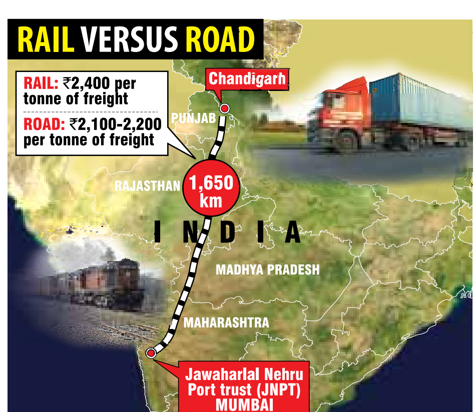
Losing **$29** a day on the benchmark Saudi Arabia- to-Japan voyage.

Containerships scrapping is expected to reach **450,000** teu this year at the current pace. A new Record!

Charter rate for 4,000 teu Panamax container ships: 2000-2013



RAIL VERSUS ROAD



RAIL

- 30% railway's share of freight traffic in 2013, down from 60% in 2001
- 827.9 million tonnes carried by railways during April 2012-January 2013

- 65% truck's share of freight traffic at present
- GOODS TRANSPORTED MORE THAN 250KM
- 20% railway's share
- 80% trucks' share

TRACKBALL

- 450 times railway freight rates have been raised since 2001
- ₹70,000 cr railway's annual freight earnings
- ₹24,000 cr freight subsidy for passengers
- 5,000 freight trains

CFBA organises 75th AGM

Calcutta Freight Brokers Association (CFBA) organized its 75th Annual General Meeting (AGM) in July. Addressing the function, JS Chopra, Chairman, CFBA said, the squeeze in Europe and bad economic policies at home were leading to disappointing results and if we did not take remedial measures then we were in for bad patches.

"It is important to get the reforms process moving and we want to see a vision from the leadership," he said. During 2012-13, Kolkata Port handled 40 million tonnes of traffic against 43.248 million tonnes in 2011-12. "While the port continues to hold the third position in container traffic among major ports, there are causes for concern in a riverine port like Kolkata in the face of infrastructural constraints such as paucity of berths at Haldia accompanied by limited drafts and shortage of cargo handling equipments," Chopra pointed out.

According to him, the port needs to utilize the existing berths to the optimum level and should increase the number of cargo handling equipments. It has to focus on building additional berths at Haldia and good approach roads. "And the most important is a new deep draft port for West Bengal," he said. Talking about CFBA he said, members of the association have adapted to the changing environment in a professional manner and many members today offer a wide range of services to the exporters, importers and shipping lines, which is not confined to freight booking only.

He also made two special requests to the shipping companies. "Brokerage should be paid on total negotiated freight as otherwise it becomes too low which does not cover even our expenditure on communications." He also requested the shipping companies to pay service tax to the brokers on the brokerage paid by them in accordance with the new government norms.

Indian wheat loses to cheaper Black Sea produce

Wheat exports have slowed in recent weeks as buyers, mainly from the Far-East, have switched over to Black Sea Origin grains, which are cheaper by about 15-20 per cent over the Indian produce. While there are no new contracts, exporters including the public sector entities such as PEC, STC and MMTC are servicing the deals struck earlier. Exports in the current fiscal are estimated at around 2 million tonnes (mt). In the last financial year, wheat exports by the private trade stood at over 2.6 mt, while the public entities were estimated to have shipped out around 3 mt.

Sunken '*MOL Comfort*' ship had 1,600 tonnes fuel on board

Some 1,600 metric tonnes of fuel oil and 2,400 containers onboard the MOL Comfort sunk to the ocean floor when part of the ship sank recently, according to Mitsui OSK Lines (MOL). According to the latest update from the ship's owners, a salvage team has been kept in the area to monitor the oil leakage and floating containers. "Most of the floating containers sank and could no longer be spotted. We reported the fact to Indian authorities, completed the monitoring, and the salvage team left the scene."

The P3 alliance. How will ports be affected?

The recent decision of Maersk Line, MSC and CMA CGM to form a mammoth vessel sharing alliance in the three major east-west trades has stirred up shippers, but the port sector must be equally concerned.

As announced last week, Maersk Line, MSC and CMA CGM intend to share vessels in the Asia-Europe, Transpacific and Transatlantic trades from 2Q 14. A total of 255 ships will be operated in 29 loops with a combined capacity of 2.6 million teu. The ramifications of the consolidation for the port industry are enormous. Each of the three carriers already operates more ULCVs than anyone else, so catering for their combined cargo handling requirements will be on a scale never seen before.

Not surprisingly, views are divergent on whether the three will consolidate/ rationalize their port calls, therefore. Whilst economies of scale are there for the taking, it will result in tampering with the well-established berthing windows of each schedule, and the feeder/intermodal connections of each carrier, which will, presumably, remain separate. Moreover, all three have 'family connections' to terminal operating companies, so choosing the best port and terminal will not only come down to the best for each job. Maersk is connected to APM Terminals, MSC to Terminal Investments Limited (TIL), and CMA CGM to Terminal Link, and each has particular port preferences.

NEWS

Adani, Mediterranean Shipping form joint venture for container terminal

Adani Ports and SEZ (APSEZ) said it has formed a joint venture with Switzerland-based Mediterranean Shipping Company (MSC) to operate its new container terminal at the Mundra Port.

The JV will operate Adani International Container Terminal Pvt Ltd (AICTPL) which is the third such terminal at Mundra port and has a capacity of 1.5 million teu, Adani Ports said in a statement.

"The new container terminal will enable the biggest and largest container vessels to seamlessly berth and operate at Mundra. With rapid access to north and west India hinterland, the trade at large will benefit from scale benefits of larger vessels calling at Mundra providing a compelling cost advantage to port users," Adani group Chairman Gautam Adani said. Noting that Adani Ports is expanding capacity at various Indian ports, he said the new terminal will be a regional hub with transshipment of international cargo being performed. The terminal has a capacity of 1.5 million teu, deploys the largest cranes, has deepest water depths and longest berths heralding a new innings in Indian maritime history, Adani Ports said.

Preempt Port state control problems:ICS

The International Chamber of Shipping (ICS), whose member national shipowners' associations negotiated the text of the ILO Maritime Labour Convention (MLC), has issued advice to shipowners to help them preempt port state control problems when the Convention enters in force, on 20 August.

The advice – contained in a brochure which can be downloaded free of charge via the ICS website – explains the measures that port state control officers are entitled to take, which initially will vary from country to country depending upon the date when the port state ratified the Convention.

ICS Secretary General, Peter Hinchliffe explained: "The enforcement mechanism is new and is complicated by the fact that the MLC does not actually require flag states that have ratified the Convention to issue certification immediately. The ILO Diplomatic Conference which adopted the MLC in 2006 also adopted a resolution agreeing that port states should take a pragmatic approach to enforcement for the first 12 months following entry into force worldwide. But it is still rather unclear how this will be applied in practice. Shipowners should therefore take sensible precautions."

SCI to fight for its Navratna status

Shipping Corporation of India will soon have to lobby with the department of public enterprises for retaining its Navratna status in spite of the losses incurred for two consecutive years. Country's largest shipping company registered a loss of ₹428.2 crore in 2011-12 after a net loss of ₹114.3 crore in 2012-13. According to guidelines laid down by the department of public enterprises for government-owned companies, Navratna status is taken away if a company posts losses on its books for three consecutive years.

Losing the coveted title would mean that SCI could lose the financial autonomy it has enjoyed for so many years. Currently, SCI can take its own decision for projects costing up to ₹1,000 crore.

Court orders winding up of Deccan Cargo

The Karnataka High Court has issued orders for winding up Capt G R Gopinath's Deccan Cargo and Express Logistics Pvt Ltd (DCEL), which operates under the 'Deccan 360' brand.The High Court's order indicates that DCEL, even after being given several opportunities, could not pay dues to the tune of ₹39 lakh to Dubai-based United Aviation Services (UAS) and ₹1.36 crore to Patel Integrated Logistics Pvt Ltd. The court directed the winding up of the company in its order based on two petitions – one filed by UAS, which provided various facilities like permits, ground handling and fuelling in West Asia, Europe and Russia for DCEL, and another one filed by Patel Integrated, which had provided various logistic services to DCEL.

A revitalised car industry cranks up US exports

The US auto industry, in tatters just four years ago, is emerging as an export powerhouse, driven by favourable exchange rates and labour costs in a trend experts say could drive business for many years. In a sign of the turnaround, Honda Motor Co, once a big importer of Japanese-made cars, says it expects to export more vehicles from North America – with nearly all of them coming from its US factories – than it brings in from Japan by the end of 2014. Last year, more than one million cars and light trucks were exported from US auto plants, the highest recorded and a more than threefold rise from 2003, according to the US International Trade Administration.

New Shipping Secretary takes charge

Shipping Ministry gets a new Secretary with Dr Vishwapati Trivedi taking charge at the Ministry of Shipping from July 1. His previous posting was also in the same Ministry as Chairman, Inland Waterways Authority for a period just short of a year. He has also held charge as Special Secretary at the Ministry of Home Affairs and as Joint Secretary in the Department of Industrial Policy and Promotion. Prior to his deputation at the Centre, Trivedi has held important posts at the Madhya Pradesh state government. At a public function held to commemorate the Jawaharlal Nehru Port's silver jubilee celebrations, the Trivedi said that would like to see the port sector deregulation on the lines that was witnessed by the country's capital market.

India eyes long-term rights to develop Iranian Port

JN Port and Kandla Port, which are in talks with the Iranian Government to develop Chabahar Port in Iran, would like rights to develop and operate the port for 60-90 years. Given the US sanctions against Iran, Chabahar Port does not have immediate commercial viability, though it does have long-term potential to emerge as the gateway to Afghanistan and CIS countries. So, to make a potential case out of the project, India is likely to ask the Iranian Government to assign it long-term rights of 60-90 years to develop and operate the port.

Two Indian ports – JN Port and Kandla Port – may get the rights to develop the Iranian port of Chabahar, in a first-of-its-kind initiative of the Indian Government to improve connectivity with Afghanistan and Iran. India wants to develop Chabahar Port to improve connectivity with Afghanistan and Commonwealth of Independent States (CIS). At present, India has to depend on ports in Pakistan, mostly Karachi, to move cargo to Afghanistan.

Bahrain to start direct services to US, China

Bahrain is planning a new direct service shipping lines to the US, Malaysia, Thailand, Korea and China. In August the country plans to start the direct services, according to Marco Neelsen, chief executive of Khalifa Bin Salman Port operator APM Terminals. "It will be a weekly service provided by NYK from Japan and Hanjin from Korea. We expect the connection to open up many opportunities, more so because of Bahrain's free trade agreement with the US. The competitive advantage is not only for Bahrain-based manufacturers but also for shippers and carriers alike as this mean no offloading or transshipment in Jebel Ali or Singapore," he was quoted as saying. According to him, the move also cements Bahrain's role as a logistics hub for the Northern Gulf, targeting countries like Kuwait, Iraq and Saudi Arabia.
He explained that there would be a need for smaller ships from Bahrain connecting the Upper Gulf. "A big ship automatically creates a network of smaller ships that relay the cargo to various smaller ports. This is another incentive for companies to set up shop in Bahrain as they get both regional and international connectivity," he said.

Neptunus MD wins Completely Boss Challenge 2013

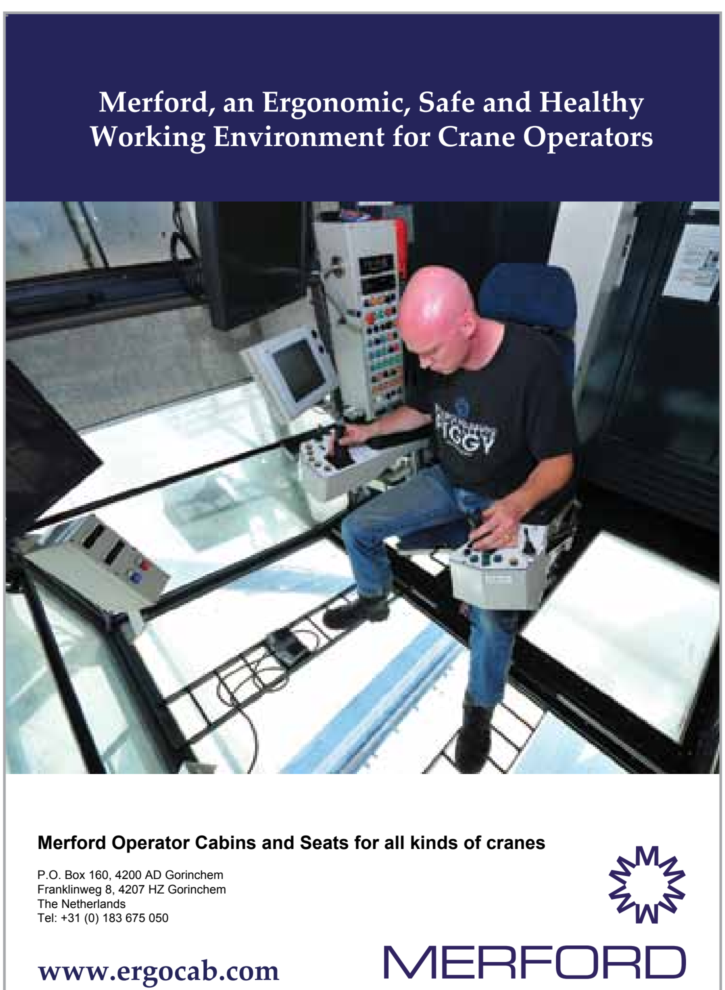
Uday Purohit, Managing Director, Neptunus Group of Companies has won the "Completely Boss Challenge 2013."

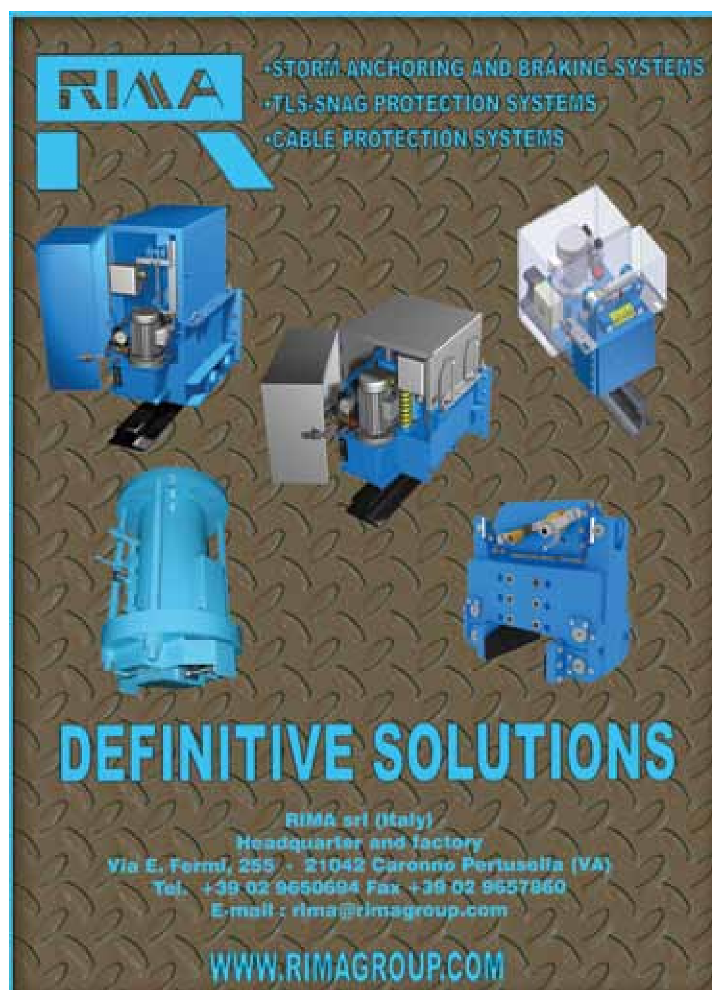
Launched by Microsoft 365, "Completely Boss Challenge" is one of India's most enterprising contests for mid-sized business leaders. It was a highly challenging and thrilling contest with over 2,500 entries participating online for the challenge in the first round. The second round had 50 regional participants across seven cities in India and three regional winners from each of the seven cities that were chosen as finalists to participate in the third round. A Marine Engineer by training, Purohit had a successful career at sea and had worked with three leading shipping companies, Tradax gGstion, Switzerland, Mobil Oil, UK and Dole Fresh Fruits, USA.

As Founder Director of Neptunus Power Plant Services, Purohit has set up 38 gas engine based power plants for Guascor Gas Engines during 2006-2010. He is now working closely with the engineering team of Niigata Power Systems of Japan to tropicalize their gas engines for the Indian market. Neptunus is a recognised export house with a license from the Mumbai Port Trust to operate within the port. In 2010 it was certified as a Ship Repair Unit (SRU) by the Director General of Shipping. It is the only SME to exclusively representing two leading engine manufacturers – EMD engines and Niigata Power Systems Japan. The Company is also engaged in the trading of copper alloys. These are procured from the Ship Breaking Industry in India and Bangladesh and exported to European and Japanese ingot manufacturers.


VERSTEGEN
GRAB
MORE
MORE
GRAB
Verstegen Grijpers B.V. • P.O. Box 1014 • 3430 BA Nieuwegein • The Netherlands
tel: +31-30-6062222 • fax: +31-30-6060657
email: info@verstegen.net • website: www.verstegen.net


HIGH-PERFORMANCE ROPES FOR
PORT CRANES
MOBILE HARBOR CRANES, SHIP UNLOADER
CRANES, CONTAINER CRANES
TEUFELBERGER Seil Ges.m.b.H.
Böhmerwaldstr. 20
4600 Wels, Austria
T +43 7242 615-0
F +43 7242 605 01
www.teufelberger.com
Teufelberger
TOGETHER IN MOTION


Merford, an Ergonomic, Safe and Healthy
Working Environment for Crane Operators
Merford Operator Cabins and Seats for all kinds of cranes
P.O. Box 160, 4200 AD Gorinchem
Franklinweg 8, 4207 HZ Gorinchem
The Netherlands
Tel: +31 (0) 183 675 050
www.ergocab.com
MERFORD


RIMA
•STORM ANCHORING AND BRAKING SYSTEMS
•TLS SNAG PROTECTION SYSTEMS
•CABLE PROTECTION SYSTEMS
DEFINITIVE SOLUTIONS
RIMA srl (Italy)
Headquarter and factory
Via E. Fermi, 255 - 21042 Caronno Pertusella (VA)
Tel. +39 02 9650694 Fax +39 02 9657860
E-mail : rima@rimagroup.com
WWW.RIMAGROUP.COM

Doubts cast on Vizhinjam Port's profitability

The Vizhinjam container transhipment terminal will require dredging after each monsoon to remove at least 3 million cubic metres of silt at a minimum annual maintenance cost of ₹30 crore, said hydrographic surveyor Commander John Jacob Puthur (retd). Puthur, who holds the highest certification for a hydrographic surveyor by the Indian government, said the port's profitability was suspect. "The source of all sediments in the sea – sand, silt and clay – is land. The sediments are transported from land to sea mainly by rainwater or run-off. The Vizhinjam Port's massive breakwater will block sediments from flowing into the sea and result in siltation. Even the dredged channel will be blocked. There is no other means but to undertake at least four-month dredging after every monsoon. Ships will not be allowed to move during this time," he told a seminar organised by the Latin Catholic diocese on Vizhinjam port. On climatic conditions that could affect the port's business, he said Vizhinjam is not sheltered from winds unlike Kochi and Colombo. "The south west monsoon, which is the longest and fastest blowing seasonal winds in the world, will make loading and unloading work difficult for the massive 18,000-teu vessel. If Vizhinjam fails to make money, the first things to go will be the ancillary units like the cruise ship terminal and all other CSR activities," he said.

