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**What the P3 Alliance
means for the Asian Ports**

NEW TARIFF GUIDELINES

HALF OR HALF FULL OR EMPTY?

With the new tariff guidelines, the Shipping Ministry has taken a step in the right direction to offer level-playing field to major ports in the country. But it will not be easy for the government-run ports to compete with their private counterparts as there are unresolved bottlenecks that can slowdown their growth.





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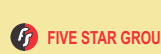
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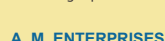
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OPENING REMARKS

MLC, 2006 India must ratify



The Maritime Labour Convention, 2006 (MLC, 2006), an international labour Convention adopted by the International Labour Organization (ILO) comes into force and become a binding international law for the first 30 countries with registered ratifications on August 20, 2012. For all other countries that have ratified, it will enter into force 12 months after their ratifications were registered.

According to ILO data, 49 countries have ratified it. Some of the countries where MLC 2006 is in force include Canada, Singapore, Switzerland and most of the Scandinavian countries already in force. The ratifying countries currently represent more than 50 per cent of the world's seafarers and more than three quarters of the world's gross tonnage of ships.

MLC 2006 is a milestone in the maritime history as it brings together, in one place, international minimum standards that ensure decent work for the estimated more than 1.5 million seafarers around the world.

The convention is comprehensive and sets out, in one place, seafarers' rights to decent working conditions including: minimum age, working conditions, hours of work or rest, payment of wages, healthy, safety and protection.

**The convention
is comprehensive
and sets out, in one
place, seafarers'
rights to decent
working conditions.**

While it took almost seven years for the convention norms to come into place, it shows how tripartite dialogue and international cooperation can operate constructively for the most globalized of industries, by concretely addressing the challenges to securing decent working and living conditions for seafarers, while simultaneously helping to ensure fair competition for shipowners.

However, back home in India, the government has not yet ratified the MLC, 2006. The ratification of

MLC -2006 requires an amendment to Indian Merchant Shipping Act. Though the Directorate General of Shipping has indicated that the ratification process is in an advanced stage, it may take long for the country to adopt this.

And this can create problems for Indian vessels calling at ports of countries which already ratified the convention. Indian ships could be subjected to greater scrutiny as MLC, 2006 makes it mandatory for all commercially operated ships of 500 gross tonnage or over that fly the flag of any of the 30 countries, where it is in force to carry, among other things, two specific documents: the Maritime Labour Certificate (MLC) and the Declaration of Maritime Labour Compliance (DMLC). If Indian ships are targeted, it could jeopardise their business and adversely affect the country's overall trade.

A feeble rupee and widening current account deficit is already hurting our economy. So, without any delay, the government should look at ratifying MLC, 2006 as we cannot afford to take any chances on our shipping business and trade.

Ramprasad

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NEW TARIFF GUIDELINES HALF FULL OR HALF EMPTY?

With the new tariff guidelines, the Shipping Ministry has taken a step in the right direction to offer level-playing field to major ports in the country. But it will not be easy for the government-run ports to compete with their private counterparts as there are unresolved bottlenecks that can slowdown their growth.

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Worldwide NVOCC business is growing at a slow pace due to global economic slowdown. In India, NVOCCs have to deal with cumbersome licensing procedures and regulatory norms, which stymie competition and escalate prices.

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The global shipbuilding market is expected to expand at almost 23 per cent yearly through 2013.

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With India's increasing trade ties with other nations, freight forwarding services industry in India is set to grow at a rapid pace. The industry is also witnessing a paradigm shift in the way it functions due to the changing regulatory environment and increasing demands from customers.

IMPORTS: Coal imports set to surge 38

With power sector gradually moving out of its fixed tariff regime and companies struggling to rev up gas production, demand for imported coal is set to rise, paving way for India becoming the largest coal importer in the world.

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CP Srivastava



STRATEGY: What the P3 alliance means for the Asian ports 40

Three Asian ports- Port Kelang and Port Tanjung Pelepas and the Port of Singapore are trying to snare the big three shipping lines to their ports to be the most favoured port in South East Asia. The world's three major shipping lines- Maersk, MSC and CMA CGM are using three different ports right now to dispatch cargo to the United States and Europe.



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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.

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Adjust or bite the dust 44

It is imperative that the players and parties along supply chains keep a close eye on the trends in global logistics, given their influence on the logistics sector and the supply chains it serves. Doing so helps them to adjust to the impacts brought about by the trends.



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Protecting critical port infrastructure 52

What happens when a small river port gets classified as a high-risk critical infrastructure by a national security risk model? And how does a port in response to this assessment cope with the need to rapidly ramp up its security stance and implement a wide variety of the latest technologies in an otherwise out-of-date technology environment? And how do geospatial technologies aid in accomplishing these goals across the entire enterprise?

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It's a technology that can dramatically alter the course of logistics and supply chain management.

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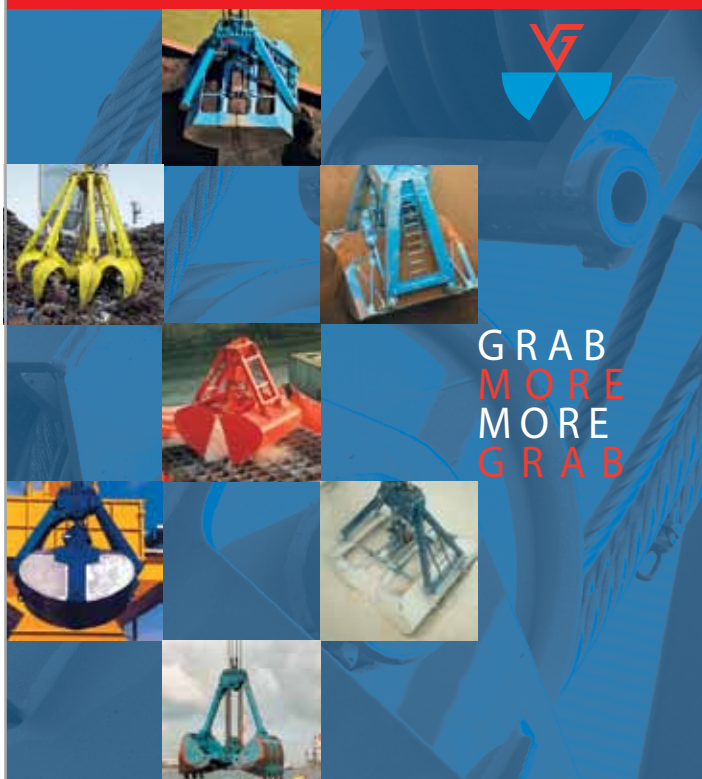
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SPOTLIGHT
Innovation in Focus

JSW Jaigarh Port is all set to
facilitate container trade

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VOICES



The underlying story is very good. Our expectation remains that the US will be the key driver of growth, but we're also relatively optimistic on emerging markets. There is growth potential, even if we have a temporary setback in commodity prices. 🇳🇴

- **Nils Smedegaard Andersen**
Chief Executive Officer, Maersk



A number of steps have been taken to moderate demand of non-essential imports, enhance capital flows to augment supply of foreign exchange and curb speculation in the foreign exchange market to stem the rupee depreciation. 🇮🇳

- **P Chidambaram**
Finance Minister



RTA (Rail Tariff Authority) has got in-principle approval from the Cabinet. But since setting it up through an Act of Parliament will take some time, the Law Ministry and Railways will examine whether it will be set up through an executive order. 🇮🇳

- **Kapil Sibal**
Union Law Minister

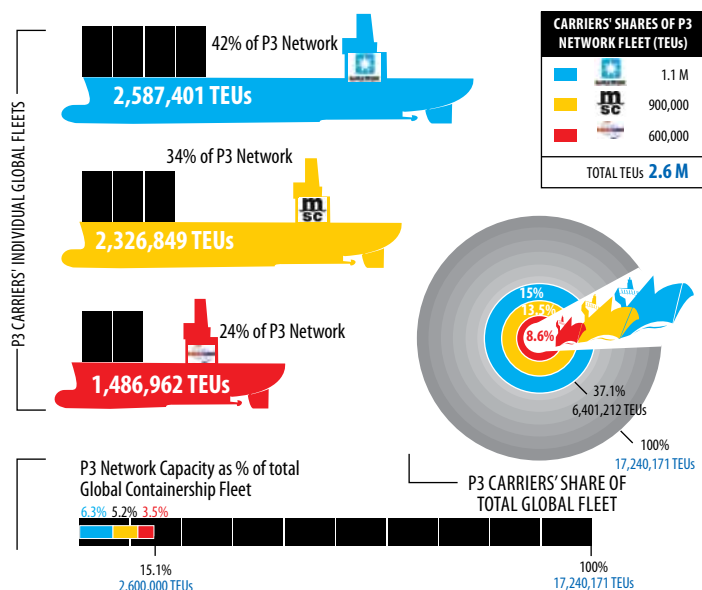


Maritime Labour Convention (MLC2006) is a milestone in maritime history. The product of tripartite dialogue and international cooperation, it enables decent working and living conditions for seafarers to be advanced, along with fair competition for shipowners in this, the most globalized of industries. 🇳🇴

- **Guy Ryder**
Director-General International Labour Organisation (ILO)

NUMBERS

How the P3 Network Stacks up



Sources: Alphaliner Top 100 as of June 18, 2013; carrier announcement

Port	Shipping lines			Terminal operator	
	CMA CGM	Maersk	MSC		
Houston	1	1	1	Terminal Link	APMT
Jacksonville	1				APMT
Miami	1	3		Terminal Link	APMT
Mobile	1	1	1		APMT
New Orleans			1		TIL
New York/New Jersey		1	3		APMT
Port Everglades			1		TIL
Dalian	1	1			APMT
Kobe		1			APMT
Ningbo	1	7	3		TIL
Qingdao	1	4	1		APMT
Shanghai	2	8	4		APMT
Singapore	2	3	5		TIL
Tanjung Pelapas		9			APMT
Xiamen		2	2	Terminal Link	APMT
Yokohama		3			APMT
Algeciras		2			APMT
Valencia		11			til
Aarthus		1			APMT
Antwerp		1	5	Terminal Link	TIL
Bremerhaven	1	11	6		APMT TIL
Dunkirk			1	Terminal Link	
Le Havre	1	3	4	Terminal Link	APMT TIL
Rotterdam	1	7	6		APMT TIL
sines			1		TIL
Zeebrugge	1	1	1	Terminal Link	APMT
Los Angeles		2			APMT
Callao		1			APMT

JNPT wants only 'big boys' for the fourth container terminal

Jawaharlal Nehru Port Trust (JNPT) at Navi Mumbai has invited bids for developing its fourth container terminal, with stricter criteria for participants – only those with stronger financial muscles and prior experience will be qualified for bidding. The project has been delayed by three years, after a consortium of Port of Singapore (PSA) and ABG Ports, which had won the bid by offering to share more than 50 per cent of the revenue with JNPT, backed off from the project, citing several reasons. “We are only following the Planning Commission guidelines in

this regard. This will ensure frivolous parties should not come,” said N N Kumar, deputy chairman, referring to the riders set for new bidding. The last date Request for Qualification (RFQ) was August 19.

The recently held pre-RFQ meeting was attended by Maersk Group, PSA, Dubai Port World, Port of Hamburg, Mediterranean Shipping Company and Adani Ports. Unlike the last time, when the size of the company bidding could be 100 per cent of the project size, it has to be at least 150 per cent of the project cost now.

Eight apply for 25% stake in GSPC & Adani's Mundra LNG terminal



Eight entities have shown interest in acquiring a 25 per cent stake in Adani Enterprises and Gujarat State Petronet Corporation's liquefied natural gas (LNG) terminal in Gujarat. A decision is likely in four months. Among those which have filed an Expression of Interest (EoI) are India Gas Solutions, the joint venture (JV) of Reliance Industries and BP; Oil and Natural Gas Corporation, GAIL India, Petronet-LNG, Indian Oil Corporation, Torrent Energy, Japan's Mitsui & Co and Toyota Tsusho Corporation.

The terminal is being set up under a JV of GSPC and Adani Enterprises Ltd (AEL) at Mundra in Gujarat's Kutch district. It has been scouting for a strategic investor for 25 per cent stake.

The Mundra terminal will be the third in Gujarat. The state has LNG terminals at Hazira and Dahej, with a total capacity of 13 million tonnes (mt) annually. GSPC formed GSPC LNG Ltd, a special purpose vehicle, in 2007 to set up the LNG terminal with AEL. GSPC's website says the estimated project cost is ₹5,200 crore, to be financed in a debt to equity ratio of 70:30.