Two LNG projects augur well for Kakinada deep-water port

The Kakinada deepwater port, built by the Andhra Pradesh government and being managed by the private consortium, the Kakinada Seaports Private Limited, has only made slow progress over the years in increasing and diversifying its cargo, as many of the projects based on the port have not come up in the hinterland due to various reasons. But of late, there has been some momentum, as two major LNG terminals – one to be set up by a consortium of Shell, Reliance and the KSPL and the other by AP Gas Distribution Corporation Limited (a joint venture of Gail Gas and AP Gas Infrastructure Corporation) and KSPL– are being set up here.

Shell, Reliance Power (Anil Ambani group) and KSPL are setting up a 5-million-tonne a year (mtpa) LNG terminal here, later to be expanded to 10 mtpa. The early completion of the two terminals will provide energy to the gas-starved power plants in the Krishna-Godavari basin. It is expected that two terminals will trigger economic growth in the hinterland.

Development of heritage lighthouses as tourist destinations

K Chiranjeevi, Union Minister for Tourism after holding discussions with G K Vasan, Minister for Shipping and Milind Deora, Minister of State for Shipping, Communication and Information Technology has agreed to provide Central Financial Assistance for the development of heritage lighthouses as tourist destinations. Out of 15 heritage lighthouses having historical importance, in the first phase, Konhoji Angere lighthouse in Maharashtra will be taken up for development. The Ministry of Tourism plans to support construction of a boat jetty and passenger terminal at Konhoji Angere lighthouse.

The three ministers were of the opinion that the novel idea of development of heritage lighthouses will not only protect our national heritage but also help in developing new tourism destinations. The development of lighthouses will evince new interest among youth about maritime history and development.

Seagull delivers Maritime Labour Convention wake up call

Norwegian training specialist Seagull is urging seafarers and shore-based staff alike to make themselves fully aware of their rights and obligations in the event of non-compliance with the Maritime Labour Convention. Failure to comply with the new legislation could lead to vessels being detained, the company warns.

Finland, Greece, Malta, France, Nigeria, South Africa and Barbados have each ratified the Convention recently, ensuring that it will come into force, as planned, on August 20, 2013, replacing 37 existing International Labour Organisation maritime conventions and related recommendations adopted since 1920. MLC 2006 establishes minimum requirements for almost all aspects of working conditions for seafarers and sets out the seafarer's rights to decent conditions of work. These include conditions of employment, hours of work and rest, accommodation, recreational facilities, food and catering, health protection, medical care, welfare and social security protection.

Seagull has responded by developing a DNV SeaSkill Certified MLC 20006 Distance Learning Course package to help shore-based personnel, masters and crew to comply with the Convention. The package is divided into three target groups – shore-based personnel, senior officers and masters and junior officers and ratings.

Govt clears Pipavav's joint venture with Mazagon Dock

Ship maker Pipavav Defence and Offshore Engineering Co. Ltd said the government had cleared its proposed joint venture with state-run Mazagon Dock Ltd to build warships for the Indian Navy. The Mazagon Dock Pipavav Defence joint venture can go ahead and "can carry on the business on open and transparent basis", Pipavav Defence said in a statement to the SE, citing a defence ministry communication. The ministry has also decided to formulate a policy for such partnerships between defence shipyards and private shipbuilders to meet rising demand for warships from the Indian Navy and the Coast Guard. Mazagon has an order book valued at some ₹1 trillion, accounting for about 85 per cent of the order book of four state-owned defence shipyards.

Bangladesh-India JTC meet to discuss operational aspects of coastal shipping

Experts from Bangladesh and India will be meeting in Dhaka to discuss technical aspects, prior to launching the coastal shipping service between the two neighbours, sources said. Such aspects, to be discussed at the meeting, include operational and safety standards-related issues. The experts from the two countries will meet under the auspices of the joint technical committee (JTC).

They will also discuss simplification of rules and regulations for plying of non-IMO (International Maritime Organisation) coastal ships. Joint Director General of Shipping RM Suresh Kumar will head the three-member Indian delegation, while the six-member Bangladesh delegation will be led by Joint Secretary of the Ministry of Shipping (MoS) Md Alauddin.

ClassNK releases Progressive Speed Trial Analysis software

Leading classification society ClassNK has announced the development of the software, PrimeShip-GREEN/PSTA (Progressive Speed Trial Analysis), to help shipyards comply with the Amendment to MARPOL Annex VI making calculation of a vessel's EEDI (Energy Efficiency Design Index) mandatory. The software analyzes the results from speed trials and calculates a ship's speed in calm sea conditions.

ClassNK developed this software to provide a straightforward method for compensating for external factors in progressive speed trial analysis based on ISO Standard 15016:2002, recognized in the IMO EEDI Guidelines.

JNPT to develop ₹2,000-cr terminal for liquid cargo

As part of its expansion plans, Jawaharlal Nehru Port Trust will invest Rs 2,000 crore to set up a marine terminal mainly catering to liquid cargoes like oil, acids and cleaning compounds. At present, there is a twin berth liquid cargo terminal of BPCL and IOC with a capacity of 5.5 million tonnes per annum, at JNPT. It will enhance this quantity to 30 million tonnes per annum. L&T Ramboll is designing and doing the project management consultancy and have submitted the draft Detailed Project Report (DPR), the data said.

JNPT has also appointed URS Scott Wilson and Howe as consultant to carry out feasibility study and to prepare DPR for setting up a mega container terminal near Nhava island, according to the presentation.

JNPT to spend about ₹50 crore to set up 7-mw wind mill

Largest container port, Jawaharlal Nehru Port Trust (JNPT) is investing around Rs 50 crore to install 7 MW wind capacity, which will help it save around 30 per cent on energy costs. JNPT is the first port to consider such an arrangement. The project is expected to be awarded by November and should be operational by April next, he added.

Fishermen oppose coastal shipping plans

Resistances from fish-workers' organizations has thrown a spanner in the works of the government to decongest the roads by shifting a significant portion of cargo movement to water by launching coastal shipping services. The fish-workers' organisations claim that the launch of shipping service could disturb their fishing activities in the coastal waters as it could lead to collision between the fishing vessels and the cargo ships.

Some of them are demanding that the coastal ships should operate 50 nautical miles and even 100 nautical miles off the coast. Coastal shipping will cease to become totally unviable if they abide by such conditions. Coastal ships can operate only within 12 nautical miles as per the national regulations and the vessels will lose that recognition if they operate beyond that.

Also, it will be totally uneconomical for the vessels to move cargo between ports like Cochin and Kollam. The vessels then will have to obtain different classification certificates, which will entail deployment of more staff with higher qualification as well as introduction of more facilities on board.

Chennai Port working on alternatives to make up for revenue loss

In a bid to recover the revenue lost from the loss of iron ore and coal volumes, Chennai Port is transforming its berths that previously used to handle coal and iron ore to now handle alternative dry bulk & break bulk cargoes.

The port, one of the oldest major ports in the country, is on a drive to improve the productivity and handling of other cargoes like food grains, fertilisers among others, and has also stepped up their marketing efforts to recover the loss to its top-line.

Over the last few years, Chennai Port has lost about 18 million tonnes of cargo comprising about 10 million tonnes of coal and 8 million tonnes of iron ore due to reasons beyond the control of the port.

At the moment, Chennai Port is in the process of implementing a number of projects that will enable their iron ore berth Bharathi Dock II and Jawahar Dock East which is used to handle coal, to handle alternative dry bulk & break bulk cargoes like food-grains, dolomite, fertilisers etc. The port is also planning to improve their productivity by expanding their mechanical handling equipment; a dry dock will be developed at Timber Pond/Boat basin of the port.

APL, ANL and Hanjin to collaborate on new intra-Asia service

APL, ANL and Hanjin Shipping have teamed up to offer a new weekly service covering Asia, Australia and New Zealand. To be launched on September 1, 2013, the New Zealand-Asia Express (NAX) will operate through a Vessel Sharing Agreement (VSA), with the three partners each contributing two container ships and allocating a combined capacity of up to 2,200 teu for every weekly sailing.

Rotating from Singapore, Port Klang, Brisbane, Sydney, Auckland, Tauranga, Brisbane and back to Singapore, the service includes:

Weekly calls and fast transits from New Zealand to major Southeast Asian ports via Port Klang and Singapore;

- Weekly calls and fast transits between New Zealand and Brisbane;
- Weekly calls from Southeast Asia to Brisbane and Sydney; and
- Connections through Southeast Asia for the Indian Subcontinent, Middle East and European destinations.

Paradip port traffic up 45% in Q1

Paradip Port Trust handled 17 million tonnes (mt) of traffic in the first quarter (April to June 2013-14), compared to 11.74 mt in the corresponding period of the previous fiscal – a 45 per cent growth – according to the port sources. During the quarter under review, iron ore export was up 177 per cent at 1.03 mt (0.37 mt), thermal coal (coastal shipment) nearly 58 per cent at 6.84 mt (4.34 mt), fertiliser raw materials (import) 45.12 per cent at 0.83 mt (0.57 mt), coking coal (import) 27 per cent at 1.59 mt (1.25 mt) and POL (import) 24.5 per cent at 4.8 mt (3.76 mt).

Centre, GMB differ over technology for coastal surveillance

The proposal to enhance maritime security off Gujarat coast seems to have hit a stumbling block as the Centre and state port regulator have differences over the technology proposed for improving coastal surveillance. While the Centre has proposed to install automatic identification system (AIS) transponders and distress alarm transmitter system (DATS) in fishing trawlers, the Gujarat Maritime Board (GMB) wants satellite-based tracking system. Fishing trawlers often unknowingly tend to cross the International Maritime Boundary Line (IMBL) in lure of expensive fish, only to be trapped by the Pakistan Maritime Security Agency, and at times are target of terror groups.

Mumbai Port Trust told to spell out safety plan

The Bombay high court directed the Mumbai Port Trust (MbPT) to inform it of the safety measures to be taken to protect the navigational channel with regard to the three ships stranded off the city harbour. An interim report by the Indian Register of Shipping had found that the condition of one of the ships was "unsafe". Fears were expressed that any sinking of the ship could block the navigational channel. Hearing pleas filed by the captain and crew of the three ships, the court has asked the port trust to provide each ship with 4 kilolitres of fuel and potable water. The judge has also ordered the director general of shipping to ask the seamen's employment office to encash the bank guarantees and pay repatriation expenses of the Indian crew who are signed off.

Pipavav Port cruises to top spot in seafood exports

Pipavav Port continued to top the table for the second consecutive year in seafood exports in FY13 in terms of quantity. The port has registered an increase of 6 per cent over the previous fiscal. The export figures available with the Marine Products Export Development Authority showed that the port had handled 2,33,738 tonnes of marine exports as against 2,19,801 tonnes in FY12.

Singapore yards to benefit from China shipbuilding woes

Singapore's Keppel Corp and Sembcorp Marine, the world's top offshore rig-makers, stand to be among the winners from Beijing's moves to tighten credit amid a downturn at China's shipyards. The two companies have been under mounting pressure from Chinese yards offering generous payment terms, price discounts and help with financing.

That may be changing after Beijing pledged to cut credit to industries plagued with overcapacity, and China Rongsheng Heavy Industries Group, the country's largest private shipbuilder, fell into financial trouble. A number of Chinese shipyards have tried their hand at offshore equipment manufacturing as their traditional shipbuilding businesses have slowed, and are on their way to win more orders for jackup rigs than Singapore's yards for a second year in a row. In the January-June period of the current year, the aggregate shipbuilding output in China amounted to 20.6 million deadweight tonnes (dwt), down 36 per cent year on year. Of the total, seagoing vessels accounted for 6.68 million dwt.

Iron ore at 2-mth high, but Chinese buying interest waning

Spot iron ore prices edged up to two-month highs backed by Chinese steel mills replenishing raw material inventories, although the pace of restocking may have slowed, suggesting a two-week rally may soon end. Offers for imported iron ore cargoes in China, the world's biggest importer of the commodity, remained firm but traders said buyers were scarce after a bout of spot purchases lifted prices by almost 9 per cent since the start of July.

Japan way behind; PH exports $3.5B car parts to Asean

The Philippines has beaten Japan in exporting vehicle transmission assemblies to the Asean (Association of South East Asian Nations) region. Every year, according to Ferdinand Raquel Santos, Japanese companies Toyota, Mitsubishi, and Isuzu export $3.5 billion compared to Japan's $1.1 billion. He said in value terms the Philippines accounts for about 25 per cent in parts exported to the region. Nearly all of them are accounted for by transmission assemblies.

Odisha nod to Kolkata Port Trust transloading rights

The Kolkata Port Trust (KoPT) succeeded in convincing the Odisha government that it requires a deep-drafted location along the state's northeastern coast to carry out transloading operations. Odisha government agreed to tag the selected location with the Paradip Port and allow KoPT to carry out transloading there.

Haldia Dock Complex (HDC) not allowing the entry of large ships with capacity cargo due to the low draft in the navigation channel outside it, it was decided by KoPT to go in for transloading of cargo at deep-drafted locations and bring it to HDC in barges. To carry out operations there, charges will have to be paid to the Paradip Port Trust. Any private agency engaged to carry out transloading operations at this spot would have to invest anything between ₹300-400 crore.

No preferential treatment for Pipavav shipyard

The joint venture between Mazagon Docks Ltd (MDL) and Pipavav shipyard will not enjoy any preferential treatment, nor will it receive any contract on nomination basis from MDL.

Ministry of defence (MoD) sources said that the JV "will not be given any special privileges" and will not get any "backdoor entry". This means that the JV will not be given any "orders on a nomination basis". A senior MoD official said even when MDL "has to offload work, it has to be done through competitive bidding". However, the JV can bid for MoD contracts, he said.

The MoD clarification means that the much-touted JV would be just another company, and will not enjoy any special status. It will also not benefit from the about ₹100,000-crore ship-building contracts that MDL is expecting from the Navy and the Coast Guard over the next two decades.

PPP model for warehouse management gains weight

Amid the debate over food security bill in the country where opponents argue of reeling infrastructure for food grain storage, public private partnership (PPP) model for warehouse management has received appreciation from the Central government. The ministry of food has suggested all the states to follow the model which led in increase in both revenues and storage capacity in Rajasthan.

Out of total 90 warehouses in the state, the government handed over 38 to a private firm while retaining 52. The government officials claim that outsourcing has enhanced the storage capacity of these warehouses and increased the revenues manifold.

Enthused with the success, secretary of the food ministry wrote to each state and asked to study and analyze the model. Maharashtra has already floated the tender on similar lines while Madhya Pradesh is actively planning to adopt it.

CM refuses doubling of tracks in Goa

In a major setback to the South Western Railway's proposed doubling of track between Karnataka (Hospet) and Vasco, the Goa government has refused permission to lay the double track in its jurisdiction. The proposal of increasing the tracks was mooted at the behest of few industries which want to transport coal from Mormugao Port Trust.

Goa Chamber of Commerce and Industry (GCCI), state's apex industrial body, had earlier supported the doubling of the track claiming that with the current line capacity, the South Western Railway can run only 12 trains (in a day) – both freight and passenger trains together.

HPCL to partner with Shapoorji Pallonji Group for LNG terminal

Hindustan Petroleum Corp Ltd (HPCL) and Mumbai-based infrastructure major Shapoorji Pallonji will next week sign a joint venture pact to set up a terminal for import of liquid gas (LNG) on Gujarat coast at a cost of about ₹5,000 crore.

The state-owned firm and SP Ports Pvt Ltd, a unit of Shapoorji Pallonji Group, plan to set up the liquefied natural gas (LNG) import terminal at Chhara in Gujarat's Junagadh district through a 50:50 joint venture, HPCL Chairman and Managing Director S Roy Choudhury said. SP Ports is already developing a greenfield, all weather, direct berthing port in Junagadh district. HPCL and SP Ports are carrying out a detailed feasibility study for establishing technical and commercial viability of setting up a LNG import and regasification terminal of 5 million tonnes per annum capacity at the proposed Port.

Quarry owners shift loyalty to Krishnapatnam Port

The loss in the export volume of granite blocks from Chennai and Tuticorin Ports has turned the wave in favour of Krishnapatnam Port in Andhra Pradesh. For the first three months of the current year (April to June), Krishnapatnam Port Container Terminal has recorded export volume of 2.6 lakh tonnes (2.25 lakh tonnes), while Chennai Port Trust (ChPT) clocked 1.50 lakh tonnes against 1.92 lakh tonnes for the corresponding period last year and Tuticorin Port about 1,560 tonnes (38,618 tonnes). According to industry sources, quarry owners from places such as Hospet, Bagalot, Adoni and Ongole shifted their loyalty to Krishnapatnam Port due to a number of favourable factors such as proximity, tariff and exclusive rail sidings to handle the shipment.

JSW steel eyes stake in Sandur Manganese and Iron Ores

JSW Steel is in talks to purchase a significant stake in Sandur Manganese and Iron Ores in Karnataka to improve its access to iron ore and cut logistics costs, two people with direct knowledge of the development said.

JSW, India's largest domestic steelmaker by capacity, currently sources iron ore from India's largest iron ore miner, the state-owned National Mineral Development Corporation, through e-auction. The iron ore comes from NMDC's mines in Odisha and Chhattisgarh. The proposed transaction is intended to ensure assured supply from the Sandur mines located 30 km from its 12-million tonne Vijayanagar plant in Karnataka. The company is already buying a part of its iron ore requirement from Sandur.

TN to build 47 godowns at a cost of ₹117 crore

Tamil Nadu chief minister J Jayalalithaa has ordered the construction of 47 godowns across the state to ensure an uninterrupted supply of grains in the public distribution system. The godowns would come up in Thanjavur, Coimbatore, Krishnagiri, Villupuram, Pudukkottai, Sivaganga, Namakkal, Kancheepuram, Tiruvannamalai, Tirupur, Tuticorin, Tiruvallur, Trichy, Karur, Ramanathapuram, Erode, Dharmapuri, Salem and Vellore.

Maersk starts W. Africa-India **cashew express service**

The new service is expected to immensely benefit the trade as it offers shorter transit time and top quality food containers. Now the trade can plan the operations and distributions more accurately.

Sreekala G

Maersk Line (India & Sri Lanka cluster), the core liner shipping company of the A.P. Moller – Maersk Group, and a leading container shipping company in the world, has started its West Africa-India Cashew Express Service.

The first vessel (*New Yorker, Voyage 1306*) of the company's seasonal Cashew Service has called on Cochin on July 9. This service aimed at providing comprehensive coverage between West Africa and India is superlative in cashew deliveries in terms of quality, timeliness and reliability.

"When it comes to cashews, product quality is paramount. Raw cashews are extremely sensitive to moisture hence the cargo cannot be on the seas for a long time. The Cashew Service which is just dedicated to the cashew nuts import and is customized according to the trade demands, has shorter transit time and top quality food containers," said Franck Dedenis, Managing Director, Maersk Line (India and Sri Lanka) in a release.

The service offers shorter transit times. As part of this, there is a direct fortnightly FW1 service from Bissau and Abidjan to Cochin in 30 days and 26 days transit respectively.

According to the release, businesses now have the ability to plan operations and distribution more accurately, ensuring speed to market with the Cashew Service giving them very high schedule reliability.

Customers do not need to coordinate with multiple service providers to meet market demands with regular FW1 and FW 5 services to the West African Cashew gateways. Customers will now have a 'First Mover' advantage in both the domestic and the export markets as the Cashew Express is the first liner service to call Bissau this season.

Maersk Line ensures that all shippers have enough time to load on the Cashew Express and therefore able to avoid incidental costs arising out of unplanned exigencies. This is because the vessels stay put in Bissau for five days at a minimum operational cost of $6,000 per day.

Maersk Line also accepts cashew shipments for India from Banjul, Gambia via the Mediterranean Service.

According to the National Bank for Agriculture and Rural Development (NABARD), India is the second largest producer and exporter of cashew in the world next only to Vietnam. It is the second largest consumer of cashew and also the biggest processor with highest acreage under the crop.

Data from the Directorate of Cashew and Cocoa Development (DCCD) suggest that the country's raw cashew nut crop production this year is about 800,000 metric tonnes as against 693,000 metric tonnes last year. In FY 2012 India exported 131,760 tonnes of kernels valued at ₹4,390 crore. The domestic consumption was at 150,000 tonnes valued over ₹5,000 crore.

Kerala is the second largest cashew nut producer in India after Maharashtra. The state contributes about 22 per cent of the country's entire production.

Even though there is large acreage under cultivation, India's cashew nut productivity is less – about 824 kg per hectare whereas it is more than double in Vietnam. As a result, India also imports more than half its raw cashew requirement from Tanzania, Mozambique, Kenya, Ivory Coast and Vietnam. India imports 700,000 tonnes, which will be converted into cashew kernels. India has 24 per cent of the global area under cashew cultivation. But the country contributes only 19 per cent of the global production.

As far as cashew exports are concerned, Cochin Port and the International Container Transshipment Terminal at Vallarpadam top the list in the country. About 60 per cent of the country's cashew exports pass through Conchin Port.

During April 2012 - January 2013 Cochin Port exported 45,243 tonnes of cashew kernels followed by Tuticorin at 23,192 tonnes. However, Cochin Port's leading roles is now getting challenged due to militant labour union practices. Tuticorin also has the distinction of becoming the number one port in raw cashew imports.

According to Cashew Export Promotion Council of India (CEPCI), on a year-on-year basis, export of cashew kernels through Kochi declined 23 per cent during the 10-month period. The US is the largest importer of Indian cashew kernels, importing 25,818 tonnes followed by UAE with 10,526 tonnes of processed cashew. Other major importers of Indian cashew are Vietnam, the UK, Saudi Arabia, Spain, Netherlands, Japan, France and Belgium. mg

Choppy market ahead

Deepika Amirapu

Confirming the industry's worst fears of continued high tide at sea, credit ratings and investor service firm Moody's predicted a negative outlook for the global shipping industry in its report for the year.

A glut in supply of vessels and tightfisted bankers are known to be pressure points for the industry causing shipping lines to underperform year after year. The market is expected to be choppy for the next 12-18 months because of poor demand in most shipping services, the report published in June, read.

With the recession still hanging low over Europe, the US economy clambering towards recovery and Asia's low growth rate, another year of a poor forecast does not seem a surprise altogether. "Substantial oversupply will constrain freight rates for at least the next 18 months, particularly weighing on earnings in the dry-bulk and crude oil tanker segments, while falling US crude oil imports and declining European demand are likely to depress seaborne deliveries," says Marco Vetulli, a Vice President - Senior Credit Officer in Moody's Corporate Finance Group and author of the report. "We expect aggregate EBITDA in the global shipping industry to decline by around 5-10 per cent in 2013."

Shipping companies that ferry crude oil tankers or dry-bulk are the ones that will be worst affected. But the report offers some hope for the armada carrying for the product tanker segment. The upside hinges on demand growth linked to shift in refining capacity to Asia and the Middle East that could lead to a marginal betterment in rates.

Moodys does not expect to see a major improvement in the container segment's financial performance in 2013 as it is the most sensitive to bunker fuel costs, which are likely to remain high. However, the container segment has the potential to outperform other shipping sectors this year if players maintain market discipline through proactive fleet management, such as laying up ships to reduce supply, and control costs.

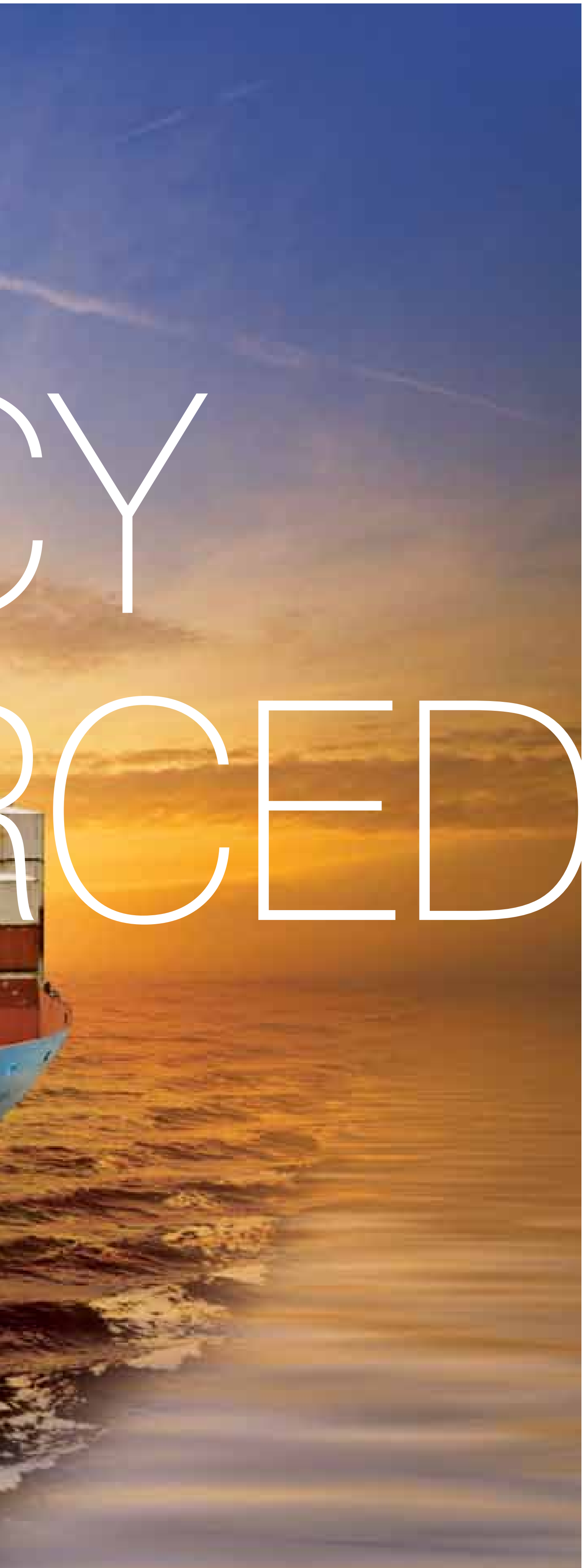
Some rated Japanese conglomerates – Nippon Yusen Kabushiki Kaisha (NYKK) and Mitsui O.S.K. Lines, Ltd. (MOL) – are better positioned to ride out choppy conditions because they have healthy liquidity, benefit from solid relationships with banks and are part of large groups.

> "Substantial oversupply will constrain freight rates for at least the next 18 months, particularly weighing on earnings in the dry-bulk and crude oil tanker segments, while falling US crude oil imports and declining European demand are likely to depress seaborne deliveries."
>
> **Marco Vetulli**
> Vice President - Senior Credit Officer, Moody's Corporate Finance Group

Buckling under the pressure of their regulators, banking companies are offering only a trickle of the funds they used to earlier as they are require to be more liquid. Shipping finance will remain tight with selective bank lending continuing. In general, rated shipping companies have stronger liquidity than the industry average, which should enhance their ability to weather challenges posed by the weak operating environment. The strongest operators may also have access to bond financing.

Moody's could change its outlook to stable if it believes that the supply-demand gap is likely to narrow over the coming 12-18 months, such that supply exceeds demand by no more than 2 per cent or demand exceeds supply by up to 2 per cent. For the outlook to stabilise, the industry's aggregate EBITDA growth would also need to be within a range of 5 to +10 per cent. Market prospects should improve in 2014 as the amount of oversupply declines. However, downside risks remain high as the global economic recovery appears to have lost momentum in recent months.

EFFICIENC
OUTSOUR



Ship management companies are finding new business opportunities in times of recession. These third-party service providers help vessel owners cut cost and improve efficiency.

Sreekal G

Third-party service provider is a concept gaining momentum in almost all industry segments. While IT industry can be credited for the concept's popularity, shipping industry is one of the pioneers in using third-party service providers successfully to bring down cost and improve efficiency.

Shipping companies have been availing the services of 'ship management companies' over about 30 years now, long before the IT companies adopted it for their advantage. Though it is not an accepted practice among Indian vessel owners, shipping companies abroad have been outsourcing the management of their entire fleet to these management companies.

"Hiring a ship management company will help bring down the cost of operations by about 20-25 per cent. Besides, the owner can focus on procuring cargo and improving the company's bottom line," says a shipping expert.

Ship management involves the business of manning, equipping, provisioning and maintaining a ship. It covers the technical, commercial, and crew management. As part of technical management, a ship management company will have to carry out maintenance, dry-docking and technical upgradation, commercial management of the vessel and its deployment, sale and purchase.

There were two milestones in the history of ship management. In 1989 the top executives of five leading independent ship management companies joined together to draft a code of practice for the industry. This code included a mechanism for independent verification to ensure quality, professionalism, and integrity in all aspects of a ship management operation and was the basis for the formation of the International Ship Managers Association (ISMA) in 1991. With the advent of ISMA, Quality became a buzzword and vessel owners, says Rajesh Bajpaee, President & Group Managing Director, Eurasia Group of Companies in a paper titled 'What is the key to successful ship management.'

The second wave of reform came in the early 1990s when the International

> "There were two milestones in the history of ship management. In 1989 the top executives of five leading independent ship management companies joined together to draft a code of practice for the industry. This code included a mechanism for independent verification to ensure quality, professionalism, and integrity in all aspects of a ship management operation and was the basis for the formation of the International Ship Managers Association (ISMA) in 1991. With the advent of ISMA, Quality became a buzzword and vessel owners."
>
> **Rajesh Bajpaee**
> President & Group Managing Director, Eurasia Group of Companies

Maritime Organisation (IMO) began its campaign for Safer Ships and Cleaner Seas. This IMO initiative culminated in the drafting and approval of the International Safety Management Code (ISM) which came to effect on July 1 of 1998 and is fully implemented for every type of vessels in 2002.

Services & Value Added

"The key factors attributing success in ship management business rest with value creation. Small owners find it cheaper to let managers operate their ships due to economy of scale. Even large owners may reach the point of diminishing return from their own management staff and go for independent managers. To realise this value, ship managers must be able to build up their organisation to handle their target fleet size, that is, to build in economy of scale to capture the market surplus," says Bajpaee.

There is another commercial function in overcoming geopolitical barriers in trades, financing, taxation etc. in using independent managers to operate ships on the owners' behalf. This value will persist for as long as differences exist across national borders. The ship managers will continue to derive values for their customers by bridging imposed restrictions to a perfect free market.

Additional value can be derived when the manager can go one step forward and contemplate changes in regulatory control, thereby advising their customers of the impact and necessary business preparedness to absorb them.

In the ship management business knowledge management strategy can be applied to create value effectively

by maximizing the knowledge flow across the global operational network covering knowledge input from shore and ship staff. The scope of knowledge can be very broad – varying from operational experience, incidents report analysis, technical skills and knowledge to customer information. A structured process is necessary to regulate the knowledge flow and validate inputs to the system.

Effective application results in the innovation of products and services, development of new work practices and processes, to achieve higher quality and safety standards, loss prevention, individual and business growth etc., says the paper.

Indian scenario

While Indian shipowners are not keen on outsourcing their entire ship management needs to a third-party company, they still depend on them for recruitment of power. Availability of quality manpower is in fact the main reason for leading ship management services companies setting up offices in India.

"Indian seafarers are in demand due to their English speaking abilities and skillset," says a ship management company official. Most Indian seafarers are on board foreign flag vessels as the Indian fleet strength is very less.

Various aspects of vessel operations are divided into separate departments. As a result, it will not be easy for an owner to recruit suitable crew to carry out different functions. The owner may have to visit various countries and do a number of screenings to find suitable manpower, which can be costly. By outsourcing recruitment to a ship management company can save the vessel owner from these troubles besides cost cutting. However, with increasing competition, ship management companies are looking at adding value to the process of manpower recruitment.

Supply of crew is the primary function of the ship manager and one of the most competitive aspects of the business. The basic exercise of recruitment, screening seafarers for proper qualifications, valid certificates and organising roster plans can no longer justify the values of a manager. Such kind of services can be readily available from manning agents, who are most willing to capture this market at a fraction of the cost charged by the ship managers. Additional value is derived from supplying a coherent crew instead of supplying individuals, the ship manager shall have to build proven teams to realise its own value, according to Bajpaee.

Another traditional value of crew management is the ability to assemble crews of different nationalities, to exploit the benefits of cost differentials between different countries while maintaining a uniform standard of performance.

Estimates suggest that over 1.2 lakh Indian seafarers man vessels all over the world, of which about 20 per cent would be officers.

But experts point out that Indian ship crew is becoming expensive and the cost arbitrage may vanish in few years. Besides, countries like China are catching up with India in terms of command over English. This may prompt ship management agencies to recruit more people from the Philippines, Russia and other East European countries.

Challenges in India

While India is a major market for recruitment, ship management companies here face difficulties in offering high-end services like technical management. Most operators in the country take up manning operations and the vessel owner will outsource technical management functions to companies in other Asian countries like Singapore or Hong Kong.

"Manning operations mainly involves providing computer-based training and issuing certification to crew. Technical management on the other hand requires huge infrastructure and support system as it is related to ship maintenance and dry docking. India still lacks workshops, spares and proper transportation mechanism. These functions will also extend to safety aspects of the ship as well," points out the official.

Ordering for spares, dispatching and collecting them can be done in jiffy abroad. But in India one may have to deal with a complex customs process to get approval for collection of spares. This can take time and efficiency will get compromised in the end.

Opportunity during economic crisis

With the global recession, shipping industry worldwide is facing falling operating revenues and depleting asset values. Operational cost meanwhile is going up due to high fuel cost. Many leading banks have resorted to taking tough action against shipowners including possession of ships due to loan default.

"But in India one may have to deal with a complex customs process to get approval for collection of spares. This can take time and efficiency will get compromised in the end."

Reuters reports suggest that last year Credit Suisse and a group of Chinese banks seized seven tankers from Singapore's Dongfang Shipbuilding to pay outstanding debts of around $250 million after the Singapore Supreme Court ruled in favour of the creditors. Four vessels of Newlead Holdings Ltd were seized by lenders to pay for debt as part of restructuring efforts by the struggling Greek shipping group.

This has opened up an unexpected business opportunity for ship management companies. "Banks will not be able to sell the seized ships immediately. They will have to run them for at least 2-3 years as a distress sale currently will not cover their cost of loans. To run these ships in the interim, banks are approaching shipping agencies," says a shipping analyst.

Ship management companies will focus on bringing down inventory and phasing off dead capital stuck on every ship. With proper management, inventory can be reduced by about 15 per cent. Besides, they also cut down fuel consumption by practicing slow steaming. With Europe, the major financial centre for ship loans, faced with a liquidity crunch, one can expect more banks to hand over control of seized ships to third-party service providers.

"Rural economy can drive reefer container movement"

Kalyana Rama, Executive Director, South Central Region, Container Corporation of India, has close to five inland container terminals under his jurisdiction. Often on the move, inspecting facilities and operations in his preview, he is a busy man. In a long chat with **Deepika Amirapu**, he tells MG what he envisages for his largest facility at Sanathnagar. The inland container depot here in Hyderabad is perhaps among the few that handles both less than container load cargo and full container load cargo. Unfazed by private operators, Rama is confident of being the leader in the trade.

Q With the Chennai-Bangalore industrial corridor expected to pass through Nellore, do you envisage a greater role for CONCOR's ICDs in South Central Region?

A CONCOR, South Central Region is planning to start ICD/Logistics Park at Krishnapatnam in addition to Visakhapatnam and Nagalapalli. Krishnapatnam ICD is planned keeping in view the expected container traffic through Krishnapatnam Port gateway and also originating traffic out of industrial development in the proposed Chennai-Bangalore industrial corridor.

Q CONCOR had signed a MoU with the Krishnapatnam Port. How much of cargo handling is taking place at the Sanathnagar facility?

A Container traffic through Krishnapatnam Port is still at its nascent stage. However, good beginning has occurred with running of two export rakes from ICD SNF to Krishnapatnam Port in the last two months this year.

Kalyana Rama, Executive Director, South Central Region, CONCOR

Q Would you look at setting up more ICDs in the central region? Could you, in the same breath, give us details of progress on the logistics park in Vizag? When will it be ready and what is the potential? To what extent will it help decongest the Vizag port?