Vessel owners in trouble over damage to bridge

The Mumbai Port Trust has decided to take action against owners of *Nand Heera* barge for damaging the historic rim bascule bridge connecting Indira Docks with the main land. The trust wants to recover cost of repair from Tag Offshore, owner of *Nand Heera*. The bridge was hit by the unmanned supply vessel, on July 24. Trust chairperson Rajiv Gupta said, “It's a historic bridge. After the damage, we have somehow managed to keep the bridge in an upright position. We will have to repair it soon. If *Nand Heera* owners do not pay us the damages, we will sue them. We have detained the vessel.”

Captain Ajay Kumar, who heads operations in Tag Offshore, said, “We have contacted Protection and Indemnity Club, an insurance company, and they are in dialogue with deputy conservator of Mumbai Port Trust. The trust has hired a consultant, Ericson Richard, and the estimated cost of repair is ₹1.4 crore.”

Gateway Distriparks Net Profit in Q-1 down 10.8 %

GDL, as a group, had a creditable performance in the first quarter of FY 14, considering the twin challenges posed by declining global trade and severe domestic competition, which affected, particularly the CFS business. As a service provider, GDL was compelled to empathize with the customers, who were facing severe cost pressures. With discernible improvement in the business environment, the position should improve going forward. Profit After Tax (PAT) in Q-1 was ₹30 crore, down 10.8 per cent from ₹33.6 crore in previous quarter. EBITDA was ₹65 crore. CFS at Kochi commenced full scale operations in February 2013 and is expected to achieve optimum utilisation of its capacity of 4,000 teu per month in the second half of the current financial year.

Coal India likely to issue first import tender

Coal India, which produces around 80 per cent of the country's coal, is likely to issue its first import tender in 2013-14 for an initial 5 million tonnes if its power producing customers place orders, a senior company source said. The state-run company, the world's top coal miner, has been unable to dig up coal, which India has plenty, fast enough to feed Asia's third-largest economy's burgeoning demand for power. As coal fuels more than half of the country's power generation, Coal India has been directed by the government to supply 80 per cent of the fuel supply needs of its power station customers, even through costlier imports, given its inability to produce sufficient coal locally.



▼ 'MV Lancelot' berthed at Krishnapatnam Port

First Indian port to handle a Capesize vessel

The Krishnapatnam Port, a deepwater modern port near Nellore, has emerged as the first Indian port to handle a Capesize vessel with the berthing of the 'MV Lancelot' bulk cargo vessel. The vessel carried fertiliser from Yantai Port, China. For handling Capesize vessels, which travel between oceans with high volumes of cargo, deep draft berths are required and these are provided at the Krishnapatnam Port.

Officials of the Port said that the berthing of *MV Lancelot* opened a new chapter in the bulk cargo handling and the vessel carried 93,500 MT of prilled bulk urea imported by the Nagarjuna Fertilisers and Chemicals Ltd. They said that the Krishnapatnam Port had infrastructure facilities which include railway handling with 13 numbers of loading lines for coal, fertiliser and general cargo. The port is currently handling six fertiliser rakes everyday and it will be increased to eight during peak agricultural season. The Port is expected to handle 3 MMT of fertiliser cargo for the financial year 2013-14. The warehouses at the port have the latest state-of-the-art fully automatic bagging machines, which are imported from Germany and Spain, for filling bulk fertiliser into bags.



▼ Connectivity tag may help Ennore container terminal



The stand-off in the implementation of the Chennai Port-Maduravoyal Expressway road project could be a blessing in disguise for the Ennore Port. The 19-km elevated corridor begins at Chennai Port Gate No.10 and travels along the bank of the Cooum River till it reaches Koyambedu and along the median of National Highway 4 thereon till it ends at Maduravoyal. The project is considered vital for Chennai Port's two private container terminals and was used as a marketing tool to attract bidders for the ₹4,500-crore mega container terminal project.

However, with the expressway project in a limbo, bidders were hesitant to participate in the mega project due to likely problems in evacuation of containers from the port.

The Ennore Port, which is 20 km north of Chennai, is now touting better connectivity – both road and rail – as its unique selling proposition to market its ₹1,460-crore container terminal project. And, it has succeeded in doing so with 11 global companies showing interest in the project.

▼ Record container handling at KDS

Kolkata Dock System of Kolkata Port Trust achieved a momentous landmark in container handling by recording an all time high container handling of 44,451 teu in the month of July 2013 (the previous highest was 41,792 teu recorded in the month of July 2012). According to KoPT sources, this could be achieved due to sustained encouragement, faith and support of the customers. Their continued trust and patronage provided the Container Terminal immense strength to move ahead to an even more fulfilling future.

▼ Krishnapatnam Port takes delivery of more than 60 trucks from Scania

Scania Commercial Vehicles India recently handed over 60 trucks to one of India's largest private port operators, Krishnapatnam Port Co. Ltd. (KPCL), making this a new business model ever, for Scania in India. The trucks handed over includes the recently launched Scania P 410 8x4, the most powerful 8x4 tipper in the coal transportation tipper segment. This truck is powered by Scania Opticruise, an automated gear-changing system for best fuel efficiency and ease

of driving, with the highest possible carrying capacity for port inter-carting of coal. This is a long-term partnership for Scania and KPCL. Scania will establish a dedicated operating lease fleet along with a service workshop at the port so as to maintain best uptime and turn around efficiencies. Scania will also deliver five workshop containers for service on site backed by driver training center at the port to enhance the operations of Krishnapatnam Port.

Shipping Ministry plans maritime training academy in coastal town

The Union Shipping Minister announced that Shipping Corporation of India would set up a maritime training academy at Thoothukudi in collaboration with VOC Chidambaranar Port Trust. Addressing a conference on investment opportunities in Thoothukudi organised by All India Chamber of Commerce and Industry, Union Shipping Minister G K Vasani said the Shipping Corporation of India with its experience of running the premier Maritime Training Institute at Powai in Mumbai would provide its expertise in selection of faculty, academic staff, instructors and infrastructure for the academy. This institute would cater to the requirements of students from southern districts of the state and provide quality maritime personnel to the country. He said currently a blueprint is being prepared by the director general, Shipping Corporation of India and Indian Maritime University on the proposal.

Gujarat Pipavav Port Q2CY13 Net Profit up 124%

APM Terminals operated Gujarat Pipavav Port (APM Terminals Pipavav), one of Western India's fastest growing gateway ports, reported Net Sales of ₹1,220 million for the quarter ended June 30, 2013 as against ₹1,025 million for the corresponding period last year; up 19 per cent. Net Profit rose 124 per cent to ₹352 million as against ₹157 million in the corresponding quarter last year.

The EBIDTA margin for the quarter stood remained steady at 45.0 per cent as against 45.2 per cent reported in Q2CY12.

Commenting on the quarterly and half yearly results, Managing Director, Prakash Tulsiani said, "Our strategic location along the west coast of India and connectivity to key consumption markets of north are the key drivers of growth. The newly introduced double stack high cube containers will enhance hinterland connectivity."

Business Highlights

- Total container cargo handled was 1,43,138 teu in Q2CY13, increase of 17 per cent
- Bulk trade cargo stood at 1.02 million MTs, increase of 77 per cent
- On the rail side, the company handled 1,01,590 teu, a rise of 37 per cent
- Port witnessed improvement in coal and mineral volumes during the quarter and fertilizer and agri-cargo for half year 2013
- Resultant improvement in realisation due to introduction of US dollar tariff
- Service changes
- 2 vessels were upsized
- 1 Far East service each gained/exited.



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- Facility for consolidation / deconsolidation, bagging, packing and re-packing
- Weighbridge, Empty Container yard, Container Repair Facility, advance materials handling equipments
- Facility for stuffing and de-stuffing of containers
- 24x7 Security

Location - Haldia (West Bengal)

- 7 km from Haldia Port
- 140 km from Kolkata
- Located on NH-41 with 140m frontage
- Total area - 90 acres

Location - Kalinganagar, Jajpur (Odisha)

- 520 km from Vizag Port
- 390 km from Haldia Port
- 129 km from Paradeep Port
- 120 km from Dhamra Port
- Total area - 30 acres

For further details please contact:

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Adani Ports Q1 Net up 51 per cent

Adani Ports and SEZ Ltd (APSEZ) reported 51 per cent growth in its consolidated net profit at ₹417.50 crore during the first quarter as its flagship Mundra Port became number one commercial port in the country during the quarter, surpassing Kandla Port. The Adani group company had reported a net profit of ₹276.26 crore during the corresponding quarter of the previous fiscal.

In a statement, Adani Ports said that apart from increase in cargo handling, its container volume was also up 11 per cent and the growth in cargo and container traffic was achieved when all other major ports recorded a decrease of 1 per cent in cargo and 4 per cent in container volume. With the increase, Mundra Port also achieved the *numero uno* position among the commercial ports in the country, it said.

During the quarter, the company also raised ₹1,000 crore via institutional placement programme and met regulatory norms of having 25 per cent minimum public shareholding. Besides, it also handled largest container vessel, *MSC Valeria* with a capacity of 14,036 teu, to call at any Indian port.



We take pride in Mundra Port emerging as the largest port, outperforming all the commercial ports in India. Adani Ports, with its innovative practices and service standards, will continue to contribute in overall growth of Indian port infrastructure sector.



Gautam Adani
Chairman, Adani Group

“It gives us immense pleasure to state that Adani Ports continues to outperform in cargo volume and has established its leadership position in the sector. Our growth will further get impetus from the newly commercialised port at Hazira,” company’s Chief Financial Officer B Ravi said. Adani’s Hazira Port handled a cargo of 0.87 MT and Dahej port’s cargo volume was 2.22 MT in the first quarter.

DCI to take up all dredging work of ports by 2020



By 2020, Dredging Corporation of India (DCI) will take up the entire annual maintenance dredging work of Indian ports, Shipping Minister G K Vasani said. He was talking to reporters after dedicating to the nation DCI-Dredge XX, the DCI’s latest dredger, at a function in Chennai Port. Vasani said: “Dredging is an ongoing process. At present, 80 per cent of the annual maintenance dredging work is done by the Corporation and rest by the private sector. DCI is in the process of strengthening its fleet during the Twelfth Plan period. This would enable us to take up 100 per cent of maintenance dredging works.” The Shipping Ministry has placed orders for three Trailer-Suction-Hopper Dredgers of 5,500 cubic metres, after a gap of 12 years. These dredgers costing ₹1,570 crore were part financed through Euro loan. DCI Chairman and Managing Director D K Mohanty said they were in the process of purchasing two more dredgers with 9,000 cubic metres capacity costing ₹1,972 crore. Dredgers will be delivered by 2017.

The unique feature of Dredge XX is that it has a capacity to dredge up to a depth of 25 metres. Due to its robust engine power, the dredger could function in shallow waters and strong current. Dredge XX would be stationed at Ennore Port till October to carry out the remaining deepening work of the entrance channel from 18-20 metres and increasing the radius of the turning circle from 16 metres to 18.5 metres.

DP World Nhava Sheva wins Golden Peacock Award



DP World Nhava Sheva (NSICT) at Jawaharlal Nehru Port in Mumbai, won the prestigious Golden Peacock Award for “Eco Innovation”. DP World Nhava Sheva was recognized for its many initiatives in “Eco Innovation” category, some of which include Oil Collection & Separation System, Solar Distillation Panels, Recycling Waste oil, Scrap, LED Lamps, Solar Power Plant, and Rain Water Harvesting System to ensure there is optimum utilisation of the existing resources. Hon’ble Dr. M. Veerappa Moily, Union Cabinet Minister for Petroleum and Natural Gas, Government of India presented the award to Ajay Singh, Chief Executive Officer, DP World Nhava Sheva.



Allcargo Logistics PAT up 130 per cent



Allcargo Logistics recorded 130 per cent increase in profit after tax (after minority interest) at ₹38.7 crore for the quarter ended June 30, 2013 as against ₹16.8 crore for the quarter ended March 31, 2013. The company’s revenues recorded an increase of 2 per cent at ₹992.2 crore compared to ₹975.2 crore in the previous quarter while its EBITDA went up 19 per cent to ₹101.6 crore. EPS for the quarter ended June 30, 2013 was ₹3.0, for a face value of ₹2 per share.

Major ports losing cargo volumes: ICRA

Export and import cargoes are increasingly getting diverted from major ports in India to the new non-major ports due to capacity constraints.

The major ports, which registered a 3 per cent fall in cargo volumes last fiscal to 546 million tonnes, have been slow in capacity addition, benefiting the privately-operated non-major ports. Cumulatively, in 2012-13, the major ports registered their lowest cargo volumes in the last four years. "Non-major ports, by virtue of a more diversified cargo mix and higher efficiency standards, gained 13 per cent in volumes terms. In terms of market share, major ports accounted for 58 per cent of the total throughput, compared to 61 per cent in the previous year," said a new report by ICRA Ltd, an associate of Moody's Investors Service. The share of non-major ports was up 42 per cent last year, it added.

Even during the first quarter of the current fiscal, the cargo throughput decline in major ports continued, with a 1 per cent reduction in volumes over

the year-ago period. ICRA feels cargo growth outlook for the Indian port sector is strong over the medium to long term, driven by domestic requirements of coal, crude oil and containers.

The progress on award of projects at major ports was better last fiscal. A total of 32 projects could be finalized and awarded during the year, as compared to just three in the previous year. However, even this fell short of the planned target of 42 projects. "Despite the uptick in project awards, actual implementation could see further delays. The progress in the greenfield non-major ports sector continues to be slow due to a host of problems such as land acquisitions and clearances," the report said.

Essar Ports net up 48%

Essar Ports, which reported a 48 per cent jump in consolidated net profit at ₹101.44 crore, is moving towards a dollar-based tariff structure to cut interest costs and mitigate the impact of falling rupee. "We are trying to dollarise our earnings. The idea is that we will be able to borrow in dollars and have earnings in dollars, so we have a natural hedge and we get the advantage of lower cost of interests (on dollar loans)," said Essar Ports MD Rajiv Agarwal.

The company has started charging customers at Hajira Port on its dollar-based tariff structure. It is also in talks with customers for implementing the same at other locations as well. According to the new structure, the company will report earnings in dollar and customers will be charged either in dollar or its equivalent value in rupee. This will help the company in cutting its interest costs, which have gone too high and also cushion the impact of falling rupee as both, debt and earnings being in dollar, will provide natural hedge to Essar.

Indev Logistics to launch coastal shipping services

Indev Logistics wants to start a coastal shipping service using funds to be raised through a public issue in the next two years, according to its Chairman, S Xavier Britto. The public issue will also help the company expand in areas such as non-vessel operating common carrier. The group has invested around \$200 million in its various infrastructural facilities such as container freight stations. It will invest another \$20 million in the new Free Trade Warehousing Zone (FTWZ) facility near Chennai. The FTWZ facility set up at J. Matadee Free Trade Zone (Special Economic Zone) at the Mannur village in Sriperumbudur was inaugurated recently by George Yeo, Chairman, Kerry Logistics Network, Hong Kong. Kerry is a partner of Indev in India.

International Bunkering appoints new Country Head of India



International Bunkering, a leading supplier of bunkers and lubricant solutions, has announced Chandan Samaiyar as its new Country Head of India. Samaiyar replaces Capt. Virendra N Mishra, who departs International Bunkering to pursue a career outside of the bunker industry. Samaiyar takes on the role of Country Head of India from the August 1, 2013. With more than 30 years' experience within the industry, he brings with him a wealth of knowledge of Indian shipping and bunkering. Christoffer Berg Lassen, CEO of the International Bunkering Group, said: "I am very pleased to welcome Chandan to the International Bunkering group and I believe his knowledge and many years' experience within the Indian bunker and shipping industry will substantially strengthen our Indian office."

Doehle Danautic India appoints Captain Anand Chopra

Doehle Danautic India, the leading provider of shipping services in the country, announced that



Captain Anand Chopra has been appointed as Director to lead the Liner and NVOCC business vertical from Mumbai for DDI. In this role he will be responsible for expansion of DDIs Freight Forwarding and Logistics businesses. A key appointment as this automatically transforms Doehle Danautic as a leader in this space in the country.

A first for JN Port as DP World Nhava Sheva berths vessel with 14 m draft

DP World's Nhava Sheva International Container (NSICT), added another feather to its cap with the berthing of *MV Hanjin Baltimore*. The 300-m long vessel is deployed by SCI and MSC on the jointly run ISES Service on the Europe trade route. The vessel drawing 14.0 metres of draft negotiated the Mumbai and Nhava ship channel and berthed safely at the DP World Terminal marking a new era for JN Port.



11 firms submit proposals for developing container terminal at Ennore Port

Eleven companies, including four foreign firms, have submitted their Requests for Qualification (RFQ) proposals for developing the ₹1,270-crore container terminal at Ennore Port.

These proposals will be evaluated by Ennore Port authorities and the names of short-listed firms announced within the next two weeks. Thursday was the last date for submitting the proposals for developing the Ennore Container Terminal (ECT).

According to sources, Hindustan Ports, Adani Port and Special Economic Zone (APSEZ), Gammon Infrastructure Projects, Essar Ports, Sterlite Ports, Consortium of Concast Infratech Limited & Hyundai Engineering & Construction Co. Ltd, Consortium of Bollore Africa Logistics & Megalift Material Handling, L&T IDPL, APM Terminals B.V., Consortium of IMC-SEW and PSA Chennai Investments Pte Ltd took part in the RFQ process.

Nissan renews export agreement with Ennore Port for 10 years

Nissan Motor India Pvt. Ltd renewed its agreement with Ennore Port Ltd to export vehicles for 10 years, an indication that the local unit of the Japanese car maker is committed to further developing its Chennai plant as an export hub. The company has been given priority in handling of cargo in the 140,000 square metres of berth space it has been allocated from where it has committed to export a minimum 60,000 units per year. Nissan has been given concessions in wharfage, the fee charged by ports for cargo handled, at the rate of 0.36 per cent per car for up to 60,000 units and free parking space for the first 15 days.

Ford gets dedicated parking space at Chennai Port

Ford India has been allotted its first dedicated car parking yard at the Chennai Port premises. The dedicated facility was jointly inaugurated by Atulya Misra, Chairman, Chennai Port Trust and Joginder Singh, president and managing director, Ford India. It is also a significant step to provide access and further accelerate exports of Ford vehicles manufactured in Chennai, including the new EcoSport.

Chennai Port Trust (ChPT) has agreed to let Ford have 7,000 square metres of land on a 11-month lease. This allotment is adequate for Ford to park about 500 cars at any one time.

Essar Ports to avail loan for Vizag Port

Essar Ports Limited is planning to avail a loan of ₹700 crore to finance its operations in Visakhapatnam Port. This would be a part of the ₹1,000-crore finance that it would require for developing three iron ore berths at the Visakhapatnam Port in the next six months. The loan would be taken for a period of four years.

In May, Essar Ports through its wholly owned subsidiary Vadinar Oil Terminal Limited, had emerged as the highest bidder by quoting 31.01 per cent revenue share for mechanisation and operation of three iron ore berths (two outer harbour berths and one inner harbour berth) at Visakhapatnam Port on Build-Operate-Transfer (BOT) basis for a concession period of 30 years.

These three berths would add a combined capacity of 23 MMTPA of which 17 MMTPA will add to third party cargo and 6 MMTPA to Essar Steel cargo. Essar's total capacity for iron ore export at the east coast will become 39 MMTPA with four highly mechanized iron ore berths (three in Visakhapatnam Port and one in Paradip Port). Essar Ports is part of the multinational Essar Group, and holds the Group's entire ports business. It owns and operates ports and terminals, and is India's second-largest private sector port and terminal company by capacity and throughput.

It develops and operates ports and terminals for handling liquid, dry bulk, break bulk and general cargo, with an existing aggregate capacity of 104 MTPA across two facilities located at Vadinar and Hazira in the state of Gujarat on the west coast of India and one iron ore terminal at Paradip in the state of Odisha on the east coast of India. The company is in the process of increasing its aggregate ports capacity to 158 MTPA with expansion projects at Vadinar and Hazira, a new port at Salaya in Gujarat, and two terminals at Paradip.

Experience the progress.



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LIEBHERR

The Group

Ambuja to aggressively cut logistics costs

Ambuja Cements, part of the Swiss cement giant Holcim, is in top gear to reduce its logistic costs and increase efficiency as demand for cement continues to remain weak. Lower off-take of the building material at a time when sector is sitting on a huge unutilised capacity is not letting cement prices to go up, which in turn, is impacting companies' profitability. On top of it, rising fuel costs and no respite from heavy taxes have added further burden on companies' balance sheets.

Currently, around 60 per cent of cement in India is transported using roads, the costliest of the transportation modes at around ₹1.5 per tonne per km. This roughly translates into an additional cost of about ₹25 on a 50 kg bag of cement if transported 300 km from production units.

"If you look at our newer expansion in Sanand (Gujarat) and Rabriyawas (Rajasthan), our grinding units are closer to the markets where the fly ash is. Then, instead of bringing the 100 per cent to that point, you have to bring only 65 per cent. The final products should be produced close to consumption centres. That's our strategy to cut logistics costs," adds Managing Director Weijde. It has taken up 13 new projects at different locations worth ₹272 crore to optimise and enhance efficiency. These projects have a quick payback of 2.5 to 4 years and likely to be completed in the first half of 2014.

The company, which also depends on sea route, generally a non-conventional route in India's cement industry, has recently added 2 more ships into its fleet taking the overall number to 10 ships. "We are also expanding the number of

ships. As long as Gujarat has a certain capacity, we can add more ships," says Weijde. Ambuja is one of the largest transporters of cement via sea route. Its Gujarat plant caters to the southern market.

Sea route is the most cost-efficient as it costs about 50 paisa per tonne per km – a third of the costs involved in roads. Ambuja already has a terminal in Kochi (Kerala). "We are about to complete our new bulk cement terminal in Mangalore. This is how we have met our whole capex plans and developed a complete strategy for India," he adds. Further, the company is also in a process of re-configuring its warehouses so that it can optimise the logistics footprints.

Iron ore output likely to fall

Iron ore production may fall below 100 million tonnes (MT), while exports may dive to a low of 7-8 MT in the current financial year due to delay in opening of mines in Karnataka coupled with the continuing ban in Goa, an official of the mineral industry body FIMI said. The country had produced 115 MT iron ore last fiscal, while exports stood at around 15 MT, which in the peak days of FY08 were close to 120 MT.

He further said things are moving very slowly in Karnataka in giving renewal to mines despite the Supreme Court (SC) direction.

Shipping secy asks TN govt to speed up road projects

Union shipping secretary Vishwapati Trivedi recently met state chief secretary Sheela Balakrishnan to discuss the long-pending Ennore Manali Road Improvement Project (EMRIP) and the Port-Maduravoyal Elevated corridor.

The ₹600-crore EMRIP, commissioned in 1997, has been pending for long due to various reasons, including problems relating to land acquisition. After several failed deadlines, the new date of completion is now December 2013. Trivedi said the Ennore-Manali road handled more than 6,000 container trucks and thousands of other vehicles and more land had to be acquired from a fishermen settlement for the project. "We have requested the state government to speed up the process," he said.

Work on the ₹1,800-crore Chennai Port-Maduravoyal Elevated Express Corridor has also been affected by delays for long. The project was stopped by the state government which alleged that the National Highways Authority of India (NHAI) had deviated from the approved plan. Trivedi expressed the hope that things would soon change and the project would move ahead. It is expected to resolve a lot of traffic congestion in that part of the city, he said. But he refused to comment on the reason for the continuous delays.

Proposed ports in AP, West Bengal to cost ₹15,800 cr

The cost of setting up two new major ports proposed in Andhra Pradesh and West Bengal is estimated to be around ₹15,800 crore, according to Rail India Technical and Economic Services (RITES), the engineering and consultancy arm of Indian Railways.

According to Rites, the capital costs involved in setting up Sagar Port is estimated at ₹7,820 crore, whereas for Dugarajapatnam Port it is ₹7,980 crore. However, feasibility study of the proposed location was also being carried out by Rites, and the concessionaires for the two projects will be awarded in the financial year 2014-15, he said.

CAG asks SCI to introduce transparent system for ships' sale

Shipping Corporation of India (SCI) needs to put in place a transparent ship disposal system to check delays and fetch maximum prices, government auditor CAG said. "Though the company has to dispose of the vessels that have passed their economic life to keep a robust young fleet, the procedures for disposal needs to be more transparent, Comptroller and Auditor General of India (CAG) said in its report.

SCI garnered about ₹600 crore from sale of 30 old ships between 2009-10 and 2011-12 and realised ₹598.67 crore as net sale proceeds. "Delays in initiating proposal for sale and processing of tenders should be avoided so as to fetch maximum prices," CAG said.

Shreyas Shipping to start container service linking ports on East, West coasts

Shreyas Shipping and Logistics Ltd said that it will start two new coastal container services linking, for the first time, all major ports on the East and West coasts – from Mundra (Gujarat) to Kolkata – from August 15.

The first, from Kochi to Kolkata, linking Chennai and Vizag will be a fortnightly service initially. On the west coast, Shreyas already has a service from Kochi to Mundra via Mangalore. The second, a weekly service, will link Hazira with Mundra and Jawaharlal Nehru ports. Local cargo, for example, from Gujarat can be moved by sea to the east coast ports of Vizag or Kolkata using the transshipment facility being developed at Vallarpadam in

Kochi. This will not only help ease the pressure on road and rail but also save a lot of fuel, said S Ramakrishnan, Chairman and Managing Director, Shreyas Shipping.