A CONCOR, South Central Region is planning to set up ICD/Logistics Park at Karimnagar, Nagalapalli (near Hyderabad), Krishnapatnam and Machilipatnam in addition to the existing ICDs already operating at Sanathnagar, Visakhapatnam, Desur, Guntur and DCT at Nagalapalli. The development of these ICDs will help in providing efficient and effective logistics for the industrial development coming up in AP and also in harnessing the raw-material resources. Visakhapatnam MMLP is expected to be completed within three years time. This logistics park will have all the modern equipment to facilitate consolidation and distribution of bulk and break bulk cargoes.

Q What would be the key drivers of growth for the ICDs in the coming years? Would Hyderabad's central location emerge as a transit point for goods moving through the Delhi-Mumbai freight corridor?

A The key drivers of growth for ICDs in the coming years would principally be the five primary causes. Frequent and faster transit from and to gateway ports, better customer service at the dry-port in all facilities, e-filing of all documents to minimize delay, minimum dwell time of containers, cargo, vehicles within the terminal and finally cost-effective working from the exporter and importer's view point

Q The last financial year was turbulent for the shipping and logistics industry – growing imbalance in exim trade, higher cost of rail transport and competition were challenges the industry needed to deal with. What does the coming hold for you?

A With the onset of the monsoon in Andhra Pradesh, we are optimistic that the power generation would improve which would result in better industrial productivity in Andhra Pradesh. So, this financial year we are hopeful of achieving our targets.

Q How would you see the uptick in the number of private ICDs sprouting in India? While Concor has monopolized operations over the last many years, will the organisation be pushed to enforce best practices in wake of competition?

A CONCOR has always welcomed healthy competition. CONCOR has got the best practices of the industry. CONCOR believes in CUSTOMER DELIGHT. Hence, we put forward our best efforts keeping in view our leadership in the industry.

Q Do you see an increase in container movement in the hinterland compared to the previous years? Has containerisation caught up in India with most developed economies making this paradigm shift?

A The industrialisation of the Indian subcontinent was one of the main reasons for growth containerisation in the hinterland. In this scenario, I would like to mention that there is a vast scope for development of the containerisation where most of the rural economies are still left untapped. The rural economy can drive the reefer container movement as has happened in the Guntur area of Andhra Pradesh, Moga area of Punjab and others. Further, the needs of the future population wherein the world is a huge market place, containerisation is the only way for a country like India. mg

Policy to fortify shipbuilding

The Ministry orders state-run entities to prefer buying vessels manufactured in India over Chinese and Korean ones.

Deepika Amirapu

Come 2015, only Indian-made and registered ships will be allowed to ferry cargo across India's coasts as the Ministry of Shipping is readying to take some strong policy measures to propel stagnant activity at India's shipyards. So far, a ship that was not manufactured in India, but bore an Indian registration is allowed to carry cargo from port to port.

The Ministry has made its intent clear by ordering state-run entities such as Shipping Corporation of India to prefer buying vessels manufactured in India over Chinese and Korean ones provided the domestic players offer equal value in terms of cost and benefit. For vessels of a smaller size used to ferry within India, the SCI can issue tenders where even private players are allowed to participate to create a level-playing field.

Further, other public sector firms such as Mazagon Dock Limited that builds India's warships, have been asked to ink partnership agreements with private players like Pipavav Defence and Offshore Engineering Company and Larsen and Toubro to construct warships and submarines of superior quality.

Data published by the ministry of shipping indicates that the Indian shipbuilding is mainly centered on 27 shipyards comprising 8 public sector and 19 private sector shipyards. These shipyards have 20 dry-docks and 40 slipways between them with an estimated total capacity of 281,200 dwt.

The centre's thrust on shipping building comes on the back of abysmal track records demonstrated by Indian shipbuilders over the last many years with new orders thinning year after year. Discontinued subsidy for private shipbuilders is also one of the primary reasons for the activity not gaining steam in the country. In January this year, the ministry of shipping submitted several proposals to the cabinet to improve the performance of the industry. A 27 per cent customs duty exemption has been sought on capital items the industry imports for its ships and the 30 per cent subsidy allowed until 2007 was asked to be reinstated.

The Shipyards Association of India declared that India's share in shipbuilding globally fell to 0.1 per cent from 1.2 per cent in 2007. And so, to augment purchase of Indian made ships, the policy is drawn out to more Indian firms as Inland Waterways Authority of India, Oil and Natural Gas Corporation, Dredging Corporation of India among others. The defence ministry too, that allocates a huge chunk of its planned budget to acquiring new fleet every years, has been asked to tender its orders to Indian ship manufacturers.

During the last six months, the government has initiated several efforts to promote the interest of the industry in the country. Last month, the government ordered a Cochin Shipyard to enter into a pact with the Paradip Port and Dredging Corporation of India to promote dredging in Indian ports.

Several state-run maritime boards in Indian have begun implementing measures to improve shipbuilding along their coastline. The Gujarat Maritime Board (GMB), for instance, is promoting the strategy of cluster form of shipyards development known as Marine Shipbuilding Parks (MSP) at multiple locations with private participation. mg

MASSA popularises maritime training

Yashwant Ghadge

The most powerful shipping trade association of India, The Maritime Association of Shipowners, Shipmanagers and Agents (MASSA) has planned to promote the importance of maritime sector in India. MASSA will also connect with youth across the country to spread awareness on maritime training for the benefit of young students keen on joining merchant navy.

In the current year, MASSA has planned to hold a series of road shows in leading cities of India to attract youth to participate in the progress of shipping industry across the globe.

"India accounts for a market share of around 7 per cent of the global maritime personnel currently. In partnership with Union Ministry of Shipping of India and Directorate General of Shipping of India, MASSA has set a goal of increasing India's seafarers' strength to 9 per cent of global maritime personnel over next few years. We wish many young students of the country to opt for a lucrative career in merchant navy," said MASSA Chairman, Captain Shiv Halbe.

The proposed initiatives of MASSA to motivate educated young population to plan a highly-paid career in Merchant Navy will act as a boon for the Indian economy. Youth power is believed to be one of the most important assets for economic growth. This becomes even more significant when viewed in the context of a fast ageing population in the developed nations of the world. It is estimated that by 2020, an average Indian is expected to be only 29 years old against 37 years in China and the USA, 45 years in West Europe and 48 years in Japan. By 2020, the young population (15-30 years of age) in India is estimated to rise at 450 million.

"Our endeavor is to offer an excellent career in Merchant Navy to young Indians. Eventually, that will help young India to grow rich and prosperous, as an entry level young recruit in Merchant Navy currently earns substantial tax free salary every month. MASSA is dedicated to participate actively in India-growth-story. MASSA has also formed a trust, Maritime Training and Research Foundation (MTRF) aimed at imparting quality maritime training through its world-class maritime training institutes based in Navi Mumbai and Chennai," added MASSA Chairman, Captain Shiv Halbe.

Currently, there exists an acute shortage of quality manpower in Merchant Navy across the globe. As India's GDP is expected to grow over around 6 per cent in the future, the employment opportunities for Indian students in Merchant Navy are expected to rise phenomenally in the years to come. mg

JNPT draws up ambitious plans for capacity expansion in its silver jubilee year to cater to the growing needs of the trade.

Sreekala G

Mr Franck Dedenis, Managing Director for Maersk Line (India and Sri Lanka) receiving award from Mr G K Vasan, Union Minister of Shipping for handling the highest container traffic at JNPT for the financial year 2012-13

Jawaharlal Nehru Port Trust (JNPT), India's largest container port, is planning to increase its capacity to handle projected container traffic of 10 million teu by 2016-17. The port, which celebrated its silver jubilee in July this year, has awarded the project to extend a container berth by 330 metres.

The port has also re-invited the tender for the fourth container terminal which is designed to add 4.8 million teu capacity at an estimated cost of about ₹7,000 crores. Besides, the capacity dredging project is already under progress.

"All these projects would lift JNPT to a different level and I am sure that the port users are looking forward to their completion. JNPT is entering its Silver Jubilee year. Within a short span of time the port has become the No 1 container port in the country, handling 44 per cent of India's container trade. The port will continue to expand its capacity, improve its efficiency and cater to the requirements of trade in the years to come. JNPT is currently ranked 26th among the top containers ports in the world," said G K Vasan, Union Shipping Minister.

Talking about the government's effort to strengthen the port segment, Vasan said, in 2012-13, amidst global economic recession, we have been able to award a record number of 32 port projects at an estimated cost of ₹6,765 crore to add capacity of about 136 million tonnes per annum (MTPA).

This financial year the government targets to award 30 projects to increase the capacity by 282 MTPA at an investment of around ₹25,000 crore. We have already awarded one project in VPT for ₹970 crore.

"The port and shipping sector has witnessed robust growth during the last two decades, especially in terms of traffic handled. However, this has

Glorius past ambitious future

pushed port facilities to be utilised at maximum level leading to congestion. The government is seized of the issues facing the port and shipping sector and we have taken initiatives to systematically identify and analyse the various issues, formulate appropriate solutions and take action to address the issues," said the minister.

JNPT was commissioned in 1989 to ease the congestion in Mumbai Port. JNPT is the first major port of India to lead the way in showing the benefits of Public Private Partnership (PPP) in the Port Sector by commissioning the first private terminal, viz. Nhava Sheva International Container Terminal (NSICT / DP World) in the year 1989 and brought international container handling parameters to India.

"JNPT is one of the leading ports in the world. It is emerging as the main facilitator of India's International trade. We want it to be recognized as India's premier container port providing integrated logistics to the best interest of trade and customers," said Dr Viswapati Trivedi, Shipping Secretary.

According to Chief Manager (Admn) & In-Charge Secretary, JNPT, steps are underway to develop additional capacity to match the demand from trade. "Additional bulk/break bulk berths with modern facilities, captive berths, logistic parks and green initiatives for nonconventional energy and water conservation are other projects in the pipeline," he said.

JNPT is committed to meeting the needs and expectations of its customers through: equipping itself with state-of-the-art equipment and technology and efficient, professional and computer integrated terminal operation systems. Conforming to international standards and offering competitive rates, the port trust said in a release.

JNPT also gave away a slew of awards to its customers on the occasion of its silver jubilee in recognition of the excellence in business activities.

Maersk Line India Pvt Ltd received the award for the highest container traffic handled by a Shipping Line at JN Port while Hyundai Merchant Marine India Pvt Ltd bagged the recognition for the highest Container traffic handled by a Shipping Line at JNPCT. mg

AWARDEES AT JNPT SILVER JUBILEE

1. Highest import delivery of containers to a CFS from JNPT: Seabird Marine Services Pvt Ltd, Container Freight Station
2. Maximum throughput handled at Shallow Draught Berth by a Consignee: Ultratech Cement Ltd.
3. Maximum containers handled at Shallow Draught Berth by a Shipping Line: Pacific International Lines Pte Ltd.
4. Maximum liquid cargo brought to JNPT by a consignee: Oil & Natural Gas Corporation Ltd (ONGC).
5. Maximum liquid cargo handled by a Vessel Agent: J. M. Baxi & Co.
6. Highest Non-PSU liquid cargo stored and handled by a tank farm operator: Ganesh Benzoplast Limited.
7. A special felicitation for handling ICD traffic of 0.87 million teu at JN Port: Container Corporation of India Ltd (CONCOR)
8. A special felicitation for handling 1.04 million teu of container traffic: Nhava Sheva International Container Terminal (NSICT) Ltd. (DP World)
9. A special felicitation for handling 2.01 million teu of container traffic: Gateway Terminals India Pvt Ltd (GTICT)
10. A special felicitation for handling liquid bulk cargo of 5.88 million tonnes: Bharat Petroleum Corporation Ltd (BPCL)
11. Special Memento to 'Daily Shipping Times' for their contribution to Maritime Industry & Trade
12. A special felicitation for the outstanding contribution of R K Singh, Chairman & Mg. Director, Bharat Petroleum Corpn Ltd for the overall development of JN Port from time to time.

Sravan Shipping flying high

To meet the growing needs of the shipping industry, Sravan Shipping Services plans to set up two new CFSs and a Free Trade Warehousing Zone. The company is also eyeing institutional funding to meet its capital investment requirements.

Sreekala G

Visakhapatnam-based Sravan Shipping Services Pvt Ltd, a leading logistics, warehousing and shipping support services provider, is planning to expand its business. As part of this effort, the company will invest ₹135 crore to set up container freight stations (CFSs) in Kakinada and Krishnapatnam ports.

"We will initially start the work at the container terminal at Krishnapatnam Port and the project will be ready by 2014 end. We will also take up construction work at Kakinada Port and this project is expected to be ready in two years," says **G Sambasiva Rao**, founder & managing director of Sravan Shipping.

While handling capacity of the planned CFS in Kakinada would be 1,00,000 teu per year, Krishnapatnam CFS would handle 1,20,000 teu.

The Krishnapatnam project will require an investment of ₹75 crore and the Kakinada CFS another ₹60 crore. "Of the total investment, the company will put in 25 per cent of the amount and we will approach financial institutions for the remaining amount," says Rao.

To meet the changing needs of the EXIM community, the company is also looking at setting up a Free Trade Warehousing Zone in Vizag for which it has already got approval from the Ministry of Commerce.

Started in 1997 with a seed capital of ₹5 lakh, Sravan Shipping has clocked ₹100 crore turnover. It also employs over 1,200 people. The company handled 70,000 teu at Visakhapatnam Container Freight Station in 2012-13 as against 56,259 teu in the previous year. In the current financial year, it aims to handle more than 75,000 teu at the Vizag CFS.

It is the only company in private sector in Andhra Pradesh that has got permission for storage of Ammonium Nitrate at Visakhapatnam as it could meet all safety standards and other norms set by the state Environment and Pollution Control Board.

Rao considers Visakhapatnam as a strategic location as it is having natural port, which is a gateway to the vast industrial market of the far east countries. "As the hinterland of the port includes the whole of Andhra Pradesh, Chhattisgarh, Odisha and part of Maharashtra, there is no dearth of skilled manpower for the shipping industry. This region also houses AP SEZ, VSEZ, and public sector giant like Hindustan Shipyard Ltd, Naval Dock Yard, Head Quarters of Eastern Naval Command of Indian Nav, Rashtriya Ispat Nigam Limited, Hindustan Zinc Ltd, and Coromandel International Ltd,'' he points out.

Sravan Shipping, according to him, is the only company having 55 acres of own land adjacent to Vizag Port with proper rail siding. The rail siding operates round the clock with sufficient labour and proper security arrangements to cater to the needs of the customers including importers and exporters.

"Rail The siding has 70 ft width platform and Visakhapatnam Port Trust has already provided proper lighting arrangements for it," he says.

The company has a large customer base covering various industries like fertilisers, fertiliser raw materials, chemicals and pharma, food grains, coal, iron ore, steel, cement, petroleum products, sugar etc.

Sravan Shipping handles bulk cargo at Vizag, Gangavaram and Kakinada ports and containerized cargo at Visakhapatnam. A leading warehousing service provider in South India, Sravan Shipping has about 10,00,000 square feet of closed warehousing space and 25,00,000 square feet of open yard for stacking/storing of containers and various bulk and break bulk materials.

Rao says he is in no hurry to boost profits as his aim is to build an important and lasting company. mg

JSW Jaigarh Port

Benchmarking Maritime Excellence

- Deep draught of 14 meters berthing capesize gearless vessels
- Large backup area for in-transit storage
- All weather 24x7 operations
- Strategically located between Mumbai and Goa
- Customized handling solutions
- Competitive tariff structure
- Environment friendly mechanised handling
- Fast turnaround time

Corporate Office : JSW Centre, Bandra Kurla Complex, Bandra (East),
Mumbai - 400051 • Tel: +91 022 4286 2044 • Fax: +91 022 4286 3000
Email: marketing.jpl@jsw.in • Website: www.jsw.in

Ro-Ro terminals in the race

With India's annual car production expected to triple from the current 3 million units to 9 million by 2020, ports would definitely have to quicken the pace of infrastructure development to be the largest collateral gainers.

Deepika Amirapu

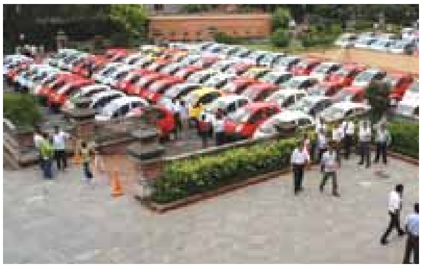
At the start of the 20th century, when Henry Ford started laying the foundation for the world's largest automobile manufacturing hub, no one ever thought Detroit would have to forego that distinction ever. Sadly, a little over a century later, the largest city in the US state of Michigan has filed for bankruptcy. Once a city on wheels, it is now known for poor fiscal planning and poorer treasury that cannot even provide health cover for its senior residents.

While the state of Detroit's health has been on the decline for close to a decade now, manufacturing hubs have started emerging on the other side of the globe to satiate the world's demand for newer and most importantly, cheaper cars. Once the global financial crisis threw asunder dozens of economies in the West and Asia remained fitter, several countries emerged as contenders to be known as 'The Detroit of the East'.

With Indonesia and Thailand changing their policies to welcome car makers to their countries, no one thought India was never in the reckoning. It all started a few years after 2000. Car manufacturers started shipping spare parts from India to reduce the cost of the car. But what helped India pip its competitors in the East is the crisis. Once the effect of the global meltdown started waning, most four-wheeler manufacturers began shifting their base to India to reap advantages of a surviving economy, cheap labour and investor-friendly policies. Initially, domestic car makers such as Mahindra and Mahindra tied up with French car maker Renault to roll out sedans and sport utility vehicles. Once this worked, Fiat and Ford India also jumped on to the band wagon to export SUVs to Europe, South Africa and Southeast Asia.

Today, every car manufacturer from Ford to Japan's Nissan to South Korea's Hyundai has set up their plants in the country. For starters, Gujarat and

"Initially, domestic car makers such as Mahindra and Mahindra tied up with French car maker Renault to roll out sedans and sport utility vehicles. Once this worked, Fiat and Ford India also jumped on to the band wagon to export SUVs to Europe, South Africa and Southeast Asia."



Tamil Nadu are India's largest auto manufacturing hubs. According to some estimates, in 2011, Gujarat accounted for 31 per cent of cars and 35 per cent of components made in the country. The other hubs in the country are Pune, Pantnagar and the National Capital Region. In fact, after Tata's Nano plant shifted to Sanand from West Bengal's Singur, two other global auto majors Ford and PSA Peugeot Citroen announced their plans to invest upto ₹4,000 crore to set up their plants closer to Sanand.

While the biggest manufacturers, apart from the car manufacturers have been the locals who are being employed at the plants, India's ports have been pushed to adapt to this burgeoning manufacturing revolution. The first two ports to introduce Ro-Ro terminals in India are ports in Gujarat and Tamil Nadu.