Two ships with a capacity to carry 1,700 standard containers each will be deployed for the east coast service and a smaller 700-teu vessel for the new west coast service, he said. The Mumbai-based leading coastal shipping company recently tied up with the global container shipping line MSC for providing a feeder service between Mundra and Nhava Sheva. The new service on the west coast will be catering mainly to MSC, though it can also carry other cargo.



Steel ministry against lowering iron ore export duty

The steel ministry has told the commerce ministry that lowering the 30 per cent export duty on iron ore can trigger a telling effect on the raw material security of domestic steel industry and, in contrary to the government's view, would shoot up the current account deficit (CAD). Prime Minister Manmohan Singh had recently emphasized on reducing the customs duty on iron and other ores to help the government earn foreign exchange to control the ballooning CAD. In sync with Singh's assertions, the commerce ministry has suggested that the time is ripe for lowering the duty on iron ore fines to allow the country to benefit from such exports. The mines ministry too has asked the finance ministry to explore lowering of the exports duty.

Hapag-Lloyd posts quarterly profit

Hapag-Lloyd AG cut costs amid falling fuel prices to deliver a profit in the second-quarter as Europe's fourth-largest container-shipping line reiterated its forecast of positive full-year operating earnings. Group profit was 20.9 million euros (\$27.8 million), compared to a loss of 7.3 million euros a year earlier, the Hamburg-based company said in a statement. "The intense competition in the second quarter meant that, unlike last year, it was almost impossible to implement announced rate increases in the market," Hapag-Lloyd said. Hapag-Lloyd, which invested 463.6 million euro in the first six months, mostly in ships and containers, has announced further price increases in recent days, including on the Transatlantic trade route between Europe and the US.

MICT launches a scholarship programme for students

Mundra International Container Terminal launched the noble initiative of providing scholarships for meritorious students in Mundra region. The scholarships will be given to students from D.A.V. Public School, Aga Khan Foundation and St. Xavier's School. Present on the occasion was the Chief Executive officer from MICT Tejas Nataraj and Senior MICT Human Resources Management who prepared and launched this scholarship. The scholarship will help the selected students from class X to fund their Class XI and XII education.

On July 18, 2013 MICT also completed a major milestone – 10 years of successful operations. MICT is considered as the most sophisticated and technically advanced port facility in the Indian subcontinent and its strategic location also accentuates the viability for the shipping lines calling at Mundra port. From handling 20,000 teu in its first year of operations, today MICT has grown into a million-teu Terminal. MICT pioneered the container revolution in the Kutch Region and has emerged as the Golden Gateway for the North and the North West regions of the Indian subcontinent.

China's state shipyards help widen lead over Korea in orders

China widened its lead over South Korea as the world's biggest shipbuilding nation as state-backed yards won contracts for complex gas-carriers while private facilities in the country struggle for funds. China won orders to make ships with a capacity to carry 27.8 million deadweight tonnes, or 47 per cent of global contracts, getting a 7.8 million-tonne lead over South Korea in the seven months through July. A year earlier, the gap was 1 million tonne.

Rajya Sabha passes Bill to declare Assam river as National Waterway

Rajya Sabha passed a bill to declare the 121-km stretch of Barak River in Assam as National Waterway, a move aimed at unified development of waterways for shipping, navigation and transportation of cargo to the north-eastern region. The National Waterway (Lakhipur-Bhanga Stretch of the Barak River) Bill, 2013 to develop the Barak River stretch as country's sixth National Waterway would particularly benefit Assam, Nagaland, Mizoram, Manipur, Tripura and Arunachal Pradesh by facilitating cargo movement there.

Shipping Minister G K Vasan, who moved the Bill for passage said the project will entail an investment of ₹123 crore and would be completed in two phases in five years.

"The waterway has the potential to transport 12.45 lakh tonnes of cargo like tea, coffee, iron, steel and coal per annum after its development by 2018-19," Vasan said adding, it will not only augment infrastructure there but would benefit lakhs of people. The first phase of the project would be completed by 2016-17 followed by the second phase which is likely to be completed by 2018-19.

Essar Ports, TPG capital in race for acquiring Karaikal Port

India's port and terminal company Essar Ports and US private equity giant TPG Capital are in the fray to acquire a majority stake in Karaikal Port, a subsidiary of debt-ridden Chennai-based Marg group. The talks with the two suitors are at a preliminary stage and may or may not conclude into a deal. The promoters of the Marg Group are looking to substantially reduce their debt exposure of around ₹1,000 crores and are expecting an enterprise value in excess of ₹3,000 crore. The plan is to use a part of the proceeds to settle Karaikal Port's debt of ₹1,600 crore rupees. The balance would be divided between Marg promoters and the private equity investors of Karaikal Port. Motilal Oswal Investment Advisors are advising the Marg Group on the deal. Four private equity investors namely Standard Chartered Private Equity Ltd, Jacob Ballas India, IDFC and Ascent Capital Advisors together hold around 49 per cent stake in Karaikal Port. The deal talks mark an attempt by TPG Capital to make its debut in the Indian ports and logistics sector.

Rail Tariff Authority to be set up through executive order

The government is exploring the possibility of expediting the formation of the Rail Tariff Authority (RTA) through the executive route after the proposed regulatory body received an in-principle nod from the Cabinet. "RTA has got in-principle approval from the Cabinet. But since setting it up through an Act of Parliament will take some time, the Law Ministry and Railways will examine whether it will be set up through an executive order," Law Minister Kapil Sibal told reporters.

The Law Ministry and Railways will work out details for the formation of RTA, the first-of-its-kind body for the national transporter, to periodically suggest tariff levels for both freight and passenger fares taking into account input costs (diesel, electricity) and volatile market conditions. RTA will be a five-member body headed by a chairman. "We need to take it forward through executive action," Sibal added.

JNPT plans ₹ 1,800-crore new liquid terminal through PPP

India's largest container port Jawaharlal Nehru Port Trust (JNPT) is aiming to build a new liquid terminal at an investment of up to ₹1,800 crore through public-private-partnership route. "We have finalised plans to build the terminal having a capacity of 15 million tonnes per annum and it will entail an investment of ₹1,600-1,800 crore," Deputy Chairman N N Kumar. The terminal will have a liquid jetty and a tank farm spread over 70 hectares, he said, adding the required land has already been acquired.

"It is our own port land," he said, thereby ruling out the possibility of any issues with land acquisition.

Global shipping industry sets new standard

The International Labour Organization's (ILO) Maritime Labour Convention (MLC, 2006) comes into force on August 20, inaugurating a new era of decent work for seafarers and fair competition for ship owners in the global shipping industry. When the new Convention becomes a binding international law, it needs ratification by 30 ILO member states, representing more than 33 per cent of the world's gross shipping tonnage to enter into force. A statement issued by the ILO said to date, more than 45 ILO member states representing over 75 per cent of global gross shipping tonnage have ratified the Convention. "This Convention is a milestone in maritime history," it quoted ILO Director-General, Guy Ryder as saying.

GE Shipping to add gas carrier to its fleet

Country's largest private firm in the sector, Great Eastern Shipping said it will add a very large gas carrier to its fleet, taking the number of vessels to 29. "The Great Eastern Shipping Company has signed contract to buy a very large gas carrier of about 49,300 dry weight tonnage (73,800 cbm)," the company said in a statement. The 1994 built vessel is expected to join the company's fleet in 2015, it said.

Merchant Shipping Amendment Bill introduced in RS

A bill was introduced in the Rajya Sabha today to amend the Merchant Shipping Act to enable India to accede to a global convention that exempts Indian vessels on international voyages from inspection. The convention also aims at improving the working condition of seafarers.

The Merchant Shipping (Second Amendment) Bill, 2013, introduced by Shipping Minister G K Vasan, will pave way for the enforcement of ILO's Maritime Labour Convention (MLC), which provides for international standards for the living and working conditions of seafarers including food and medi-care. "India intends to accede to International Labour Organisation's... MLC...considered as the 'Bill of Rights' for the seafarers across the world,

given that shipping, as an industry is, intrinsically, global in nature," said the Statement of Objects and Reasons of the Bill.

After the amendment, every Indian flag vessel of 500 gross tonnage or more and engaged in international voyage(s), would be issued with Maritime Labour Certificate after inspection of the ship concerned, it added. "This will enable them to get preferential treatment and exemption from their inspection for this purpose at foreign ports thereby reducing operational time and transaction costs for them," the statement said.

India will have to also ensure that all foreign flag vessels entering the territorial waters of India, or any adjacent area over which India has exclusive jurisdiction, are subject to an inspection.

Zim offers west coast Central America feeder loop for Asian cargo

Israeli flag carrier Zim will extend its service coverage with a new service, Balboa Central America Express (BCA), connecting ports in the west coast of Central America with its global Zim Container Service Pacific (ZCP), via the port of Balboa in Panama. The new service will operate two vessels on a weekly basis with the following rotation: Balboa (Panama), Acajutla (El Salvador), Puerto Quetzal (Guatemala), Lazaro Cardenas (Mexico), Puerto Quetzal, Acajutla and back to Balboa.

Gibdock brings in first Technip ship

Gibdock has underlined its growing reputation in the offshore vessel sector by securing its first dry docking contract from Technip, a world leader in project management, engineering and construction for the energy industry. Wellserver, a multi-role diving support vessel with subsea lift capability, has undergone an intensive and relatively complex class renewal docking at the Gibraltar yard, and has been delivered back to Technip, ready for work.

CONCOR Directors visit Gujarat Pipavav Port

The management team of CONCOR visited APM Terminals Pipavav (Gujarat Pipavav Port Ltd.), located in Amreli district (Gujarat) belonging to the AP Moller-Maersk group. The visit was organized to learn more about Pipavav's recently enabled double-stack high-cube capabilities which coincide with the commencement of CONCOR's double stack hub at Kathuwas (Rajasthan), a strategic facility for CONCOR, which is expected to spur

volumes in North and North-western India for Concor and in turn for APM Terminals Pipavav.

Yashvardhan, Director- International (Marketing and Operation), CONCOR and A K Poddar, Chief Vigilance Officer, CONCOR were accompanied by A Vaasudev Rao, Chief General Manager (North West region). The dignitaries were personally received by Prakash Tulsiani, Managing Director, APM Terminals Pipavav.

India's coal imports increase 48% in June

India, the world's third-largest coal user, increased imports of the fuel by 48 per cent in June.

Adani Enterprises Ltd, Tata Group, JSW Group and Steel Authority of India Ltd were among companies that received 15.53 million tonnes of coal in the month, from 10.50 million a year earlier, according to InterOcean Group, a New Delhi-based shipper. The shipments comprised 12.73 million tonnes of steam coal and 2.80 million of coking coal, at 22 ports.



MSC flies Indian flag to win feeder trade on India's northwest coast

Geneva's Mediterranean Shipping Company (MSC) has launched a feeder service to Indian port of Hazira, in the Gujarat state, extending its coverage to three gateway ports in the state of Mundra, Pipavav and now Hazira. The fixed-day weekly service will connect Mundra, Nhava Sheva and Hazira to fly under the India flag to comply with Indian cabotage laws.

The launch of the service launch comes after a reshuffling of the carrier's East Africa, South Africa and Red Sea regional loops which share the port call of Mundra, allowing export transshipment from Hazira to five mainline services calling weekly at Mundra.

Imports destined for Hazira on the IPAK, ISES and East Africa service will be connected via Nhava Sheva. Other carriers are showing interest in the port of Hazira since it launched container services in August 2012, which include Maersk Line, CMA CGM, UASC, CSCL, PIL and Shreyas Shipping.

Iran bolsters oil tanker fleet as sanctions noose tightens

Iran has taken delivery of several new oil tankers in recent weeks as it relies more on its own fleet capacity to help sustain crude export shipments in the face of western sanctions. Existing US and EU measures have already reduced Iran's oil exports by more than half from pre-sanction levels of about 2.2 million barrels per day (bpd), costing the Islamic Republic billions of dollars in lost revenue a month.

Foreign shipping companies, fearing a loss of western business, have refused to do business with Iran, putting the onus on its main tanker operator, NITC.

Hamburg Sud takes delivery of third 9,814-teu high reefer capacity ship

Korean shipbuilder Hyundai Heavy Industries has delivered the third of 10 high reefer capacity vessels of 9,814 teu to Hamburg Sud, which also owns six of the ships and is chartering the other four. These ships are Hamburg Sud's largest and, equipped with 2,100 reefer plugs. They are able to transport 110,000 cubic metres of refrigerated cargo, the equivalent to seven large conventional reefer cargo ships.

TAMP boost for PPP projects in major ports

The shipping ministry's latest announcement regarding market linked tariff fixation is expected to expedite the bidding for various public private partnership projects at the major ports. Private operators had been waiting in the wings for the new tariff guidelines would now place their bids for projects including container terminals at Jawaharlal Nehru, Chennai Port and bulk terminals at Kandla, Goa and Vizag Port Trusts. "This has come at an opportune time as the request for qualification for the fourth container terminal is now underway. Major Port projects will definitely become more attractive now," said N N Kumar, deputy chairman, Jawaharlal Nehru Port Trust (JNPT).