Roll on Roll off vessels designed to carry wheeled cargo such as automobiles, trucks, semi-trailer trucks, trailers that can be driven into the ships instead of lifting and placing them using heavy cranes.

The success of Nano and Ford has lead Gujarat's Mundra Port to sign contracts with Maruti Suzuki and Nissan for export of cars to Europe beginning in January. With two gulfs dividing the State in three segments, Gujarat is an ideal location to run the ferry service. The GMB has planned to establish the dedicated RoRo ferry service to grab the advantage of saving in traveling distance, fuel, expenses and safe mode of transport. The board has also decided to develop the world class Ro-Ro ferry terminal at (Gogha and Dahej) in Phase-I and will extend up to Mumbai in subsequent phases. Meanwhile, WWL and NYK are participating in another auto terminal joint venture, this time in India, with the country's largest private port – Mundra Port and Special Economic Zone. A memorandum of understanding has been signed between the three companies which will see an additional 200,000 vehicles go through the Port of Mundra per year.

The Jawaharla Nehru Port also developed three berths for Ro-Ro vessels for export /import of vehicles. It has an exclusive yard for parking of export vehicles closer to the berths prior to arrival of the vessel. The latest addition is the Ro-Ro terminal at Vallarpadam, Kochi, that commissioned terminal jetties at Willinghdon Island and Bolghatty.

But the largest exports happen from the East Coast from Chennai and Ennore. With the wolrd's best car makers stationing their manufacturing plants at Chennai, the southern city is India's largest car exporting hub. Chennai's dedicated car terminals handle cars manufactured by Hyundai Motors Limited, Swedish truck maker AB Volvo also exports trucks. The new car terminal that came up at Ennore has a capacity to handle 200,000 cars a year. The berth has a depth of 12 m that can help ships load 5,000 cars at one go. Krishnapatnam Port also anounced Ro-Ro terminal.

More car players such as Japan's Isuzu are setting foot in India by choosing locations closer to the port to gain logistical advantage. mg

AISL to expand facility

Durgapur-based AISL plans to expand its warehousing facility. The company's ICD helps provide faster completion of the customs formalities and quicker clearance of goods without having to venture into ports of Kolkata or Haldia

Allied ICD Services Limited (AISL), the first operational dry port in Eastern India, is planning to expand its facility. As part of this, AISL will set up additional warehousing facility for exporters and importers in nine acres of land.

"The land is earmarked for us by Asansol Durgapur Devlopment Authority (ADDA). Besides warehousing, the facility will have empty container yard, multi-purpose cold storage and railway siding," says Pramod K Srivastava, Director, Allied ICD Services.

Set up in May 2006, Durgapur-based AISL is owned and promoted by PDP nternational Pvt Ltd, which has immense expertise in the areas of clearing and forwarding, warehousing, multimodal transportations and air-cargo (IATA certified). In 2011, AISL joined hands with Container Corporation of India Ltd (Concor), a Government of India undertaking, to further develop its services of transportation of export and import containers by rail in addition to road. Both AISL AND PDP International are ISO:9001 certified.

In October last year, AISL developed EDI services of its own, to provide at-par services to EXIM trade. The ICD area was extended, to Concor Terminal, situated 5 km away from the site of Allied ICD Services Limited.

AISL's facility has over a hundred trailers for carrying containers and various equipments of the latest technology. This ensures that all tasks are performed efficiently.

"Our mission is to provide services at reduced transaction costs to make the export and import trade more feasible. Having an inland point by means of Allied ICD Services Ltd, importers and exporters can enjoy faster completion of the customs formalities and quicker clearance of goods without having to venture into the ports of Kolkata or Haldia. Also, AISL provides services to both exporters and importers under the same roof, thereby benefiting all parties by reducing the inventory holding cost," says Srivastava.

The Government of West Bengal has contributed to the development of this inland port by providing over 12 acres of land. The land is obtained on the basis of a lease agreement from the government through ADDA (Asansol Durga Development Authority) for a period of 70 years. The inland port is situated very close to the NH-2 Highway, which is part of the Golden Quadrilateral Network. The distance by road from the port of Kolkata is approximately 180 km, and from that of Haldia is approximately 310 km.

The ICD is a common user facility having a full-fledged customs house functioning within its Customs-notified area. All facilities pertaining to Customs clearance including appraisement, duty payment, export permission etc readily are available in ICD Durgapur.

ICD Durgapur will also arrange for return of empty containers back to the shipping line's nominated empty yards.

For the exporter community, their shipment can be effected directly from the ICD Durgapur itself and bills of lading can be obtained wherein "place of receipt" of container is ICD Durgapur only.

In an Interview with *Maritime Gateway*, **Pramod K Srivastava**, Director, Allied ICD Services talks about the company's growth plans and the challenges faced by ICD operators in the country.

Q It's been almost seven years since the facility became operational. How the journey was so far and what were the change you experienced?

A I can say the experience has been tough. Slowly and steadily things started happening and people finally kept faith in me. Now we have eight major shipping lines committed to use this facility. SAIL signing an yearly contract with us is a testimony to our efficiency. Four shipping lines having their depots here is also a major achievement. I am expecting great future. Shipping lines will yield better revenues through this ICD as port is giving them a benefit of ₹1000 per teu. For an importer in Durgapur region the cost will be less to get it cleared from our ICD than from Kolkata ICD. These are the trade gains.

Q What are the services offered to your clients?

A We faced many challenges in providing infrastructure and services to the clients. We have different departments for CHAs, warehousing and transport. So the idea is to provide an end-to-end solution to the client. We have tailor-made solutions for customers. For high value customers like Carbon Black, we do stuffing for i-cube containers. We have Eot cranes in the facility, which I can proudly say that exists nowhere in India. Still one problem is other CHAs are not coming to this ICD for their business. Though seven CHAs registered we do not see regular work happening.

Q How many containers are being handled at the facility?

A Currently, we are handling 1,200 containers per month. Our target is to reach 2,500 containers per month by March 2014.

Q What factors will drive your business growth?

A We tied up with CONCOR. Its rail terminal is six kilometres away from the ICD. An extension of the ICD has been created at the terminal in 255 sq m of space. So the factory-stuffed containers can be directly brought there to be transported directly to the destination. This will help us increase the volumes. Containers need to be de-stuffed before they are brought to Durgapur ICD.

Q What are the challenges faced by ICDs in general?

A Shipping lines should move in. There is a CONCOR run ICD in Jharkhand near Jamshedpur. Unfortunately, no shipping line uses this facility. Another CONCOR run facility in Amingaon in Assam picked up business recently due to some policy intervention after lying unutilized for a longtime. New ICD has come up at Kalingapur. This is a much needed facility. So when ICDs are created for the benefit of customers shipping lines should create acceptance points.

Q Is there further scope for more ICDs to come in?

A Yes. I feel potential exists in the eastern region. Siliguri which is connected to seven states of north-east is an attractive destination for ICD business. mg

Redefining industrial real estate

Pune-based KSH Group plans to build multi-modal infrastructure projects across the country. It is also looking at attractive investment destinations to set up infra-logistics parks.

Infrastructure development is the key to accelerate economic growth. Logistics and warehousing infrastructure form the backbone that India needs to move its industrial growth story forward. KSH Infra is adressing this opportunity by building world-class infrastructure in and around the industrial hubs in the country, by leveraging on best-in-class technology, professional experience and on-ground execution skills.

Pune-based KSH has built a strong regional presence and serves a number of the world's leading MNCs and Indian corporate houses in the region. The company's multimodal logistics and industrial park include a diverse mix of industrial, commercial and logistics infrastructure.

"From built-to-suit industrial and domestic facilities, to ready space, we assist our customers with every aspect of their real estate requirements with complete turnkey solutions, including design advisory and construction management. We partner our clients to deliver world-class scientifically-designed infrastructure, ensuring global standards of quality and best practices that bring sustained benefits and help drive bottom-line efficiencies."

For more than 40 years, the KSH Group has demonstrated its ability to deliver value-creating projects and build a robust infrastructure landscape. With interests spanning manufacturing, service and distribution and logistics, KSH Group comprises of three distinct businesses: KSH Distriparks, KSH Logistics and KSH Infra.

Deriving synergies as an integrated group, KSH provides integrated logistics solutions encompassing EXIM, domestic warehousing and 3PL, and logistics infrastructure (warehousing, transportation, built-to-suit infrastructure).

The KSH multimodal Logistics and Industrial Park situated in MIDC Talegaon, Pune is being built on an area admeasuring 12.5 acres, and it comprises of five buildings, with an area arangingfromsizes from 30,000 square feet to 1,00,000 square feet.

The buildings comply with global standards, which are ideal for warehousing or industrial requirements (light engineering) –

1. Sub-structure – RCC structure till plinth level
2. Super-structure – PEB structure with complete cladding
3. Flooring – TREMIX flooring of 6 tonnes/ square metre loading
4. Clear eve height of 8.5 metres
5. 30 metre wide road for loading/ unloading bays for movement of trailers
6. Sprinkler based fire hydrant systems as per MIDC regulations
7. Sewage treatment plants for the entire facility of AM-2
8. Landscaping and rain water harvesting systems being provided
9. Rolling shutters with dock-levellers provided
10. Generator back up can be provided
11. Water provided by MIDC and electricity through MSEDCL
12. Turbo vents installed on building roofs for ventilation
13. Ample lighting for all the buildings
14. The entire plot is a gated community

KSH Infra also collaborates with its clients to schedule, design, and construct effective industrial real-estate

environments. It assists its customers with every aspect of their real estate requirements with complete turnkey solutions, including design advisory and construction management.

"Through our partnership with Pacific Century Group, our real estate business has access to global resources and expertise that enable us to deliver an unparalleled quality of service. Our multi-disciplinary team of design architects, construction engineers, supply chain experts and industry professionals brings unique design capabilities that translate into modern facilities consistent with emerging market needs," says the official.

Currently, KSH Infra aims to build similar multi-modal infrastructure in the key markets of Pune, Mumbai, Bangalore, Chennai and the National Capital Region. "We aim to expand our presence through local market knowledge and understanding while working with integrity to deliver high-performance, on-time and on-budget projects," says the official.

KSH Infra has also catered to a French Automotive Giant Renault – by constructing a 40,000 sq ft built-to-suit warehouse. As part of its strategy to promote parts sourcing out of India, the French company needed to setup a warehouse to cater to the increasing volume demand from worldwide plant customers. The warehouse was to be a part of the International Parts Center (IPC) network, which enables them to

Services Snapshot

- Project Conceptualization
- Land Acqusition
- Project Design & Engineering Services
- Construction Management
- Project Approvals (Fire, Plan Sanction etc.)
- Facilities Management

source and consolidate vehicle parts in large volumes from local suppliers.

For maintaining the supply chain and easy processing during consolidation, the French company planned to set up a state-of-the-art warehouse in Talegaon, Pune. To accomplish this they needed a robust warehousing infrastructure partner who understood its business needs and met its stringent quality requirements.

"Since a warehouse forms a key component of any supply chain, they considered it vital to ensure that the development of the new facility with all the requirements was properly executed," explained the official.

KSH was able to draw on its engineering experience and expertise to understand Renault's specific warehouse infrastructure needs. KSH understood the warehouse setup guidelines and provided an analysis of available strategies, technologies and infrastructures that were relevant. An awareness of best practices in its area of operation proved vital in making the right competitive decisions.

Owing to its experience and insights, KSH was able to build a strong customer relationship and provide them with a built-to-suit state-of-the-art warehouse facility in line with global standards.

The new warehouse added another milestone for the automotive giant's growing footprint in India. With optimal use of space within the footprint of the building, the solution delivered substantial operational efficiencies and cost savings to them, as it looked to accelerate its growth journey in India.

KSH Infra is looking at attractive investment destinations across the country to set up integrated infrastructure projects such as infra-logistics parks. As the infrastructure leasing model develops in the country, KSH Infra is looking to have a pan India presence.

"Leasing as a model is far more attractive for global MNCs as one is able to reduce unnecessary capital expenditure and focus on development of core areas such as production build up through investment in areas that yield bottom lines. Leasing being a revenue expense, can have a greater impact on achieving profitability in large infrastructure projects as against making large capital expenditures. Lastly, leasing will ensure that our clients can free up cash flows," says the official. mg

Need to educate shippers on multimodal concept

The Association of Multimodal Transport Operators of India (AMTOI) was formed with the objective of organising Multimodal Transport Operators at the national level and improving the quality of their services. The association, since its inception, had made suggestions to alter certain provisions in the Multimodal Transportation of Goods Act and for adopting other related measures that could prove beneficial for its trade members. **Shashi Tanna**, President of AMTOI has been heading the association for the last one year ensuring AMTOI plays an active role in reducing the logistics cost of moving agricultural commodities within the country. In an exclusive interview with MG, he tells *Deepika Amirapu* his vision for multimodal logistics in the country. Edited excerpts...

Shashi Tanna
President, AMTOI

Q The concept of multimodal logistics evolved to cut transit times, decongest and reduce logistics cost. How far has India travelled in terms of developing an efficient intermodal system of transport?

A India is currently ranked 46th in terms of logistics performance. There is vast scope for improvement and growth. The multimodal concept in India is currently being discussed in a very narrow way for just containerised export traffic, but there is a huge potential to promote multimodal concept for import traffic, domestic traffic, where we can have quick results using coastal shipping mode more effectively, we need to have a policy frame work in place to pursue this agenda further.

Q Has the shipping industry fully realised the benefits of multimodal transport?

A No. Indian shippers still try to negotiate with sector-wise service providers. There is a need or educating the shippers about the multimodal concept.

Q As an intermediary and a facilitator in the system, what challenges lay before a modal transport operator?

A There are several challenges facing Indian MTO today. Lack of proper infrastructure is among the most basic. Also, complex and multiple central and state tax regulations make it difficult for companies to operate smoothly. Lastly, the lack of a recognized industry status leaves us with many ministries to deal with for clearances. We have to deal with four ministries, namely, Ministry of Commerce and Industry, Ministry of Railways, Ministry of Road Transport and Highways and Ministry of Shipping.

Q Do you think that Dedicated Freight Corridor (DFC) and introduction of GST will be game changers in pushing the growth of multimodal transport?

A Yes. Dedicated Freight Corridors will have an effect over a period of time on movement of traffic from road to rail. GST is still vague for logistics service and if not clarified may have a negative effect.

Q Pilferage and damage are the biggest concerns for shippers when cargo transshipment happens between different modes of transport. How do you address this?

A Movement of goods is shifting to unit modes i.e. containers, pallets, jumbo bags and such. This reduces multiple handling resulting in less pilferage and damages.

AMTOI is at the forefront in taking up regulatory and policy issues affecting multimodal transport.

Q What are the key differentiators among MTOs?

A The key differentiators are better understanding of the MTO concept, international network coverage and use of technology.

Q What are the lacunae in the current version of the Multimodal Transportation of Goods Act, 1993. How do you like them to be addressed? AMTOI, in the past, has suggested several amendments. What happened to them?

A The MMTG Act 1993 does not provide level playing field for Indian MTOs vis-a-vis foreign MTOs and carriers. It is desirable that suitable amendments should be enacted soon and all multimodal and logistics service providers be registered.

Q What are your major concerns as far as regulatory framework is concerned?

A Ours pertain to extending the applicability of MTA to import traffic, create a separate policy frame work for Multimodal Transport movement for domestic traffic. There is a huge potential here to create an infrastructure, this infrastructure can be used for cargo as well as passenger traffic.

Q How is AMTOI helping its members and trade in terms of pushing the multimodal concept grow?

A AMTOI is at the forefront in taking up regulatory and policy issues affecting multimodal transport. It is on panel of various ministries and departments for removing irritants and promoting multimodal. This helps in reducing costs which ultimately are passed on to the trade.

Q Could you please list a few achievements that AMTOI has been able to do for the trade over the last few years?

A We have achieved in bringing forth several benefits for the trade. Creating a grievcance redressal forum, suggesting amendments to MMTG, creating a platform to bring about various stakeholders together as extended boards for AMTOI, conducting various training sessions and seminars to educate the members and trade at large, acting as a soundboard for the industry to communicate trade issue to the corridors of power are some initiatives taken by us. mg

"Our constant challenge is to have a robust supply chain"

Anuradha

Café Coffee Day, a division of India's largest coffee conglomerate Amalgamated Bean Coffee Trading Company Ltd (ABCTCL), grows coffee in its own estates of 10,000 acres valued at around $250–300 million. It is the largest producer of Arabica beans in Asia. Almost everything that Café Coffee day requires including coffee seeds, furniture and even logistics is sourced from within the company.

Recently in a move to keep competition at bay and also increase its overall revenue growth, Café Coffee Day enhanced its menu to include gourmet food items. The food menu is expected to contribute nearly 35 per cent to the company's overall revenue.

Adding food to its menu was not a random decision but a well-planned strategic move, based on analyst reports which indicated that 65 per cent of people prefer to visit quick service formats like McDonalds or Pizza Hut.

Statistics also indicates that most people believed that cafes were expensive and they did not see the value in visiting one sans a partner. So affordable food was a necessity and Café Coffee Day over the last year has included gourmet food to its menu. Ensuring that food is always fresh and available and yet not cooked in local kitchens meant that Café Coffee Day needed to have a robust shipping and logistics system in place.

In a candid interview with **Sathyananda**, Head Supply Chain Management, Café Coffee Day, we get a comprehensive view into their logistics and shipping operations.

Q We understand that Café Coffee Day (CCD) is positioning itself as a gourmet food chain. In this regard we would like to understand how your supply chain works, i.e. in terms of procurement and retail supply of food.

A Today's business scenario is very challenging and dynamic. Due to the large number of global players like Costa, Starbucks, McDonald, KFC etc., the market has become very competitive and complex. And everybody is under pressure to increase top line growth as well as bottom line profit. The biggest challenge today for supply chain leadership is to understand the needs of the customer on real-time basis and respond by innovating products as well as offering an outstanding delivery performance.

> "Ensuring that food is always fresh and available and yet not cooked in local kitchens meant that Café Coffee Day needed to have a robust shipping and logistics system in place."

CCD supply chain is interacting closely with three strategic business domains – demand, product and supply – to ensure the right product reaches the right customer at the right time and at the right place.

Our success story across 250 cities is a result of our being able to cater to demand by offering the right product at the right time. We are able to achieve this because of good synergy between key support functions like, marketing, business development, projects, Food and Beverage, Innovation team, Operations, MIS and Supply Chain Management. Our demand chain is the customer-facing side of the value chain which helps us to respond to the customers' demand in a prompt and cost-efficient manner.

Q How exactly do you manage your logistics operations?

A Our logistics operation is a combination of company people and third-party service providers. Depending on the network, service requirements and cost we have outsourced certain activities to third-party service providers at certain locations.

However in all these places warehouse lease is held directly between the landlord and CCD and third-party service providers have control only on stock movements.

Q Do you use third-party storage and transportation or do you use your own logistics and transport services?

A It is a combination of both. In some cities we manage our cold supply chain with our own vehicles and in some cities we have outsourced this function to third-party service providers.

Q What exactly is the scale of your operations? In how many cities and outlets do you service?

A We service more than 250 cities across India. We have over 1,400 Café Coffee Day outlets, 600+ Coffee Day Xpress outlets and 25,000 Vending machines.

Q Do you use software to manage your supply chain? If yes, is it in-house built or third-party software? Please explain.

A We have two ERP systems in the company. For front-end operations we use as Point of Sale (POS) software which has been built in-house. For backend supply chain management we used SAP R3.

Q What are some of the key challenges you face in moving goods?

A Our biggest challenge today is to sense the right requirement and respond to the requirement within 30 days. Since the demand pattern varies from city to city, we need to do the adjustment in our inventory level constantly to ensure that we have no excess or dead stock and at the same time ensure fresh stock availability at all our outlets. This essentially means that our supply chain has to be extremely robust and our logistics and shipping teams have to be extremely agile. This is our constant challenge.

Q What are your best practices to overcome logistics related challenges?

A We have a fixed framework through which Café Coffee Day's demand chain management operates to ensure exhilarating customer experiences 24/7. It is a four-pronged strategy that is demand-driven, where real-time information flows through POS and SAP ERP systems, capitalisation of the distribution network through our large supplier base takes place and superior logistics services through strong and committed service partners is provided.

Q In terms of storage of food items, do you have your own warehousing facility or do you use third-party facilities.

A We have two types of storage facilities. For dry and ambient products we have our own warehouses across the country and for frozen and chilled products (Cold storage facility) we have outsourced it to third-party vendors.

Q When supplying to other city outlets and outer city limits, what are some of the logistic requirements that you uphold to ensure that your food products remain fresh at the time of sale?

A To ensure the quality and safety of the products, we always use dedicated vehicles fitted with GPRS and temperature sensor data through which our Food Supply Chain team monitors the temperature and movement of the vehicle(s) online till they reach their destination.

Q You also have international presence. Can you share with us some details on how your international logistics and shipping arrangements are managed.

A For our international business, only key products like coffee, pre mixes and furniture are shipped from India. The rest is sourced through local vendors. mg

Somalian piracy stays in retreat due to increased security and aggressive naval operations by NATO while Nigerian gangs are slowly expanding their operations to West African waters. Concerted action by the US and European Union may help Western African nations to curb the piracy menace.

Sreekala G

PIRACY SHIFTS FROM EAST TO WEST

It has been over a year since Somalian pirates successfully hijacked any ships. Thanks to the combined efforts of international naval forces and increased security on ships, the cost of piracy to the global economy has declined considerably since 2011.

MV Smyrni, a Greek-registered tanker less than two years old and loaded with crude oil worth tens of millions of dollars, was the target of the last successful hijacking by pirates. It was captured on May 12, 2012 and was released after 11 months of negotiations and payment of a record-breaking ransom nearing $15 million.

The International Maritime Bureau records show that somali pirates hijacked 46 ships in 2009, 47 in 2010, but only 25 in 2011, an indication that new on-board defences were working. In 2012, there were 75 attacks reported off Somalia and in the Gulf of Aden – down from 237 in 2011 – and only 14 ships were hijacked. Pirates have been attacking vessels passing the Horn of Africa since at least 2005.

According to a report by EU NAVFOR, the European Union naval task force that is one of several military forces patrolling the Indian Ocean, there were only 36 confirmed pirate attacks in 2012 as against 176 the previous year. Only five ships were captured, down from 25 in 2011 and 27 in 2010. The survey also showed that the piracy cost to the global economy fell by some $580 million or 12.5 per cent, from 2011.

Fewer vessels are now passing through the high risk area off Somalia at maximum speed, significantly cutting fuel costs from 2011. In 2011, an estimated $2.7 billion was spent on ‘above economically optimal speeds,’ falling to $1.17 billion in 2012. With the fall in attacks the cost of international military operations fell some 14 per cent to an estimated $1.09 billion. Besides, ransom payments nosedived some 80 per cent in 2012, with Somali pirates only receiving an estimated $31.75 million compared to $159.62 million in 2011.

While pirate busters are ready to celebrate sceptics fear that pirates may strike back soon. Their fear stems

> “While Somalian piracy was mostly the result of the absence of a government, in West Africa situation is different. Countries in this region have strong governments which are wary of foreign meddling.”

from the fact that though activity is down, international community has not invested any resources in finding a long-term solution to the problem of piracy. Besides, the cost of maintaining armed guards on the ship is on the rise.

There seems to be reasons to worry with some international NGOs also pointing out that pirate gangs are still intact and are waiting for an appropriate opportunity. They believe piracy activity will come down naturally during May-September due to rough sea conditions during monsoon.

The EU NAVFOR report, produced by the US-based One Earth Future Foundation and audited by the Baltic and International Maritime Council (BIMCO), points out that the cost of carrying armed guards rose by almost 80 per cent and was now between 1.15 and $1.53 billion. But most experts believe the money spent on fighting pirates is actually paying off as various estimates including World Bank show Somali piracy has cost the world economy anywhere between $7-$18 billion.

The EU and NATO navy mandates expire at the end of 2014 and very few governments have taken any onshore measures to curb the piracy. While Kenya and the Seychelles have worked hard to drive pirates out or into prisons, war-torn Somalia is still living in denial or is unable to take any strong action.

Another possibility is that pirates have spent the past few months stock-taking, clearing their stock of hostages and ships before restarting their campaign. They may be also looking at another business model of kidnapping foreign aid-workers and tourists on land.

East African waters seem to be safe as of now but trouble is brewing in West Africa with ruthless Nigerian gangs expanding their activities to sea. Born of an uprising in Nigeria's oil-rich Niger Delta, which spawned a web of criminal networks, these pirates use rocket-propelled grenades to halt ships at neighbouring Ivory Coast.

In 2010, the International Maritime Bureau recorded 33 attacks in the Gulf of Guinea and last year, that figure jumped to 58.

While Somalian piracy was mostly the result of the absence of a government, in West Africa situation is different. Countries in this region have strong governments which are wary of foreign meddling. As a result, they will not encourage a massive influx of warships. Besides, most of these nations are yet to completely recover from brutal civil wars and ban the use of weapons by private security details.

Nigeria and Angola are the region's two top oil producers and they accounted for about 15 per cent of US oil imports. With one of the world’s biggest black

markets for fuel – a by-product of subsidy scams that cost Nigeria $6.8 billion over three years – the mafia groups now fashioned as pirates found a ready-made market for cargoes.

They first struck off Benin in 2011. IMB data show that the gangs have raided 20 ships and hijacked eight in 2011. According to a joint report by the International Maritime Bureau, Oceans Beyond Piracy and the Maritime Piracy Humanitarian Response Program West African pirates attacked 966 sailors in 2012. In West Africa, the report said, hostages were held for an average of four days, while the average period of captivity involving Somali pirates was 11 months.

These piracy attacks can cost Western African nations dearly. Hikes in insurance premiums after attacks off Benin in 2011 led to a 70 per cent drop in traffic to Cotonou Port. Port fees and customs duties are an essential source of revenues for the region’s coastal nations. In Benin, they provide half of government receipts, according to the World Bank, and 80 per cent of these come from Cotonou’s port.

In an effort to clamp down the threat, the US has helped train and equip Nigeria’s navy. The European Union is also funding the training of seven coast guards in the region.

A new code of conduct for the countries of West and Central Africa, drafted with the help of the US military, calls upon governments to work together to dismantle onshore bases and impound ships believed to be used in maritime crime. These efforts may help curb the rising piracy in West Africa. mg

Reluctant suitors

The Union Shipping Ministry's plan to increase container capacity at major ports through private partnership hits hurdles with Chennai Port failing to find suitors for its project. Though Ennore Port receives good response from investors, it has to address connectivity issues.

Sreekala G

The trials and tribulations of two ports in Tamil Nadu to find a suitable private partner for their container terminal projects seem to continue.

While the initial efforts made by both Chennai Port and Ennore Port to find suitors for their container terminals projects hit a sour note, at least Ennore seems to be 'second time lucky' as it received good response from companies at their pre-bid meeting in June.

However, the woes of Chennai Port are set to continue as the port trust has decided to cancel the global tender to build and operate its long-planned container terminal project with none of the short-listed companies turned up at a meeting convened by Chennai Port Trust (ChPT) to resubmit their requests for proposals (RFP).

According to a Chennai Port official, though the tender has been withdrawn there are no plans to shelve the project. The port authorities are now looking at restructuring the project.

Analysts attribute the failure to elicit any interest from private parties for the Chennai container terminal project to landside infrastructure bottlenecks at the port, mainly congested access roads, and the overall slowdown in the container shipping market globally. There is a delay in laying the road connecting

Maduravoyal with Chennai Port and the Ennore-Manali Road Improvement Project (EMRIP) is way short of completion.

The mega container terminal project at Chennai Port, on a 30-year operating concession, was estimated to cost ₹3,686 crore (about $615 million). It was designed to handle 4 million 20-foot-equivalent units a year when fully developed.

Meanwhile, the pre-bid meeting organized by the Ennore Port, which is just 30 km away from Chennai Port, was attended by nine companies including Port of Singapore Authority, DP World, A.P. Moller and Adani. The next stage will be opening of the Request for Qualification (RFQ) or technical qualification and the port authorities have extended the date of RFQ submission by 10 days to July 22.

Though Ennore was lucky to receive such a good response from private parties, the possible suitors have expressed concerns over road and rail connectivity. The port officials have assured the investors to address their concerns.

According to port officials, by June next year, the Tiruvottiyur-Ponneri-Panjeti road will be ready, providing connectivity from the port to National Highway 5 connecting Chennai and Kolkata. Besides, they also promised to provide the railway connectivity to north of the container terminal. If these assurances are not met, it may mar the chances of the terminal project.

Ennore Port Ltd (EPL), the country's first corporate port set up the Union Government, had signed a concession agreement with Bay of Bengal Gateway Terminals Pvt Ltd, to develop a container terminal in August 2010.

Bay of Bengal Gateway is a special purpose vehicle (SPV) formed by Group Maritim TCB, S L Spain; Obrascon Huarte Lain, S A, Spain; Lanco Infratech Ltd and Eredene Capital PLC, UK/India. Bay of Bengal Gateway Terminals decided to withdraw after it failed to provide funds for the project, even after three extended deadlines.

The entity winning a cargo-handling contract at a Union government-controlled port has to arrange funds for the project within 180 days of signing the concession agreement, according to the model concession pact for public-private partnership projects finalised by the government in 2007.

In September 2012, Eredene Capital which held 22 per cent stake in the consortium withdrew from the project citing the changed economic outlook in India since the concession was granted – the increased cost of local financing, depreciation of the Indian Rupee and lower projected growth in container traffic. Subsequently, the port trust decided to cancel the bid and encash the ₹14-crore bank guarantee provided by the consortium.

Chennai Port has been trying for a private partnership since 2008 for building the mega container terminal. The first attempt in 2010 fell through after all shortlisted organisations, which included DP World, Essar Group, Adani Ports, Lanco Infratech, GVK-Leighton Consortium, L&T Transco and IL&FS Maritime, stepped away from the final phase of the process.

Companies such as the Dubai-based DP World, Port of Singapore Authority (PSA) and Larsen & Toubro, which bid in the initial stage, withdrew later due to various reasons. PSA could not participate due to the 'monopoly' clause as the company got the second container terminal and hence cannot immediately bid for a similar project in the same port while L&T is building a major shipyard near Ennore.

The second attempt began in September 2011 and Adani Ports and Special Economic Zone (APSEZ) became the lone bidder. However, the Chennai Port Trust rejected the bid as it felt the 5 per cent revenue share offered by Adani Ports and SEZ was too low.

> "India's effort to increase container capacity at major ports could not make any headway due to long-drawn bidding process, litigation and rigid policies."

In December 2012, the port again invited bids from all the seven short-listed bidders. Adani Ports and SEZ and Essar Ports submitted bids. But the port trust did not open Adani Port's bid citing that the company did not have security clearance to participate in the project. But the attempt to award the project failed once again when Essar Ports refused to increase the revenues share beyond the quoted 5.25 per cent.

Industry experts opine that while the interest shown by investors in Ennore terminal project is a positive sign, the failed attempt by Chennai Port Trust to get any bids for its mega container terminal project may upset the Shipping Ministry's plan to meet the targets set by the Maritime Agenda in 2010. As part of the Maritime Agenda 2010-20, the government plans to increase container loading capacity at major ports to 38.91 million by 2020.

In fact, the Shipping Ministry earlier this year had announced that it would seek bids for 30 port projects worth ₹24,633 crore by March 2014 to add 288.48 million tonnes of cargo-handling capacity at the 12 major ports. The current installed capacity in India is estimated at around 18 million teu, comprising 11.4 million teu in major ports and the balance in non-major ports.

India's effort to increase container capacity at major ports could not make any headway due to a long-drawn bidding process, litigation and rigid policies. Economic slowdown has made matters worse by debilitating bidders' efforts to raise funding.

A late starter, India's ports are nowhere close to its counterparts in Singapore, Sri Lanka and China when it comes to the handling of boxes. Cargo at Indian ports are dominated by bulk especially petroleum, oil and lubricant (POL). Estimates suggest that port traffic has recorded 9-10 per cent compounded annual growth rate in India in the past decade – both on bulk and container sides. POL and coal constitute more than two-third of this trade.

In India, container traffic is about 3 per cent of the total cargo volume whereas in advanced nations it is about 8 per cent. mg

Gas boom fuels tankers in US

Shale gas revolution is providing support to oil tanker market and creating new infrastructure in the US. This is expected to help the economy and create new job opportunities.

Sreekala G

Oil tanker market in the US is in a flux. Fuelled by the shale energy boom, now in its third year, ship tankers are witnessing increased trade volumes and rising rates.

With the rise in trade demand, tanker owners have also started placing new orders for ships. This will have a trickledown effect on the US economy, which is on the slow path of recovery, as it can lead to job creation. If the energy boom is there to stay, it will provide adequate support to the shipping industry to rewrite the economics of seaborne trade.

Shale oil has changed the US market completely, especially Eagle Ford in south Texas. The output there increased from almost nil to over 500,000 barrels per day in three years. This field is less than 100 miles (160 km) from the Gulf of Mexico and the long refineries stretch that lies along the Texas-Louisiana coastline.

A report from Mcquilling & Services, the country's crude oil production has risen to more than 7 million barrels per day since the end of 2012, remaining at these levels since then.

The US-based consulting firm says crude oil production in North Dakota has increased by approximately 45 per cent from January 2011 to roughly 780,000 b/d in March of this year. Market participants have also invested heavily here to boost takeaway capacity from this region. However, rail offloading terminals at refineries or transfer hubs in this region are still lagging behind delivery volumes. As a result, the use of barges and tankers to move crude between regional consuming hubs has been on the rise.

US-flagged tankers benefited from this requirement due to the existing cabotage rules. A century-old law called the Jones Act requires ships moving between US ports to be US-owned, US-made, and US-crewed. This makes them three times more expensive than foreign-flagged vessels.

The supply fundamentals of Jones Act tankers have historically been relatively balanced as owners carefully calculate tonnage additions. The increased trade volumes have brought some owners back to yards to place new orders. But the new tonnage will not be delivered until 2015 due to backlogs at the few commercial US shipyards including

Aker Philadelphia Shipyard and General Dynamics NASSCO in San Diego.

Estimates suggest that limited supplies have traders competing fiercely to charter vessels. As a result, the percentage of ships in long-term charter has gone from around 20 per cent to 100 per cent over the past year. Rates for medium-range 330,000-barrel tankers used in the Gulf Coast trade have risen from $45,000 to around $75,000 a day, excluding fuel costs of another $25,000 a day when the ship is in transit.

Since February, the number of ships plying the route from crude-loading hubs in Houston and Corpus Christi to eastern Gulf Coast ports such as Beaumont, Texas and the Louisiana Offshore Oil Port (LOOP) has increased to six from one and daily rates for those ships have risen 50 per cent over the past year, boosting profits for operators.

According to Mcquilling & Services, the prospect of US crude oil production volumes continuing their upward trajectory is providing a foundation for increased development of infrastructure. This should continue providing support for hydrocarbon transport, particularly as it seems unlikely that any regulatory changes regarding crude oil exports are on the horizon.

"In the absence of any changes to US legislation, the benefits of the oil boom should continue trickling through the economy. The strongest upside potential for Jones Act tanker demand would be if a significant portion of US refiners altered technical setups towards light sweet grades. This would boost all varieties of hydrocarbon transportation requirements within the country and open the spigot from a trickle to a deluge," the report says.

Besides, barges are also benefiting from the shale gas revolution. This year there has been approximately 85 deliveries of inland tank barges with an average of 20,000-30,000 barrels of capacity. The report notes that by the year's end, some 890,000 barrels of seagoing barge capacity should exit US yards. mg

Characteristics of the Present Canal:
Source: East Med Group

Overall Length	**190.25km**
Maximum permissible draught for ships	**62ft**
Maximum deadweight tonnage	**210000 tonnes**
Permissible speed for loaded Tankers	**14km/hr**
Permissible speed for ballast Tankers and ships	**13km/hr**

SUEZ CANAL TROUBLED LIFE LINE

Deepika Amirapu

Escalating tension among Egypt's ruling class and its people is likely to threaten the movement of cargo through the Suez Canal that acts as a lifeline for ships plying this route. Egypt's militia is expected to tighten security along the channel to prevent any disruptions in trade.

The army had declared emergency in the two crucial provinces of South Sinai and Suez in the first week of July amidst fresh sparks of violence between several clashing groups. However, Egypt's port authorities have said there have been no real interruptions in trade so far. The main ports of Alexandria, Damietta, Port Said and the Suez Port are functioning normally, the statement issued by the port official said adding that close to 50 vessels ferry different forms of cargo through the canal daily.

The Suez Canal holds great value for shipping lines as it is the shortest route between Europe and Asia and reduces the travel distance by almost 6,000 km by skipping a detour around the Cape of Good Hope. Asia is the biggest beneficiary of this canal with it rendering the rest of the world more commercially accessible. The strategic importance of the Suez Canal remains most significant during times of political instability as the transport of oil from the Middle East and Asia could be halted if violence escalates.

The canal is also an important source of revenue for Egypt earning it millions of dollars of foreign currency each year. "The government will try to generate some income in the short term through various creative surcharges – including, most likely, on transit fees through the Suez Canal. These measures will be counterproductive over the intermediate and long term," said J Peter Pham of US think-tank the Atlantic Council.