While major ports have a reason to rejoice, industry experts feel that matters will get further complicated. Since the new rules are applicable only to projects that will be awarded from August 1 onwards, the existing terminals would continue on the previous tariff regimes, creating a dichotomy of sorts within the major ports.

Forbes ME honours Top Indian Leaders

The Forbes Middle East Award is an acknowledgement of the success of some of the top Indian business leaders who have made both their success and their homes in the Emirates. Recognizing their passion and contribution to the advancement of the Arab region, Forbes Middle announced the Top 100 Indian Leaders in the UAE at an impressive ceremony hosted recently. **Ramesh S Ramkrishnan**, Chairman of Transworld Group received award as part of this honour.



Stiff protest makes coastal shipping a non-starter

The stiff opposition of the fishermen community against coastal shipping has hit the government plan to move cargo between various destinations in the state by sea. The proposal was to launch the project by starting a shipping service between Kochi and Kollam in July.

Though the government convened a meeting with various organisations of the fishermen last month, it failed to sort out the issue. "Kerala coast is densely populated by fishermen and their livelihood will be hit by the proposed shipping service. Hence our appeal to the government to abandon the project," said T Peter, president of Kerala Swathanthra Matsyathozhilali Federation.

Gateway SpotLight, a special feature by *Maritime Gateway*, showcases the unique initiatives of business groups across maritime sectors in their products, services and processes that helps them achieve and sustain better productivity, efficiency, environment conservation and above all judicious business practices. **Gateway SpotLight** provides an opportunity for businesses to bring to light their best practices at work and thereby such a **FOCUS**.

Presenting  **JSW Infrastructure** under this feature.

JSW Jaigarh Port gears up for container handling

JSW Jaigarh Port all set to facilitate container trade

JSW Jaigarh Port, an SPV of JSW Infrastructure Ltd, is planning to develop a 1 million teu per annum (MTPA) container facility at the port. The Port will construct two berths with a length of 650 metres for handling the containers along with supporting superstructure of quay cranes, rubber tyre gantry cranes and necessary container fitments.

Strategically located in the protected surroundings of Jaigarh Head, between the two major ports namely

Mumbai and Goa, JSW Jaigarh Port is aggressively and ambitiously gearing up to become the most preferred gateway port to the largest cargo generating regions of Central Maharashtra and Northern Karnataka.

The port was developed within a record time of 20 months and is located 356 kilometres South of Mumbai and 250 kilometres from Goa, occupying a very strategic position on the west coast, 43 kilometres off the NH-17.





The proposed expansion and connectivity plans will serve the EXIM and coastal movement requirements of the industries in the hinterland.

With the commencement of the container facility JSW Jaigarh Port will soon achieve another milestone to its rapid growing cargo mix. The container handling facility will ensure competitiveness for sugar mills, engineering industries, agro and food processing industries, sea food exports and textile and allied machinery in the international markets.

The port authorities are in discussions with NVOCC's and other main line operators to connect Jaigarh to Middle East and Colombo.

Highlights of planned Container Terminal are:

- Channel depth of 14 m
- Maximum vessel size is not restricted
- Back up area of 62 acres
- 8 Quay Cranes & 24 RTGS
- Annual Crane output of 130,000 teu
- 7150 ground slots
- CFS 55 acres
- Stack Height [min] 3 level
- Yard Capacity 3.8 million teu
- Planned capacity 1.1 million teu per year

JSW Jaigarh Port with its present capacity of 15 million tonnes per annum (MTPA) has handled 7.5 MTPA of cargo in 2012-2013 with bulk and break cargo such as coal, bauxite, limestone, iron ore, molasses, sugar and fertilizers.

Highlights of Present Infrastructure for Container Services are

- Channel depth of 14 m

- Length of berth - 275 m
- Maximum size of vessel - LOA 255 m, Breadth 42 m
- 2 Mobile Harbor Cranes (LHM400) with 60 tonnes capacity each.
- Container Yard of 10 acres
- 516 Ground Slots
- 1476 teu can be accommodated
- 144 reefer plug points available
- 2 Reach Stackers
- 4 Forklifts & 1 ECH
- CFS infrastructure: total area - 5000 sq.metre

The deepest water port in Maharashtra, with a draft of 14 m JSW Jaigarh Port will help enable container lines to berth deep drafted vessels. This will in turn offer attractive scale of economies as it will enable large vessels to call at the port directly.

Backed by state-of-the-art technology and well-qualified manpower, the ultimate goal of JSW Jaigarh Port is to emerge as one of the most modern and mechanized ports in India benchmarked to international standards.

JSW Jaigarh Port has thus demonstrated its flexibility to go the extra mile to meet its customers' requirements and open a new avenue for routing container ships and serve the trade at large.

Jaigarh Port is currently connected through a two-lane road (SH 106 - 43 km) from Jaigarh to Nivali on NH-17, which is being widened to a four-lane highway. The nearest railway link is at Ratnagiri, 55 km from the port. The port plans to improve the rail connectivity under R3i policy of Indian Railways. The first leg of connectivity from Jaigarh Port to a suitable location on the Konkan railway would soon be ready and from Konkan railway to Kolhapur by next year. 

With global economic slowdown bringing down freight rates and forcing shipping lines to change their schedules, Non-vessel operating common carriers (NVOCCs) are facing the heat.

To deal with the situation, carriers will have to devise new strategies to manage the overcapacity created due to frenzy in new shipping orders. As a result, NVOCCs face a major challenge today – sailing cancellations.

A report by Drewry Maritime Research, (From October 2012 – February 2013), carriers cancelled about 150 sailings on the transpacific and Asia-Europe trade lanes. But NVOCCs were charged higher contract and spot prices by carriers as against beneficial cargo owners.

Experts feel NVOCC operators should focus on offering good customer services and adopt new technologies to stay afloat in a competitive market.

According to a recent analysis by Amherst Alpha Advisors, the world's



As per the strict definition, an NVOCC should be an operator having its own containers. If they do not own one, they are just freight forwarders. However in India, the situation is different. Most of the licensed MTOs (about 99 per cent) do not own containers, but still call them NVOCCs. This does not make any difference at the operational level. Those who do not own containers can be more efficient as most of these operators can get containers from their parent company or any other operators whenever they need.



Capt Dinesh Gautama
President, Navkar Corporation



Facing tough times

Worldwide NVOCC business is growing at a slow pace due to global economic slowdown. In India, NVOCCs have to deal with cumbersome licensing procedures and regulatory norms, which stymie competition and escalate prices.

Sreekala G

100 highest-volume NVOCCs saw a 3.2 per cent increase in their aggregate, in 2012 at about 4.8 million in teu-equivalent shipments as against 2011.

An NVOCC is often referred as a 'shipless shipping line'. Though NVOCCs act almost like a common carrier, they do not actually operate the vessel it uses to move the container. Instead, the NVOCC brokers space on existing container ships. This helps NVOCCs offer lower rates to shippers than the vessel operators as they can use the aggregate volume from all its clients for negotiating discount rates.

In India

The structure of International Freight Forwarding and the role differentiation between a customs broker, multimodal transport operator (MTO)/NVOCC and a forwarder in India is very similar to one in Canada and USA. "The role differentiation, amongst the three stakeholders in these countries is very pronounced and the customer shares a closer relation with the customs broker than other two. On the other hand, the pattern in liberal economies in Western Europe and South East Asia, has less pronounced differentiation," says an official of FFFAI.

There are about 650 licensed multimodal transport operators in India. NVOCCs operate like a neighbourhood grocery store. Their operations are smaller in scale and more flexible. They

can also offer customized services to clients including home delivery.

According to Gautama, as the overall industry is facing an economic downturn, NVOCCs are also feeling the heat. But overall their business volumes are good.

Falling freight rates have in fact forced mainline operators (MLOs) to encroach upon the traditional businesses of NVOCCs. China-Singapore route for instance used to be an area operated by NVOCCs. But now it's done by MLOs. As a result, NVOCCs' share in the overall business pie has come down. On the positive side, bigger NVOCCs are also taking on MLOs due to falling freight rates.

NVOCC business volumes have been witnessing a slow growth rate in India. Currently, NVOCCs handle about 4.5 million teu of EXIM in the country and in the next 4-5 years this is expected to grow to about 2 million teu.

Main issues faced by NVOCCs in India are related to regulatory aspects and strict licensing norms. "It takes about six months for an operator to get a license in the country. Besides, the norms require so much documentation and disclosures that global operators find it difficult and annoying. If we could relax our licensing norms, more operators could come to the country. Naturally, competition will lead to rate cuts and customers will benefit in the end," says Gautama. 



Piracy goes Hollywood

What sounds like the tagline for the next "Bourne" sequel is cargo ship captain Richard Phillips's real life experience of survival after being captured by desperate Somali pirates. Captain Phillips is based on the memoir "A Captain's Duty: Somali Pirates, Navy SEALs, and Dangerous Days at Sea," written by Richard Phillips and Stephan Tatty. The film stars Tom Hanks as Mr. Phillips: Captain of the US cargo ship *Maersk Alabama*, which was hijacked by Somali pirates back in 2009 – an event that led in Phillips being taken hostage by the sea-criminals.

Samudera Shipping Line reverses into the red

Samudera Shipping Line has reversed into the red in the second quarter, with a net loss of \$3.6 million (\$4.6 million) compared to a profit of \$7.4 million in the previous quarter. Revenue for the three months to June 30 fell by 19.1 per cent to \$104.8 million, weighed down by lower contribution across all three business segments. The group's regional container shipping business contributed \$73.3 million in revenue, a 22.5 per cent decline, as a result of lower volume and declining freight rates. The oversupply of vessel capacity and strong competition in the market affected freight rates and reduced volume handled by the group.

Shreyas Shipping Q1 net dips 57.46%

Shipping and logistics services provider Shreyas Shipping reported 57.46 per cent decline in net profit to ₹2.87 crore for the quarter ended June 30, 2013. The company had reported a net profit of ₹4.5 crore for the same period a year ago. Total revenue during the quarter under review grew by around 30 per cent to ₹113 crore on a year-on-year basis, the company said.

Japan's first ship-to-ship transfer service launched

A ship-to-Ship transfer facility for crude and clean petroleum products including Liquefied Petroleum Gas has been launched in Japan for the first time by a UK-based company. SafeSTS, a Norfolk-headquartered company, will offer STS services in the waters belonging to Japan exclusive economic zone near the port of Shimonoseki at the southwestern tip of Honshu Island facing the Tsushima Strait. With the area having draft restrictions, SafeSTS is offering transfers between vessels up to VLCCs as well as Suezmax tankers, smaller range, medium range and coastal tankers for crude and refined products.

China to enter new shipping route via Sri Lanka

China begins a new chapter on the international shipping system through a new port that opens in Colombo. But the Sri Lankan government has assured India that it will not allow any military use of the new port. The \$500-million Chinese-built port fulfills Beijing's dream of opening an alternative sea route and obtaining access to the Indian Ocean. The new port, Colombo International Container Terminal (CICT), is 85 per cent owned by the state-run China Merchant Holdings International, and is located in Colombo in the middle of the east-west sea route.

GE Shipping Q1 net up 35%

Great Eastern Shipping reported a 35.36 per cent rise in its consolidated net profit to ₹244.98 crore for the quarter ended June 30, 2013, due largely to lower operating costs and decline in interest outgo. Besides the company board also approved buy back of shares "up to an aggregate amount of ₹279 crore, being 5.53 per cent of the total paid-up equity capital plus free reserves

GAIL to set up LNG terminal at Paradip Port

GAIL (India) Ltd, the largest state-owned gas processing and distribution company, proposes to set up an LNG terminal, most probably offshore, at Paradip Port. An MoU in this regard between GAIL and Paradip Port Trust is to be signed shortly. The boards of directors of both GAIL and PPT have cleared the proposal, it is learnt. The procedural formalities are being worked out.

The 1,550-km long pipeline network with the capacity of 60 million standard cubic metres per day (mscmd) is estimated to cost ₹9,000 crore and will link Mora (Gujarat) on the west with Paradip (Odisha) on the east after passing through Maharashtra and Chhattisgarh.

India accounts for 62% of SL port's transshipment

Cargo to and from India accounts for 62 per cent of Colombo Port's transshipment business, according to Priyath Bandu Wickrama, chairman of the Sri Lanka Ports Authority (SLPA). At present, Colombo is handling 16 per cent of India's transshipment of 10 million teu, but it hopes to increase it to 23 per cent, given the port's expansion plans. The new port coming up on the southern side of the existing harbour will increase Colombo's capacity by 40 per cent. The new port is being constructed by China Merchant Holding, Hyundai Engineering and Construction, and DY Engineering of South Korea. The new port will have three container terminals with a total land area of 200 hectares and can accommodate 18,000-teu vessels.