If shipping lines have to opt for the Cape of Good Hope alternately, a rise in costs is expected to pinch them deeply. Earlier this year, the Suez Canal Authority increased the toll fee on the canal by 2-5 per cent following the previous rise in April 2012. Although another increased is not expected to be announced, many vessel owners dread the cost burden. Tolls alone rake in almost $5 billion annually for Egypt even as bigger ships are being used across the channel to save on fuel costs. If toll charges are not increased, the industry feels that other indirect surcharges will be levied to make up for any revenue loss due to disruption.

Egypt's military and coast guard is expected to review security arrangements from time to time before any major demonstration takes place. Those running the Suez Canal terminals are leaving no stone unturned to make sure customer interests are not compromised. While shipowners have not seriously contemplated a change in route, it could be a forced option if protests are not checked.

The savings in miles earned by the vessel owners will be lost if the Cape of Good Hope route is taken as an extra 3,500 miles will have to be steamed. Also, operating costs incurred on a daily basis will shoot including that of fuel with bunker costs showing no signs of paring. Added to this, weather will play truant once winter sets in as the shippers will have to wait at least two weeks or even more for their ships to make a trip and return. Fewer voyages means little revenue and little revenue means lot of trouble to the industry that has been caught in the financial whirlpool. The cost of sea transport, supposed to be the cheapest, will now turn costlier.

"The savings in miles earned by the vessel owners will be lost if the Cape of Good Hope route is taken as an extra 3,500 miles will have to be steamed. Also, operating costs incurred on a daily basis will shoot showing no signs of paring."

Advantages of the Suez Canal

- It is the longest canal in the world without locks.
- The accidents are almost nil compared with other waterways.
- Navigation goes day and night.
- The Canal is liable to be widened and deepened when required, to cope with the development in ship sizes and tonnages.
- With the adoption of the Vessel Traffic Management System (VTMS) (a system depending upon the most up-to-date radar network), vessels can be monitored and followed on every spot of the Canal and intervention in emergency cases can be taken.
- The Suez Canal accommodates the partially loaded VLCCs and ULCCs.

(Sourced from the Suez Canal Authority)

New EU legislation to monitor shipping emissions

Come January 2018, ships using EU ports will have to monitor and report their annual CO_2 emissions, irrespective of where they are registered.

Deepika Amirapu

To cut greenhouse gas emissions from the maritime transport industry, the European Commission has introduced a proposal for the creation of an EU-wide legal framework. The proposed legislation which, starting in 2018 will require owners of large ships using EU ports to monitor and report the ships' annual carbon dioxide (CO_2) emissions.

"Today we are charting a clear course towards reducing maritime greenhouse gas emissions. The EU monitoring system will bring environmental and economic gains for the shipping sector by increasing transparency about emissions and creating an incentive for ship-owners to cut them. This initiative is fully in line with the latest proposals on global fuel efficiency standards and market-based measures being discussed in the International Maritime Organisation (IMO). Robust monitoring, reporting and verification of emissions is an essential precondition for informed discussions in Europe and worldwide on reduction targets for the sector," said Connie Hedegaard, EU Commissioner for Climate Action.

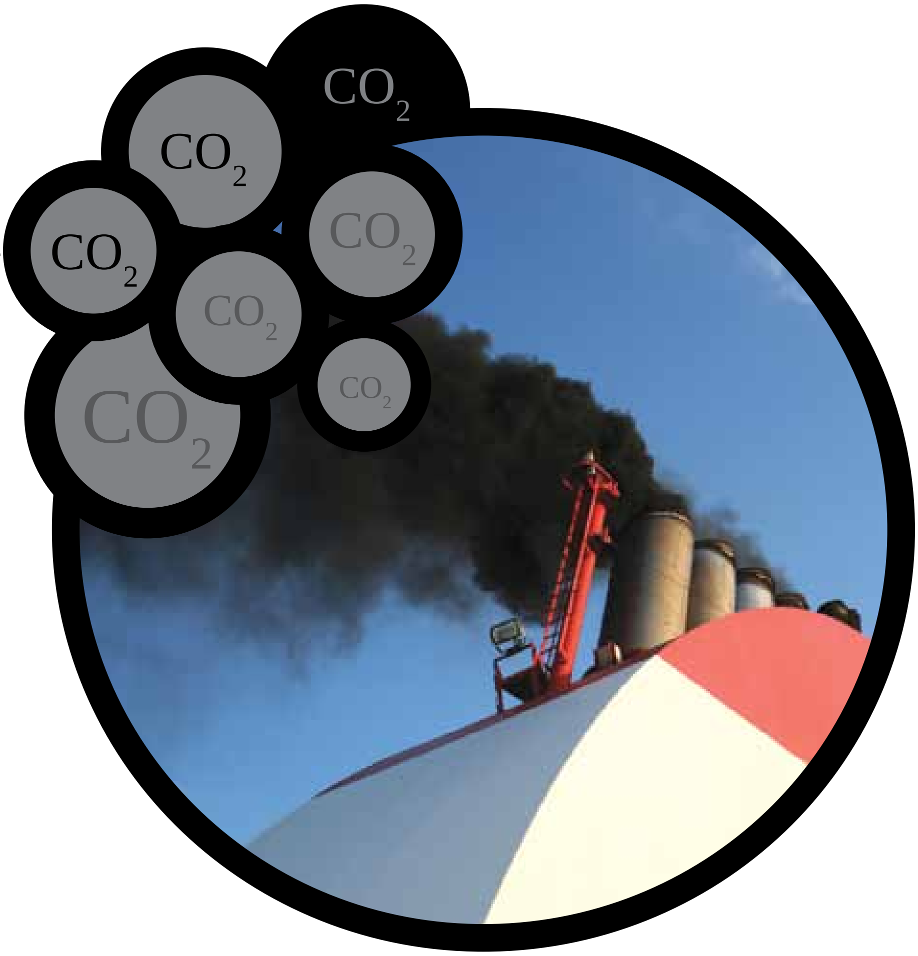
According to the European Commission site, the proposal introduced in June, will create an EU-wide legal framework for collecting and publishing verified annual data on CO_2 emissions from all large ships (over 5,000 gross tonnes) that use EU ports, irrespective of where the ships are registered.

Shipowners will have to monitor and report the verified amount of CO_2 emitted by their large ships on voyages to, from and between EU ports. Owners will also be required to provide certain other information, such as data to determine the ships' energy efficiency.

The proposed rules will apply from January 1, 2018.

Shipping is a large and growing source of the greenhouse gas emissions that are causing climate change. The European Union wants a global approach taken to reducing emissions from international shipping and the proposed legislation is a first step towards cutting emissions.

"We recognize that shipping must contribute to efforts to reduce greenhouse gas emissions, preferably through global measures which are the most environmentally effective and make economic sense. For a global sector such as maritime transport, this can best be achieved through the International Maritime Organisation. On the basis of today's policy outline, the EU will continue its efforts, jointly with its global partners, to achieve a comprehensive international solution. Today's proposal is a significant contribution to IMO efforts to cut fuel use and increase the fuel efficiency of ships with a range of instruments including technical and market-based measures," said Siim Kallas, Commission Vice-President for mobility and transport.



The European Commission data shows Emissions from the global shipping industry amount to around 1 billion tonnes a year, accounting for 3 per cent of the world's total greenhouse gas (GHG) emissions and 4 per cent of the EU's total emissions. Without action, these emissions are expected to more than double by 2050. This is not compatible with the internationally agreed goal of keeping global warming below 2°C, which requires worldwide emissions to be at least halved from 1990 levels by 2050.

Considerable efforts have been made over recent years, within both the IMO and the United Nations Framework Convention on Climate Change (UNFCCC), to reach such an agreement. In 2011 IMO made progress by adopting the Energy Efficiency Design Index (EEDI), which sets compulsory energy efficiency standards for new ships, and the Ship Energy Efficiency Management Plan (SEEMP), a management tool for shipowners.

However, the international discussions have yet to bring agreement on global market-based measures (MBMs) or other instruments that would cut GHG emissions from the international maritime transport sector as a whole, including existing ships.

The Commission's 2011 White Paper on transport suggests that the EU's CO_2 emissions from maritime transport should be cut by at least 40 per cent of 2005 levels by 2050, and if feasible by 50 per cent. However, international shipping is not covered by the EU's current emissions reduction target.

In June 2013 the European Commission set out a strategy for progressively integrating maritime emissions into the EU's policy for reducing its domestic greenhouse gas emissions. The strategy consists of monitoring, reporting and verification of CO_2 emissions from large ships using EU ports; Greenhouse gas reduction targets for the maritime transport sector and taking further measures, including MBMs, in the medium to long term.

The proposed EU system of MRV for shipping emissions is designed to contribute to building an international system. First steps in this direction have already been taken at the IMO, with active support from the EU and partner countries. By yielding further insights into the sector's potential to reduce emissions, an MRV system will also provide new opportunities to agree on efficiency standards for existing ships, according to the site.

China's project in America's back yard

The proposed inter-oceanic canal in Nicaragua to be developed with a sizable investment by China have stirred up geopolitical debate not only in Central America but also around the world.

Deepika Amirapu

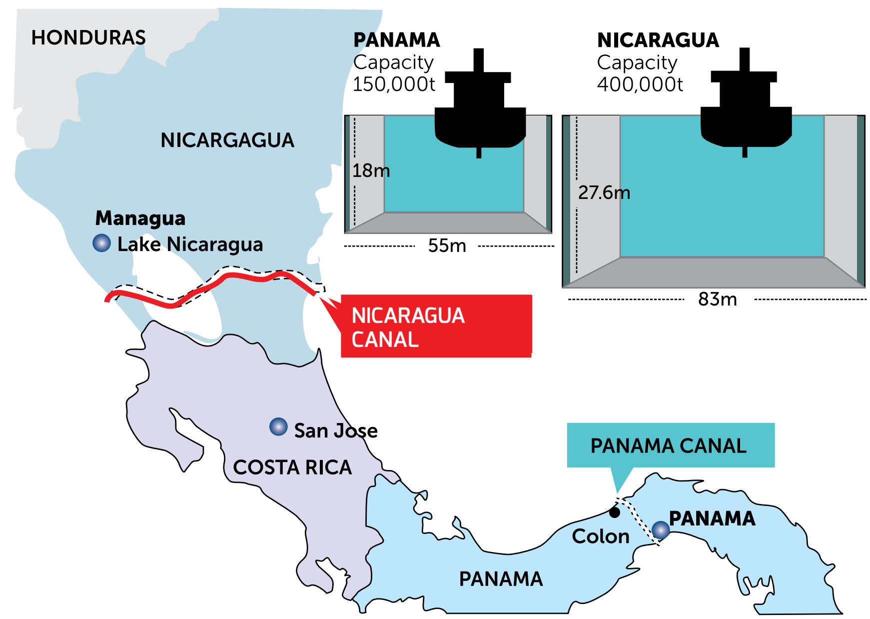
After encircling the Indian subcontinent by pledging huge amounts of money to develop ports in the neighboring countries, China's quest for energy security has led it to America's backyard.

HKDN Group, headquartered in Hong Kong, but run by a Chinese named Wang Jing has decided to bankroll a $40-billion canal across the tiny nation connecting the Atlantic and Pacific Oceans. Nicaragua, located in the Central American Isthmus is ringed by the Pacific Ocean to its west, and the Caribbean Sea to the east.

The contract to build this huge canal was signed between Nicaragua's president, Daniel Ortega, and Wang Jing, the owner of HKDN, whereupon the Central American nation will enjoy a majority in the company.

Although Wang distanced himself from the Chinese government saying he is only a Chinese national, it is a no brainer that China's banks would be funding the project. Wang is the

THE PLANNED NICARGAGUA CANAL



SOURCE: HKND Group

GUILLERMO MUNRO/CHINA DAILY

largest shareholder of Beijing's Xinwei Telecom Technology Company used to provide 3G services.

So what does this canal hold for this nation, China and the world? First, for Nicaragua, it is nothing short of an unthinkable miracle for a poor nation. Because in addition to developing the canal, several associated projects such as a freight railway corridor, an airport and two duty-free zones would simultaneously come up alongside the canal's region to promote trade.

The 286-km waterway would thus double Nicaragua's GDP and multiply employment opportunities and change the way people trade and travel. Wang's statement on signing this deal about tying up with energy companies also indicates that power plants could also be on the agenda. According to some estimates, the new canal is expected to bring in annual revenue of at least $5.5 billion once its milks the Chinese opportunity for excess coal and oil.

For the good old Panama Canal, the rise of this fledgling canal will soon rise to be its rival. Although Panama is spending $5 billion to double the canal's capacity, it would hold no good as it will be restricted to allowing ships

> "According to some estimates, the new canal is expected to bring in annual revenue of at least $5.5 billion once its milks the Chinese opportunity for excess coal and oil. The new route will also help China save in currency."

up to 65,000 tonnes. Nicaragua, on the other hand, would be taking ships up to 2,50,000 tonnes thus attracting bigger ships its way.

So if such huge vessels ply these waters, what about dealing with emissions? Here's where the environment debate kicks in. With the new route in place, ships will have to necessarily cross the Nicaragua fresh water lake – the largest in the region. Though it's no secret that such large scale development will disturb and perhaps even destroy the lake's ecology, the nation would be forced to choose growth over conservation for reasons that are obvious.

But what should worry US the most is China's control over the waters. The US has been running the Panama Canal since it built it, but it could soon lose some control over the territory it has complete control over today. Given China's might it cannot derail such a huge project. This is China's second attempt to operate in territorial waters where the US Navy is known to have great dominance. Earlier, China decided to bypass the Malaccan Strait at Singapore where the SU Navy has stationed some troops and ship cargo directly via Myanmar. At the time of signing this contract, Wang said going through the Nicaragua Canal could save a 12,000 km voyage, or two months. "The canal will bring significant change to the global maritime trade map," he says. "There will be tailored vessels for the Nicaragua Canal, and harbors renovated for these vessels."

The new route will also help China save in currency because of taking the shorter route. More volumes can be traded. The canal can accommodate very large crude containers or VLCCs and oil tankers travelling from the US to China.

Wang's company has also employed global consultancy firms such as Mc Kinsey and Company to conduct a feasibility report, although there is little doubt that the project would be an engineering marvel. The construction of the canal would begin next year.

Wang first set foot in the tiny nation after he signed a $300-million contract to establish a telephone network for country. The success of the project led the government entrusting the dream of developing the canal that the nation has repeatedly attempted since the beginning of the 19th Century. Pleased with China's largesse, the Nicaraguan government has given huge benefits to the Wang's company in terms of granting other infrastructure projects to develop ports, free trade zone, airports and other projects for 100 years. mg

Flickering fleet

Adverse market conditions coupled with tougher funding requirements will cause the German commercial shipping fleet to diminish

Trouble has not spared even the world's biggest container shipping lines at Germany with the country's shipping companies joining hands with their peers, putting behind old rivalries and readying pacts for survival. At least, that's what consultancy firm, Pricewaterhousecoopers (PwC)said in its analysis of Germany's maritime trade.

The unfavourable economic climate in Europe has forced both big and small shipping lines to forge new alliances and expand existing ones to tide over depressed vessel rates, piles of debt and excess capacity. "We expect more so-called platform solutions to emerge," said Claus Brandt PWC partner and shipping specialist, referring to jointly-owned entities that buy and operate vessels. The market situation forces more and more shippers to consider new ways of doing business. That leads to cooperation, he said.

Such partnerships will not only increase the capacity (in teu) that can be carried, but also help in garnering more revenues with a wide choice in the fleet of vessels that can be deployed

"A survey conducted by the auditing and consulting firm revealed that 40 per cent of the German shipping companies were already operating jointly with other firms. New tie-ups however will be a challenge in Germany."

to different markets depending on the amount of cargo to be carried.

A survey conducted by the auditing and consulting firm revealed that 40 per cent of the German shipping companies were already operating jointly with other firms. Just last month, the industry's three big from the world boys – Maersk, MSC and CMA CGM agreed formally to share vessels and prune costs.

The move to collaborate and work together comes a few weeks after Germany's federal government announced its decision to spend close to 60 million euros in next few years to help the maritime sector perform better.

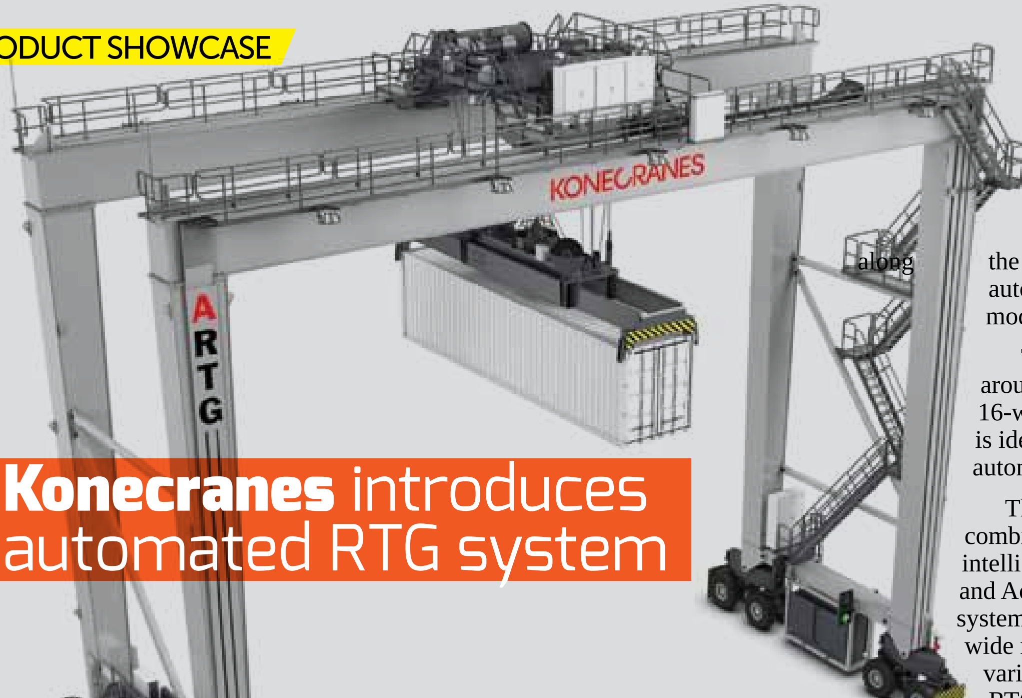
New tie-ups, however, will be a challenge in Germany as companies will have to stay afloat despite business vitals not being too encouraging. Container volumes have been declining steadily with imports and exports from the world offering no of hope. Lines will have to find new regions of profitability and carefully pare trips to unprofitable ones. Recently, a much touted merger between Hapag-Lloyd and competitor Hamburg-Sued did not come through because of they could not reach an understanding of certain terms.