New ship orders, China demand threaten dry cargo recovery

A flood of orders for new vessels and slower Chinese growth in demand for commodities could derail a recovery in dry bulk shipping, industry leaders warn, keeping freight rates low and threatening a further shake-out among shipping firms. As dry cargo shipping rates recover from 14-year lows touched in March, shipowners have splurged on a raft of new orders, taking advantage of cheaper prices, more fuel-efficient designs and money from private equity funds looking for a new home. The rise in capacity comes at a time of slowing economic growth in China, which has raised fears that its vast appetite for imported raw materials such as iron ore and coal may start to wane.

Henning Oldendorff, chairman of Oldendorff Carriers estimated some 35 million dwt (deadweight tonnes) of new capacity was ordered during the first half of 2013, well above the 22 million dwt ordered during the whole 2012. More than 50 per cent of recently ordered tonnage was contracted at just a handful of Chinese shipyards, figures from Norwegian shipbroker Fearnleys showed.

MRPL aims to resume Iran oil imports

India's Mangalore Refinery and Petrochemicals Ltd plans to resume Iranian oil imports, after stopping for four months, because it has found no suitable alternatives. Resumption of shipments by MRPL will help to revive the country's Iranian oil imports. India's intake of Iranian crude fell by 40 per cent in the April-June quarter, as refiner Essar Oil became Iran's lone Indian client.

Hindustan Petroleum Corp and MRPL both halted their Iranian oil buys amid difficulties securing insurance for refineries processing oil from the sanctions-hit country.

Pipavav Defence to raise \$150 million in LSE listing

Shipmaker Pipavav Defence and Offshore Engineering Co. Ltd is planning to raise \$150 million through a listing on the London Stock Exchange (LSE) by October. The company also said it has received provisional approval from the Foreign Investment Promotion Board (FIPB) to raise \$200 million.

Essar Shipping net dips 64%

Essar Shipping reported a 64 per cent drop in net profit at ₹19.4 crore for the April-June quarter, from a net profit of ₹53.9 crore in the corresponding quarter last year as revenue from its fleet operations and chartering fell due to low shipping rates.

"Shipping industry continues to face challenging times on freight rates and reduced availability of cargo quantities. However, the company is fully focused on leveraging long-term contracts and managing operating costs effectively," Anoop Sharma, director and CEO of sea transportation business, said. The company appointed Michael Pinto, Capt B S Kumar and N C Singhal as independent directors.

Australia keeps pumping out iron ore for China, driving global shipment volume

Australia, one of the world's most natural resource-rich countries, has become one of the largest commodity giants over the past decade, on the back of China's golden age investment-led economic growth of 10 per cent each year. Accounting for close to 50 per cent of total iron ore shipments to China, as well as a percentage of total iron ore seaborne export, Australia's iron ore export volume is a key indicator of dry bulk shipping demand. When Australia's iron ore export volume grows at a rapid pace, it means more business for shipping companies, which bids up shipping rates. On the other hand, if export volume stagnates or falls, it will negatively affect shipping rates.

CHINA TESTS 'MOST ECONOMICAL SOLUTION' FOR SHIPPING TO EUROPE THROUGH RUSSIAN ARCTIC

The Chinese are the first to pilot a container-transporting vessel through the icy Northern Sea Route (NSR), a journey from China to Europe that decreases transport time by at least 12 days compared to the traditional Suez Canal route. The 19,000-tonne *Yong Sheng*, operated by Cosco Group, left the Chinese port of Dalian on August 8 and is set to dock in Rotterdam on September 11. The projected travel time, via the Bering Strait, is 12 to 15 days less than the southern route through the Suez Canal. As Russia has been recently and significantly slowing its activity in the NSR, some experts say joining forces with China would help revive the route's economics.



On the Recovery Path

The global shipbuilding market is expected to expand at almost 23 per cent yearly through 2013.



At a time when most industries are saving every penny they can to rescue their margins from ebbing away, the ship building sector, perhaps, is the only one having its treasury ringing. July saw an unprecedented spurt in ship building contracts for 96 vessels for a dead weight of 5.532 million. This never before steep rise accounts for a 500 per cent increase in building contracts compared to last year's.

What's even more surprising is this surge in orders was report the same week the Chinese government announced its decision to temporarily lay off of its plans to construct any new ships in the medium term given the uncertainty engulfing the shipping industry. China is trying to rejig its shipbuilding policy to ensure it beats South Korea in getting the maximum orders from other nations. However, the

shipping orders in China closed at 9.57 million dead weight tonnage by the end of the first quarter.

At the same time, South Korea continues to give China stiff competition with its orders increasing steadily year over year. Korea's shipbuilding yards reported an increase of 43 per cent this year compared to the last amounting to \$12.4 billion. According to the Port of Dandong, last year, the price of newly built ship continued to present downtrend. It seemed to drop to the lowest level in the second half of the year. At the beginning of this year, the price of newly built ship also fell year on year. But shipbuilding industry and shipowners thought the price had hit bottom, and the tendency of signing contracts of newly built ships began to revive.

"Over the past 12 months, orders have fallen dramatically in the Chinese

shipbuilding industry, despite being a previous hotspot. COSCO, one of the country's largest shipping companies, has suffered huge losses in the past year and is unlikely to continue ordering as many ships as before," according to IHS Maritime senior analyst Gary Li.

According to data released by Clarkson Plc, the world's largest ship broker, close to 483 shipyards in China bagged \$10.5 billion worth of orders in the first six months of this year, while almost a 100 builders in its rival nation, South Korea won orders amounting to \$18.5 billion. South Korea's orders have been on the rise since 2010 because of its timely delivery to its customers, Clarkson said, citing that Korea delivered about 142 vessels to its customers that can carry more than 10,000 containers,

China's neighbour and Asia's second biggest economy, Japan, has a similar story to tell. Its shipbuilding industry clearly seems to have got a reprieve with increasing orders coming by for the fifth month in a row by July. According to the Japan Ship Exporters Association, there have been orders for 35 new ships of varying from general cargo ships to capsize bulk carriers crossing a gross tonnage of a lakh.

Wendy Laursen, in her report on the Global Ship Building industry attributes the labour market conditions prevailing in Asia to the surge in ship building orders. "The rise of shipbuilding in Japan and Korea stemmed in part from a relatively cheap and abundant labor force," she says. The global shipbuilding market is expected to expand at almost 23 per cent yearly through 2013, according to Konzept Analytics. The industry is involved in the construction of ships and floating vessels including tankers and bulk carriers. Drivers of growth in this market include rising demand for oil and an increasingly favourable economic climate. Though the market was hit by a fall off in demand in 2008 and 2009, the industry has been recovering since 2010, with a market rise in new orders. The global shipbuilding market is aggressive, with the competitive edge won by companies showing the highest degree of technical developments, productivity and skilled workforce. **WGB**



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NEW TARIFF



HALF FULL



With the new tariff guidelines, the Shipping Ministry has taken a step in the right direction to offer level-playing field to major ports in the country. But it will not be easy for the government-run ports to compete with their private counterparts as there are unresolved bottlenecks that can slowdown their growth.

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GUIDELINES

R HALF EMPTY?



It was a much awaited step to permit competitive market forces to have a larger role in determining tariffs at major ports in India. And, the government did not disappoint the investors. In line with expectations, the Shipping Ministry last month announced a new set of guidelines allowing private investors of new terminals more flexibility in deciding tariffs.

“The new guidelines allow the competitive market forces to play a greater role in tariff determination and impart flexibility. This is a major step forward,” said Union Minister for Shipping G K Vasan in Mumbai while announcing the new norms.

The new simplified guidelines are expected to pave way for increased investment flows into the port sector.

The Ministry of Shipping has set an ambitious target to award 30 port projects during 2013-14, which would add 288 Million Tonnes Per Annum (MTPA), with an investment of about ₹25,000 crore. This includes ₹8,000-crore big ticket project of the fourth container terminal at the Jawaharlal Nehru Port, JNPT in Navi Mumbai.

During 2012-13, the Ministry awarded 32 port projects at an estimated cost of ₹6,765 crore, entailing capacity addition of 136 MTPA.

The Ministry expects these ambitious plans to receive a shot in the arm from the new flexible tariff setting norms.

The Shipping Ministry had been contemplating to come up with the new tariff guidelines in response to feedback received from various stakeholders, who felt the existing Tariff Authority for Major Ports' (TAMP) regulations were detrimental to the growth of the sector. It was also felt that there was no level-playing field between the major ports and the non-major ports, as the latter were outside the ambit of TAMP.

Vasan said an Inter-Ministerial Task Force headed by Member, Planning Commission B K Chaturvedi, looked into the issue in a holistic manner and gave its recommendations. "The new guidelines are being issued after extensive consultations with all the stakeholders and I hope that they will encourage more private investment in port projects," he said.

The new guidelines for determination of tariff for projects at major ports come into force with immediate effect. Besides providing for tariffs to be indexed to inflation, the new guidelines also set out performance standards for port projects to improve accountability and ensure improved quality of service. The focus of the Tariff Authority for Major Ports (TAMP) will now gradually shift to performance monitoring and redressing grievances.

The tariffs at the 12 major ports, which come under the central government, are controlled by the TAMP unlike the non-major ports or the private ports which are free to set their tariffs. As a result, major ports were struggling to attract investment and steadily losing out to their private counterparts in terms of cargo throughput.

According to a recent report by rating agency ICRA, the share of the major ports in the country's overall cargo throughput fell by 3 percentage points to 58 per cent in FY13 from 61 per cent in the previous fiscal. In FY13, the major ports saw a 3 per cent decline

in cargo handling as against the 13 per cent increase at the private ports. The total throughput at the ports was at 935 million tonnes.

The report says that the non-major ports have an edge over major ports due to their superior cargo handling infrastructure, large capacity and high operating efficiency. These factors will help them wean traffic away from major ports.

It seems the new guidelines are an effort to arrest this trend and make major ports more competitive and efficient. "We hope to attract more investment and cargo traffic. Although there is a healthy competition, there is no level-playing field," said Vasan.

According to the new guidelines, TAMP will set a reference rate for handling a particular commodity at the new port. This will typically be the highest prevailing rate that was set along 2008 guidelines. If a commodity is not handled at a particular port, the highest tariff at the nearest major port will be used as the reference rate.

This reference rate will be applicable for five years and it will be escalated to inflation up to 60 per cent of wholesale price index. This would be the ceiling tariff for the first year of operation of the project. But the port operator will be allowed to increase tariff from second year onwards, but subject to a cap of 15 per cent over the reference rate. It will

"The report says that the non-major ports have an edge over major ports due to their superior cargo handling infrastructure, large capacity, and high operating efficiency. These factors will help them wean traffic away from major ports."





Hence, TAMP being vested with these powers may not be a bad thing to implement. There are live examples in other infrastructure sectors, notably in roads and telecom, where the concerned regulators also oversee service aspects.



K Ravichandran

Senior Vice President & Co-Head,
Corporate Ratings, ICRA Limited.

also be linked to port's performance. The tariff can be increased only once every financial year.

The bids for award of new PPP port projects will be invited and evaluated on the basis of the reference rate. TAMP will notify the performance standards and the reference rate will be given in the bid document.

"While complete freedom to the private developers/Major Ports to fix the tariff is the most desirable decision, in the absence of that some kind of reference tariff will be helpful for the developer to convince the users on the fairness of the tariff," says K Ravichandran, Senior Vice President & Co-Head, Corporate Ratings, ICRA Limited.

According to him, regulators ought to be monitoring the performance standards so that trade gets benefited from efficiency of operations. "Hence, TAMP being vested with these powers may not be a bad thing to implement. There are live examples in other infrastructure sectors, notably in roads and telecom, where the concerned regulators also oversee service aspects," he explains.

While the new guidelines are a step in the right direction, it will not exactly create a level-playing field for major ports anytime soon as existing projects are out of the purview of the revised norms. The new norms are applicable to those projects whose bids are invited after the notification of the new guidelines.



Port contracts at major ports are currently governed by two sets of tariff guidelines – one framed in 2005 and the other in 2008.

Under the 2005 guideline, 14 cargo terminals operate. TAMP sets tariffs of these projects by adding 16 per cent to the actual costs. This is generally revised once every three years. Though the validity of these norms came to an end in 2010, it has been extended by the government till then.

This model was changed in 2008 as cargo handlers felt they were being penalized for efficiency. Three projects operate under this model.

Under the new norms, tariffs are set on a normative basis by factoring in 16 per cent return on capital ahead of calling price bids for new cargo-handling projects. The contract will be given to the bidder who is willing to share the most from its annual revenue with the major port.

The set rate will remain valid for the entire duration of the 30-year contract. The tariffs, though, would increase every year, to account for rising prices because they are indexed to the wholesale price index (WPI) to the extent of 60 per cent.

While nobody doubts the intentions of the government in issuing the new norms on July 31, 2013, it is yet to be seen whether this one can attract private investment.

"The government is still shying away from total deregulation of tariffs.

It is also discriminatory as the existing projects will not benefit from the new norms. This in turn will widen the complications and may lead to two different classes of projects in the same port. Major ports will have to wait or a long time to gain competency. It will take at least 3-4 years for a new project to take-off," says an official of a private port investment company.

This is the crux of the problem. Despite all the relaxations, the tariff regime in India seems way too regulated. Franck Dedenis, MD, Maersk Line (India & Sri Lanka cluster) AP Moller-Maersk AS Group explains, "There is no level-playing field on tariff or efficiency. The existing terminals at major ports are still governed by either the 2005/2008 guidelines; moot point for which is being penalised for increasing volumes. The non-major ports will still continue to operate out of the purview of the TAMP guidelines. Hence we still do not have a level-playing field."

In an assurance to existing investors, the government has promised to look to the migration of old projects to the new guidelines. "We will examine retrospective projects cleared under earlier TAMP guidelines at a later date," says Milind Deora, Minister of State for Shipping & IT and Communications.

But this assurance may not be sufficient to justify the port charges in India that are among the highest in the world. Liners such as Maersk expect a much higher level of service and a rationalization of tariffs to be in line

with other big hubs in the region. That does not seem to be on the cards as yet.

They are also seeking clarifications on what would happen to the tariffs under the 2005/2008 regime. "Key questions which come to mind are, 'what transition do the authorities foresee if any? And if a transition is to take place then what level of tariff will be set? Will it be the 2005 or 2008 level or at a level including the TAMP ordered reduction in Tariff? Whether this applies to the NhavaSheva Terminals NSICT and GTI, Chennai amongst others? These are some of the decisions that need to be taken fast," says Dedenis.

"The government is shying away from total tariff deregulation. It is also discriminatory as the existing projects will not benefit from the new norms. This in turn will widen the complications and may lead to two different classes of projects."

TARIFF GUIDELINES 2013- MAIN FEATURES

- The Tariff Guidelines will have prospective effect. The projects already awarded will not be covered under the new guidelines.
- 2005 and 2008 guidelines shall continue to apply to projects bid under them.
- Tariff Authority for Major Ports, TAMP will first set the Reference Tariff for a particular commodity at a major port. Such Reference Tariff will typically be the highest prevailing rate that was set on the basis of guidelines framed in 2008 for handling a particular commodity in a port.
- If that commodity is not handled at that Port, highest tariff in nearest Major Port shall be taken as Reference Tariff.
- Reference Tariff so set, shall be applicable for 5 years. It will be indexed to inflation up to 60 of Wholesale Price Index.
- TAMP will also notify Performance Standards of facilities and services offered at the port project
- Both the Reference Tariff and Performance Standards shall be mentioned in the bid document and the bids will be evaluated on the basis of Reference Tariff.
- Indexed Reference Tariff would be the ceiling tariff in the first year of operation
- Operator shall be free to propose tariff higher than indexed Reference Tariff from the second year subject to Tariff Cap of 15 per cent over and above the indexed Reference Tariff.
- Upward revision will be allowed only once in Financial Year
- Proposal for increase in tariff should be sent to TAMP, stating achievements in Performance Standards in the previous year. These should be certified by an Independent Engineer drawn from an approved panel.
- If Performance Standards as per the Concessionaire Agreement are not achieved, TAMP shall not consider any hike in traffic.
- Revenue Sharing will be as per the Concession Agreement.
- Major Port Trusts shall draw Performance Standards for the new berths, comparable to similar PPP berths.
- If PPP operator fails to achieve Performance Standards, the stakeholder can make a representation to TAMP.
- TAMP will hold an inquiry and give its findings to the Major Port Trust
- Major Port Trust will be bound to take action on the findings as per Concession Agreement





He is also cautious about the outcome unlike the Shipping Minister, who is expecting an increased level of private investment in major ports as a result of the new guidelines. "It is too early to predict an outcome. There is high dependency on the indicative tariff setting by TAMP and the revenue share that they want to receive. We have to remember that for an investor the expected return is an important consideration in his decision making process. Whatever is deducted from the revenue share reduces business return and subsequently the appetite to invest," says Dedenis.

All stakeholders are in fact keenly watching government moves. But the government regulations need to be nimble and thought-through to translate into the investments that Vasan is expecting. Lack of clarity and a delay in explanations sought by the industry will kill the private enthusiasm.

"Tariff is one of the considerations, albeit important, for the bidders, with the others being demand-supply scenario for that particular cargo/terminal, macroeconomic scenario, availability of captive cargo, ease of funding and prospects for EPC contracts being offered to group companies. Speed of decision making at various levels during

the bidding stage, security clearances and litigation by the affected bidders are other factors which can decide the pace of project awards," says Ravichandran.

He thinks it is feasible to throw open the tariff to market forces as there is sufficient competition between major and non-major ports, and within intra ports.

But a drastic restructuring on tariffs based on free market principles is not possible as the government at present is not in a position to take any call on dismantling TAMP and offering full autonomy to major ports or private operators to fix tariffs. Considering the political compulsions and the related difficulties involved in amending Major Port Trust Act 1963, new tariff guidelines is the quick-fix solution the Shipping Ministry can offer to the problems related to attracting private investment at major ports.

It is also doubtful whether the major ports and their trustees have the competency and credibility to carry out a difficult exercise such as fixing tariffs.

"To dismantle TAMP and to give the power to determine tariffs to major ports requires amendment of the Act. That is an uphill task. Also, the 12 major

ports managed by trustees cannot be entrusted with the task of tariff setting. Trustees mostly represent vested interests including local trade unions and political parties. They do not have the competency and the knowledge base to set tariffs," says a government official.

According to him, before giving power to major ports for setting tariffs, we need to ensure that they are run by professionals. "It is better to abandon the trust model and corporatize them like Ennore Port," he says.

He also suggests that instead of amending the Act, the government can look at introducing changes at the administrative level by inducting professionals or representing other stakeholders in the governing body of a major port. This will effectively ensure ports are run by professionals and help attract investment.

But corporatisation of major ports will not be easy as it will surely ruffle the feathers of trade unions and port workers associations. Overall, the new guidelines are just the beginning of a long journey with many roadblocks ahead. Unless the government takes some tough measures to remove those obstacles on the road, major ports will not be able to compete with private ports. 

The man who brought sea closer to the world is no more



CP Srivastava, the first executive of the Shipping Corporation of India and founder-Chancellor of the World Maritime University, passed away at the age of 93 at Genoa, Italy, leaving a behind a rich inheritance of education and opportunity for the maritime industry.

CP, as he is fondly known, was educated in Lucknow to be a lawyer before he began serving as Meerut's district administrator upon becoming a civil servant. After a stint at Lucknow, he was posted as the Joint Secretary to the Indian Prime Minister's office for two years from 1964 to 1966 where he worked closely with the Late Lal Bahadur Shastri.

Over soon in his career, he was attracted towards sea especially to the training and welfare of seafarers. A couple of years before independence, he was the reason behind the establishment of a new network of new maritime institutions, that bestowed the maritime industry with skilled personnel. Realizing that his interests lay in furthering the cause of the Indian maritime trade, CP was asked to head the Shipping Corporation of India as its chief executive in 1974. Subsequently, he was elected to serve as the Secretary-General of the International Maritime Organisation (IMO), an arm of the United Nations, based in London. His acumen allowed him four successive terms as Secretary-General of the organization from 1974 to 1979.

It was during this time that he brought sea closer to the world. A pioneer and a visionary, CP knew the future of the industry was in the hands of strong institutions of training and education. He was instrumental in establishing the International Maritime Academy in Italy and the International Maritime Law Institute in Malta. But his best gift to the industry was the World Maritime University, which he founded in 1983, to address the needs of developing countries that ventured into maritime trade.

During Dr. Srivastava's tenure as Secretary-General, from 1974 until his retirement on December 31, 1989, IMO increased its membership considerably. Dr. Srivastava was well known for his relentless efforts to make IMO known to the developing world and for encouraging developing countries to join the "rich men's

club", as IMO was often referred to at the time. This shaped the structure of the Organisation's membership to its present status, whereby two-thirds of the 170-strong membership (and three Associate Members) is represented by developing countries, making a significant contribution to IMO.

Dr Srivastava's leadership of IMO is associated with the success of the 1978 Tanker Safety and Pollution Prevention (TSPP) Conference, and the development and adoption of the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW), 1978, the International Convention on Maritime Search and Rescue (SAR), 1979, the Convention for the Suppression of Unlawful Acts Against the Safety of Maritime Navigation (SUA), 1988, and related Protocol for the Suppression of Unlawful Acts Against the Safety of Fixed Platforms located on the Continental Shelf, and many other treaties and Codes.

During his tenure, a comprehensive, pragmatic and coordinated programme of technical cooperation was conceived and developed and effective steps were taken to promote its continuing implementation.

Recognizing his unparalleled contribution to India and the world, the Indian government conferred upon him the Padma Vibhushan, India's second highest civilian award in 2009. In 2005 he was awarded the 2004 Lal bahadur Shastri National Award for Excellence in Public Administration and Management Sciences by the then President of India, A P J Abdul Kalam.

Previously, in 1991, he received the International Maritime prize from the IMO for his contribution to the Organisation's work and objectives.

Known to be an upright administrator, an astute leader and an inimitable human being with rare qualities of humility, sound judgment and great will power, many international recognitions came his way too. He was awarded the title of Honorary Knight Commander of the Most Distinguished Order of Saint Michael and Saint George conferred by Queen Elizabeth-II. 



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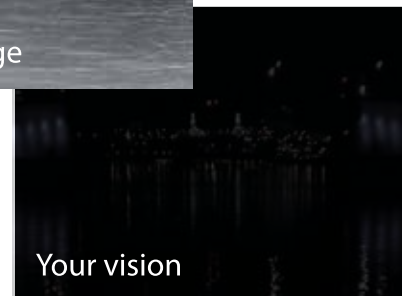
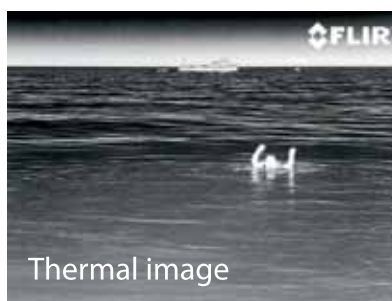
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WHAT MAKES GUJARAT'S MARITIME INDUSTRY Vibrant?

Maritime dominance of Gujarat is no accident. It is the result of a strategic approach and proactive policies by the state government.

Vijay Kurup

In April this year Kandla Port was in the news for maintaining its number one position for the fifth consecutive year.

The port has not only surpassed the cargo handling target of 89.00 Million Metric Tonnes (mmt) set by Ministry of Shipping for the fiscal 2012-13 but also set a record of 93.63 mmt. Three months down the line, Mundra Port – a non-major port in Gujarat run by Adani Ports and Special Economic Zone Ltd (APSEZ) – has overtaken Kandla Port in terms of cargo handled in the first quarter of the current fiscal.

The surprising fact is not about a non-major port surpassing a major port in its performance (which incidentally has been a foregone conclusion), but two ports, one major and the other non-major, being from the same state dueling for the *numero uno* position.