According to the PwC study, capacity utilisation in the German commercial shipping fleet slumped from about 86 per cent in 2011 to just 70 per cent in 2012. New flotilla of ships that were ordered in the last few years were ago will be pressed into service in the coming months leading to a further fall in charter rates. But what compounds the problem for the Germans is the closure of shipping companies. Financiers who have funded fleet acquisitions for decades now have downed the shutters on their businesses citing liquidity concerns and incapacity to meet standard Basel III norms. In fact, over exposure to the shipping industry lead to rating firm Moody's giving the German banks a negative outlook.

"Adverse market conditions coupled with tougher funding requirements will cause the German commercial shipping fleet to diminish," the PwC study said, noting that 58 per cent of the executives polled were weighing fleet reductions, compared with 43 per cent in 2012. mg

PRODUCT SHOWCASE

Konecranes introduces automated RTG system



Finland-based Konecranes Oyj that manufactures and services cranes and other heavy lifting equipment introduced new handling equipment to its kitty early last month.

Konecranes introduced its automated rubber tyre gantries (ARTGs) used to handle container traffic. The new machine was showcased at the Transport Operator's Conference held in Rotterdam, Netherlands. This new system provides RTG terminal operators with all the benefits of automation: operational cost savings, greater productivity, increased predictability and increased safety.

The Konecranes ARTG system is built around Konecranes' market-leading 16-wheel RTG, which has a unique ability to tolerate rough yard surfaces. The system includes a complete package of truck guidance infrastructure, a Remote Operating Station with a specially developed Graphical User Interface (GUI), and an IT system that interfaces with the customer's Terminal Operating System (TOS).

With its new ARTG system Konecranes has solved the problems that have been preventing the adoption of automated RTG operation. The Konecranes ARTG crane can handle a wide range of yard surface variations. The Konecranes ARTG system can handle the multi-dimensional complexity of truck traffic, which flows along the container stacks in an automated operating model.

The system is built around the Konecranes 16-wheel RTG, which is ideally suited to automation.

This holistic combination of its intelligent steel structure and Active Load Control system copes with the wide range of surface variations inherent in RTG container yards, and with the variations inherent when a crane of this size runs freely on rubber tyres. Customers can start with their current yard infrastructure as they move to automated RTG operation.

On the process side, Konecranes offers a model for handling truck traffic that includes special safety infrastructure and intelligent stack gates. This model is the foundation for designing customer-specific operating models.

About one in every ten cranes produced in the world is owned by Konecranes, of which more than two-thirds are used at factories with the rest being deployed at ports. The cranes at the ports are put to use at intermodal terminals, shipyards, sometimes also used to handle bulk materials.

In the first of this year, Konecranes received orders from Lituania, Mozambique and Brazil for various models of RTGs to be deployed at their ports. mg

Seeing in Darkness

In the July 2013 issue of *Maritime Gateway* for the story "Seeing in Darkness" we inadvertently published a wrong picture of the product. The picture shown here is to be treated as the apt picture for the story.

'Be mindful of non-compliance cost'

Logistics industry is head for a big change. The future of logistics lies in three words – PVR, which denote polarisation, vertical specialists and reorganisation. These factors make the logistics segment a big industry with a turnover of about $7 billion, and it is currently growing a compound annual rate of 15 per cent, according to Sankalpa Bhattacharjya, Director, KPMG.

While presenting the state of industry report at the 21st Biennial Convention of Federation of Freight Forwarders Associations in India (FFFAI) in New Delhi in June, he said the Industry needs to be mindful of the costs of non-compliance, and should ensure that customs brokers are maintaining their account properly to avoid any non-compliance. “Non-compliance assumes significance in the current scenario where we are faced with: KYC norms, corruption, poor infrastructure, inefficient process, highly competitive & intense market conditions,” he said.

The Covention, with its theme Customs Brokers – New Paradigm, New Opportunities, New League, attracted over 500 delegates from Indian and abroad.

Gautam Chatterjee, Director General Shipping, who was the Guest of Honour at the function said, Logistics Performance Index report released every year covers the factors, which can measure the efficiency of customs brokers. Currently India ranks 46th in the LPI while Singapore ranks No 1.

With rules becoming stringent, cost of non-compliance can be huge. Customs brokers were told to avoid such issues by maintaining proper records.

Emphasizing on the need for better utilisation of waterways for transportation in India, he said, better last mile connectivity between inland waterways and other means of transportation like rail and road need to be improved to save the cost of fuel and time.

According to Sumeet Bose, Secretary (Revenue), Ministry of Finance Change from CHA to customs brokers is a significant change to project the customs brokers in the international scenario as efficient service provider, second to none.

He agreed that suspension of customs brokers’ license has a big impact on the livelihood; and assured that the revenue department understands the importance of having alternate methods of penal provisions. “Efforts are on to bring in place financial penalties instead of suspension of customs brokers’ license,” he added.

Introducing the convention theme, Shantanu Bhadkamkar – Chairman, FFFAI, said, business issues were important, and had to be tackled by the customs brokers. “KYC / Self-assessment are also important and have to be taken care of, but business issues like HR, finance, etc. pose up to 90 per cent of issues to a business. Freight forwarding is a big industry and freight forwarders and customs brokers are at a level which had never been imagined / dreamt of. Current challenges faced by the customs brokers were competition from unorganised players and undifferentiated service offerings which commoditises the business,” he said.

Sandhya Baliga, Member, Central Board of Excise and Customs (CBEC) said customs brokers be made an institution of excellence so that they can serve as an engine of growth. She also mentioned that amended Customs Brokers regulations will be announced soon and attempts will be made to resolve the day-to-day issues faced by the fraternity. “CBEC’s vision is in line with the World Customs Organisation (WCO)’s vision, which emphasizes on the partnership between customs and customs broker,” he said.

Bill of lading & disputes

The Shipping Professional Network in Mumbai, or SPNM conducted a full day workshop on the June 29 this year on the topic of Bill of Lading & its related disputes.

A bill of lading is a receipt for goods either received (before shipment) or shipped on board cargo ship. It provides good evidence of the existence and terms of a contract between the shipper and carrier (A contract of carriage may exist without issue of a bill of lading, however). Also, it is proof of receipt of shipment by carrier of goods to overseas destination. Once all the customs formalities are completed, the cargo will be handed over to shipping company who is going to carry goods to final destination. The carrier or their agent issues bill of lading as proof of receipt of cargo. It is a document of title. It is a legal document used as proof of shipment in various authorities, as it has been approved as per Negotiable instrument Act.

The full day workshop was attended by nearly 75 professionals from various segments of the shipping industry. This informative workshop saw Prakash Bhawnani taking the attendees through a knowledge gaining experience which was spanning over three sessions with adequate breaks. Bhawnani started the voyage of the workshop with an introduction to Letter of Credit, Freight Forwarding, Multi-modal transport & Document, Bill of Exchange & Jurisdiction.

In the next session he went on to give an Overview on Bill of Lading, discussing the definitions, functions, process, the various types of Bills of lading, negotiability of Bill of Lading & Carriers obligation to deliver cargo, The contents on the front page of the B/L, its applicability and some important terms & conditions were also discussed which is regularly dealt with by the industry on a daily basis.

The third session covered the extent of carrier liabilities & immunities under the various regulations of Hague, Hague-Visby, Hamburg, COGSA & the Rotterdam rules. There was specific mention on the Freight Forwarders exposures and their changing role in relation to the Bill of Lading. Some common disputes, case studies were discussed specific to procedures to be followed on lost B/L, forged B/L and the delivery of cargo without an OBL & Letter of Indemnity. mg

Pivotal role played by seafarers in the shipping industry is acknowledged and some of them were honoured on the day for their valour and courage.

Recognising faces of the sea

The face of shipping would have been absolutely different had it not been for seafarers and their rigorous work towards taking this sector to an altogether new altitude in the business arena. To pay an ode to their exceptional work, The International Maritime Organization (IMO) has identified June 25 as the 'Day of the Seafarer.'

The day is celebrated to bring to light the work of these seamen which is usually held behind the curtains. This year's theme for the day 'Faces of the Sea' aimed at presenting before the world the travelogue of about 1.2 million seafarers and highlights of their work.

Due to its low profile nature seafarers' profession is not in the limelight. Members from the fraternity opined that this career segment needs to be publicized more by conducting special programmes for students aiming a career in this sector.

Harish Khatri, Dy D G (Technical) DGS spoke on the induction of Maritrime Labour Convention, which marks a significant progress in recognising the role played by seafarers and the need to safeguard their welfare and working environment. The amount of risk involved in this profession including threat of piracy and heinous attacks on ships need to be brought to the fore. The MLC has taken into account these issues and assured various benefits not only to seafarers but also their families.

" The MLC is indeed a helping hand of seafarers who give their best in taking the shipping world on an altogether new horizon. However it is also essential for them to design concrete plans for a better future. We are well aware that many of seafarers are still being held hostage and we are doing our best in bringing them back. "

Capt PVK Mohan
Chairman, National Shipping Borad

Anuradha Jha, a noted woman seafarer, made a presentation on on career opportunities for women in shipping. According to her, seafaring is one of the most coveted career options for women who love to travel beyond borders with utmost freedom.

"At a time when we say that women and men be treated on equal grounds there remains no doubt in saying that women too have made their mark in the seafaring world. Life at sea has always been exciting since we manage to explore the world and as well get opportunities to challenge your limitations. The respect which one seeks from his fellow farers rises up your morale and boots your energy to work with umpteen vigor," she said.

Chirag Bahri Regional Director, India/South Asia, Maritime Piracy Humanitarian Response Program (MPHRP) spoke on the successes they had achieved in rehabilitating seafarers who had been victims of piracy and underwent severe torture and torment resulting in many suffering a nervous break-down. Nearly all cases treated under MPHRP had succeeded to get over the trauma and go back to sea.

Under the welfare programme of MPHRP families are provided with monetary support, medical care, counseling to families, paying school fees, rent, food and travel costs of families.

In recognition of the courage and valour of 28 Indian seafarers who were victims of piracy, bravery awards were presented to them on the occasion of the Day of the Seafarer'. They were sailing on *m.v. Iceberg 1* and *m.v.Royal Grace* and other vessels that were hijacked and some of the unfortunate victims were kept in captivity by the Somalian pirates for more than 1,000 days. mg

Technology for unique cruise experience

Royal Caribbean International's first Quantum Class cruise ship will feature a unique crane and viewing gondola supplied by MacGregor; the North Star will lift guests 91m above sea level to give them panoramic views of the sea and surrounding ports of call.

The Finnish crane manufacturing company has three brands– MacGregor, Kalmar and Hiab – Cargotec delivers cargo and load handling solutions and services for the biggest shipping companies in the world as well as for small and medium-sized local operators.

MacGregor has won the contract to deliver North Star, an engineering marvel that takes guests to new heights with a jewel-shaped, glass capsule, transporting them on a spectacular journey more than 91 m (300 feet) above the ocean and over the sides of the ship to deliver awe-inspiring 360-degree views for Royal Caribbean International's first Quantum Class cruise ship, *Quantum of the Seas*. The crane's slewing function will also allow the viewing gondola to be swung out over the sea for a unique guest experience.

The ship will debut in fall 2014 with *Quantum of the Seas*, followed by her sister-ship *Anthem of the Seas* in spring 2015. Quantum ships span 16 decks, encompass 167,800 gross registered tonnes, carry 4,180 guests at double occupancy and feature 2,090 staterooms. *Quantum of the Seas* will sail out of the New York Harbor from her homeport of Cape Liberty on 7- to 12-night itineraries during the winter 2014/15 season. The ship is currently under construction at German shipyard Meyer Werft and is scheduled to make its debut crossing from Southampton to New York in autumn 2014.

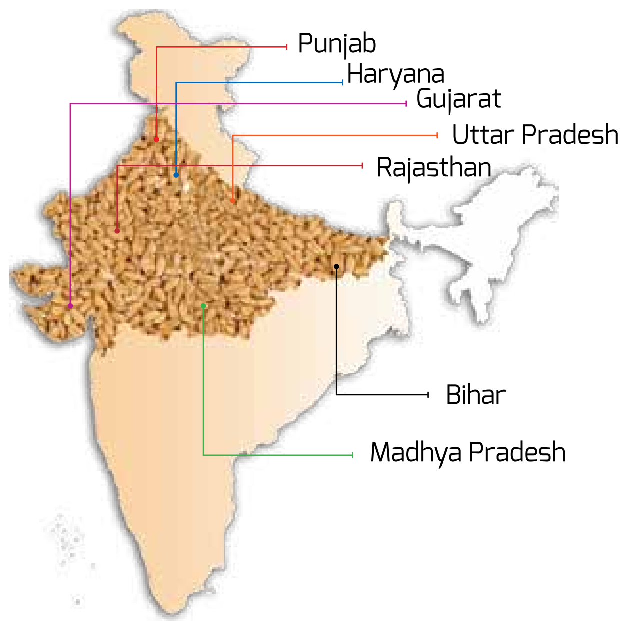
"We are the first crane supplier involved in anything like this type for a cruise ship," says Jonas Hägglund, MacGregor Sales Manager. "Safety is paramount, and the operator needed a crane supplier that would not only deliver the highest safety standards, but also proven, reliable technology for the North Star guest experience." mg

Key Features

The electro/hydraulically-driven crane will have an outreach of 41 m, and the 7.1-tonne viewing gondola will be able to accommodate 14 guests and one crew member. The gondola will be fitted with a stabilising system to ensure that it remains level with respect to the vessel's deck. It will also damp gondola movements, providing a comfortable ride for the guests.

North Star will be controlled using a separate PLC safety system in addition to a MacGregor CC3000 crane control system. "The CC3000 provides excellent load control and can easily be adjusted with a laptop computer for different parameters, such as speed ramp times," says Mr Hägglund. "All crane movements will be smooth and immediate, with stepless speed control, essential for this type of guest experience. It is also important that the experience is as quiet as possible, so the main power pack will be rubber-suspended to minimise vibrations and noise transmission; the crane housing will also be isolated to minimise noise.

Major wheat growing states:

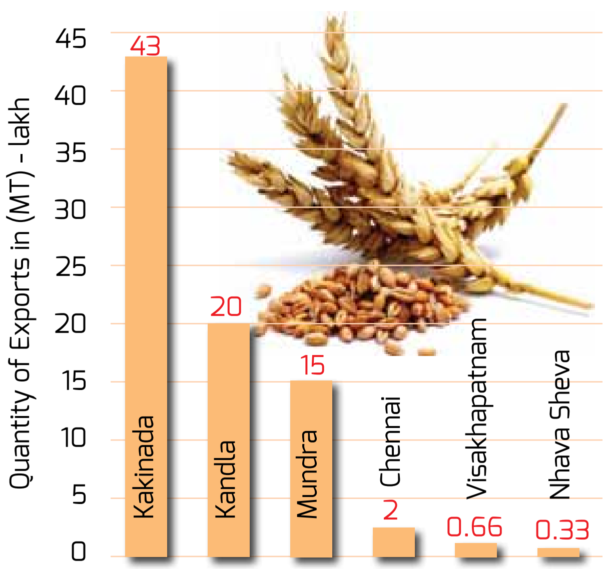


Facts and figures:

Major Export Destinations (2012-13): Bangladesh, Korea, Yemen, United Arab Emirates, Djibouti, Ethiopia and Indonesia.

Impact: World trade in wheat is greater than for all other crops combined. Demand of India's wheat in the world shows a rising trend. The country has exported 6496.20 thousand MT of wheat to the world for the worth of ₹10,528.53 crores during the year of 2012-13.

Wheat Exports from Indian Ports (2012-13)



Weak demand for wheat?

Competition from wheat growing European nations has dampened India's exports of the golden grain as many buyers made the switch to lessen their import bills. Wheat grown in Russia, Ukraine costs lesser by 15-20 percent compared to India's grain.

This is likely to hurt India's margins a tad even as India has decided to allow a surplus in wheat exports. India is the largest producer of wheat in the world after China. Even if the supply glut leads to a fall in the prices, Europe's produce would still be preferred as the margin is quite steep.

Estimates suggest Europe's grains cost $240-250 a tonne, while India's grains are priced at $300. Europe has been able to make the best of the cost advantage with production in Ukraine and Russia going up significantly.

Due to this situation, many public sector companies such as PEC, STC and MMTC are only supplying the produce for contracts signed earlier. Exports for the current financial year are extimated to be around 2 million tonnes, far short of last year's 2.6 million tonnes.

Indian exporters cannot fix a price for their produce as the government ascertains the price for all major agricultural commodities. Therefore, despite the market scenario changing, there has not been a revision in the price. While nations such as Bangladesh import wheat for consumption, other nations in the Middle East and Far East import grain for poultry feed.

A weak demand for India's wheat could also affect revenues for ports in the country as many on the east coast depend on agricultural products for their revenue. Kakinada, located on east coast of India, exports the largest quantity of wheat in the country, followed by Visakhapatnam. mg

Dates for your diary

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

India Shipping Summit 2013

October 22-23

Venue: Mumbai

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

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

India Infrastructure Summit 2013

September 23

Venue: Federation House, New Delhi

Organised by: FICCI

India Infrastructure Summit is the largest platform for policy debate relating to infrastructure sector in India. It brings together Central and State Government officials, policymakers, regulators, leading infrastructure developers, contractors, investors & financial institutions and other stakeholders in a dialogue designed to address key challenges and issues facing infrastructure sector.

A maritime gateway event — East Coast Maritime Business Summit

East Coast Maritime Business Summit

September 19-20

Venue: Novotel, Visakhapatnam

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

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

More information:
www.ecmbs.in

INMEX INDIA

October 08-10, 2013

Venue: Bombay Exhibition Centre, Mumbai

Attend for: Marking its 8th edition, INMEX India 2013 continues to remain strongly supported by several key associations and trade bodies. This year's edition will host more than 600 exhibitors from 40 countries and is expected to be attended by over 8,000 visitors that include shipping company owners, shipbuilders, port authorities, marine offshore technology, marine equipment, Indian Navy, Coastguards, Government officials, international trade representatives and many other high profile solution providers and decision makers under one roof!

CSCMP Annual Global Conference

October 20-23

Venue: Colorado Convention Center, Denver

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

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

INDIA MARITIME WEEK™
January 2014 . New Delhi

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

More information: www.indiamaritimeweek.com

GreenPort Congress

October 09-11

Venue: Antwerp, Belgium

Governments and legislators around the world view ports and terminals as critical infrastructure assets. Their ability to 'go green' by reducing their carbon footprint and by being more sensitive to environmental considerations is vital to their future success. The GreenPort Congress will provide decision makers with a meeting place to both learn about and discuss the latest in sustainable environmental practice that will enable them to effectively implement these changes.

More information:
www.greenport.com/congress

Global Liner Shipping Asia Conference September 10-11, 2013 Novotel Singapore Clarke Quay, Singapore