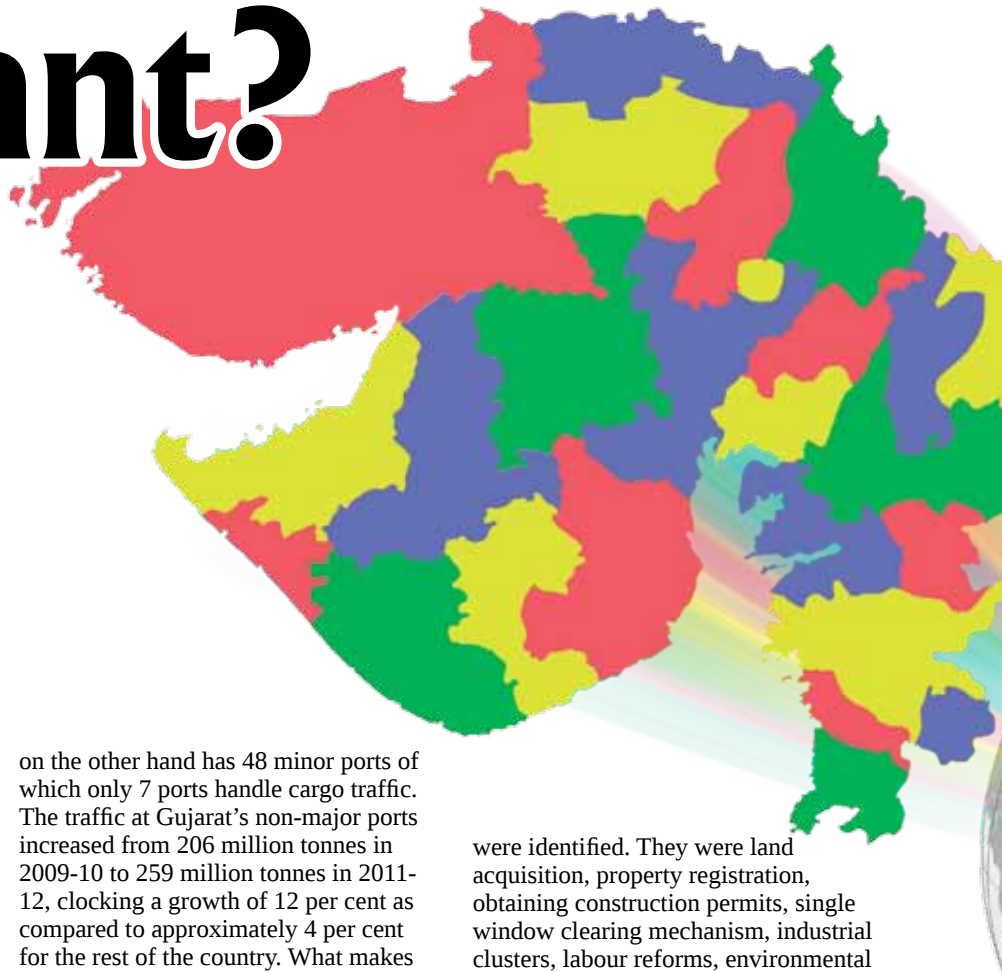
Gujarat has 40 minor ports, second highest in the country, of which 18 ports handle commercial traffic. Maharashtra

on the other hand has 48 minor ports of which only 7 ports handle cargo traffic. The traffic at Gujarat's non-major ports increased from 206 million tonnes in 2009-10 to 259 million tonnes in 2011-12, clocking a growth of 12 per cent as compared to approximately 4 per cent for the rest of the country. What makes Gujarat's maritime industry vibrant? In the maritime sector, why are they many nautical miles ahead of other states?

A recent seminar organized by FICCI and Bain and Company, examined the variables that determine the climate for doing business. They listed robust examples of best practices adopted in seven states, viz. Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Rajasthan, Tamil Nadu and West Bengal. Twelve key factors impacting business environment

were identified. They were land acquisition, property registration, obtaining construction permits, single window clearing mechanism, industrial clusters, labour reforms, environmental related compliances, availability of power, payment of taxes, availability of information, commercial dispute resolution and exit procedures.

They identified the states that had adopted these parameters for good governance. The study had thrown up some stark realities of the relationship between the Center and States. The ability of the states to introduce reforms in each of these areas largely depended on whether they fell under the Union, State or the Concurrent list. In the first



10 factors, it was found that the states had introduced clear best practices to improve business environment. In the remaining two, no clear state led reforms emerged as the influence of the judiciary or the Centre was much stronger thereby significantly circumscribing the influence of the States.

In the analysis of the best practices, Gujarat featured in 7 out of the 10 factors impacting businesses. Karnataka and Rajasthan in 3 each, Andhra Pradesh, Tamil Nadu, Maharashtra in 2 each, West Bengal 1. Gujarat comes out head and shoulders above the rest in the number of factors where they have established best practices with clear-cut transparent procedures for conducting business. Clearly, they have tapped the right factors to propel themselves forward.

The controllable factors where Gujarat had initiated best practices were land acquisition, property registration, establishment of industrial clusters, labour reforms, environment related compliances, availability of power and availability of information.



In the critical areas of land acquisition and environment related compliances (two biggest stumbling blocks in implementation of projects), Gujarat has laid down unambiguous



and clear-cut guidelines. The policy of land acquisition is based on partnership with owners and market prices. They have forged ahead and created a large land bank, duly computerized and made accessible for the industry to choose from. They have, of course, had the overwhelming advantage of large tracts of unutilized land which could be taken over without dispute.

The projected capacity expansions of non-major ports substantiate these facts. The capacity expansion of non-major ports in Gujarat in 2019-20 is projected to be 864 million metric tonnes, whereas those of Maharashtra, Andhra Pradesh and Odisha are around 200 mmt. For the rest of the states, the projected capacity expansion is still in double digits.

It has identified 11 Greenfield sites to develop all weather direct berthing ports. Five deep draught ports have also been identified for development.

But having said that, it is the ready information about land availability and the transparent and efficiency of processes that has driven industry's concerns. Road/rail connectivity to the

hinterland destinations and availability of land for ports for expansion were only possible because of a cohesive, transparent land acquisition policy.

In property registration, Gujarat has extensively computerized land administration system which has enabled faster registration and title transfer.

The two well-developed hubs for automotive and pharmaceutical clusters act as catalysts for all-round growth and bear symbiotic relationships with the ports. Clusters ensure reliable, short-transit time of shipments to complete just-in-time purchase orders.

In skill development, Gujarat has established well defined skill development through industry participation. Attracting skilled work force in remote areas such as ports is by no means easy and it has been a problem that has beset many shipping lines and terminal operators.

Maritime dominance in Gujarat is no accident. The Ports do enjoy a natural location advantage. But more than this attribute, it has been the coalescence of best practices with disciplined approach that have propped these ports to a maritime excellence. Gujarat has a head start in the race – an unbeatable lead. Bolt is the name! 

With India's increasing trade ties with other nations, freight forwarding services industry in India is set to grow at a rapid pace. The industry is also witnessing a paradigm shift in the way it functions due to the changing regulatory environment and increasing demands from customers.

Sreekala G

COMING OF AGE?

With the globalisation of businesses, export and import services have become more complicated. As a result, reliable supply chain service providers like freight forwarders are now finding plenty of new business opportunities to cater to the varying needs of diverse businesses spread across the globe.

India's growing trade with other nations is providing a major boost to the demand for freight forwarding business in the country. Freight companies are also expected to benefit from the planned investment envisaged by the government in transportation infrastructure.

"International freight forwarding, like global trade, has always been an ever-evolving business. A freight forwarder has, almost always, not just survived but progressed for better during the times of change, as they have responded to the stimulus of changing environment by realigning with the emerging needs of the customers and market force. Therefore, it is not just the way we do business that has changed but there has also been a paradigm shift in the business itself," says Shantanu Bhadkamkar, Chairman, Federation of Freight Forwarders Associations In India (FFFAI) & Managing Director, ATC (Clearing & Shipping).

Transport Intelligence (TI), a leading logistics research and consultancy specialists, in its new report – Global Freight Forwarding 2013 – suggests that the positive growth in freight forwarding market is entirely due to sea freight sector.

According to the report, although the overall market grew by 3.1 per cent to \$125.85 billion in 2012, the air freight forwarding market declined by 4.2 per cent to \$62.62 billion as a result of overcapacity, rising fuel prices and other operational costs. However, the sea freight forwarding market grew by an impressive 11.5 per cent to \$63.23 billion in 2012.



“Freight forwarding market is rapidly undergoing changes and service providers will have to equip themselves to cater to this kind of a dynamic scenario. More and more customers are shipping directly from source and forwarders need to take note of the cross-trade opportunities.”

that Indian freight forwarding market is expected to grow at CAGR of 14 per cent to reach \$12 billion in 2014.

“I am very optimistic about the freight forwarding business in India while the concept is not so popular in other countries. Exporters in India are still engaging customs brokers who in turn book the cargo to freight forwarders. Hence, Customs Brokers are the vital link between exporters and freight forwarders. In other countries the freight forwarders are warehouse managers of companies which import or export the goods directly from freight forwarders’ godowns. In India, only exporters are permitted to export the goods with Import Export Code (IEC) numbers, whereas in other countries freight forwarders can ship the goods on advice of the company,” says Pankaj Shah, Vice-President, Brihanmumbai Customs House Agents Association (BCHAA) & Secretary, Indian Institute of Freight Forwarders (IIFF).

Freight forwarding market is rapidly undergoing changes and service providers will have to equip themselves to cater to this kind of a dynamic scenario. More and more customers are shipping directly from source and forwarders need to take note of the cross-trade opportunities.

Another significant change that took place recently is the significant growth in volumes of traders. There is a big shift in import patterns; for instance, at the biggest container port in the country, imports by traders exceeds imports by the actual users.

Increased demand from customers, carriers and customs for regulatory compliance is another matter freight forwarders have to deal with.

History

Freight Forwarders are known to have been operating since 10th century. They were present in the earliest trade routes and have origins in emergence of the public warehouses in port cities and trade fair cities. By the 16th century, some forwarders issued their own Bill of Lading, Way Bill, Warehouse Receipts, etc.

Reference of cargo consolidation, i.e. collection of cargo from multiple shippers, has been found in the early 18th century.

“Often it seems that we are reinventing ourselves by adopting modern technology including communication, new management styles and different business models,” says Bhadkamkar.

Custom House Agents (CHAs), now Customs Brokers in India, were earlier known as ‘Dalal’. The first one is said to have secured license in 1858, the year which marked the exit of East India Company.

Since then, this business has gone through a regular transformation responding to developments, such as containerisation, emergence of ICD/ CFS, computerisation and IT playing key role in all the businesses and economic developments of globalisation, liberalisation and simplification.

Changing scenario

From being single location local operators, many Indian freight forwarders today are multi-location operators with national presence. A lot of foreign freight forwarders have also opened offices in India, and their share of business is increasing. In fact, the foreign freight forwarders now have a

Asia Pacific accounts for the largest freight forwarding market with a 32 per cent share. Although its economy is still heavily reliant on exports, domestic demand is growing and therefore intra-Asian services are becoming more sought after. Therefore, TI expects Asia to hold a 37 per cent share of the market by 2016. It is anticipated that this will be of particular detriment to the European market, currently the second largest, which will decline from 31 per cent to 26 per cent as a result of its ongoing economic issues.

The high growth in Asia Pacific market will help Indian freight companies as well. Estimates suggest

greater growth in India than the Indian freight forwarders.

Today the increase in the volume of cargo movement on a door-to-door basis has resulted in forwarders taking responsibility of not just pick up and door delivery but also of intermediary activities including warehousing, distribution, pick and pack, order management and the list goes on.

It is common today to have in-plant people (forwarders employee) in the customer's premises to help them organise their dispatches and documentation for export and receiving, and storage for inbound cargo.

“Indian government must allow freight forwarders to import and export the consignments for the distribution to various cities and consignees. This will help correct supply chain management system.”

Challenges

There is a wide spectrum of challenges Indian freight forwarders are facing today. Some of the challenges are related to the regulatory regime and infrastructural issues.

“Freight forwarding business in India is full of opportunities and challenges. If one has to set up business, all types of infrastructure have to be developed. There is shortage of skilled staff. Rupee value is also a challenge nowadays. There should be a law to recognize freight forwarding business in India,” says Shah.

According to him, existing freight forwarders are availing every opportunity to offer best services by

giving negative freight or zero freight. He also criticized the unethical practice adopted by some companies charging hefty amounts from Indian importers for handling their import consignments; and transferring their profits to their counter parties in other countries.

“Indian freight forwarders should not kill the Indian trade for overseas freight forwarders and collect the money by displeasing the Indian importers. This is also increasing the transaction cost of Indian goods and Indian product less competitive in world market. Indian government must allow freight forwarders to import / export the consignments for the distribution to various cities and consignees. This will help correct supply chain management system,” he says.

Other challenges include non-availability of trained workforce, as our education system is basically knowledge and academics oriented. There is little focus on vocational training. “We therefore have a paradoxical situation where fresh graduates have challenges in finding jobs. On the other hand, the freight forwarders and customs brokers find shortage of trained work force at every level,” points out Bhadkamkar.

Challenges also include the surge of global and multi-local Forwarders in India. As many of them are a relatively new to Indian market, they adopt penetration pricing. “We have also seen relatively small forwarders from other countries start their offices in India as the economies in their own countries have been stagnated for an extended period,” says Bhadkamkar. On the flip side of this competition is that while Indian forwarders entirely depend for their earnings in India, foreign forwarders have the ability to cross-subsidise so as to strengthen their future earnings.

“The freight forwarding and logistics industry suffers from what is called regulation fatigue,” says Bhadkamkar.

It is not just the MSME sector, even the large businesses find that the cost of law and statutory compliances is increasingly getting expensive. Besides, it is getting unceasingly harder to ensure being completely law compliant,

even as it exhumes greater share of management time.

“Simplification and harmonisation facilitates the trade and commerce. Equally, it brings down the transaction cost and cost of compliance. Laws, rules and regulations are subject to misinterpretation or impractical interpretation, excessive legislation dampens the growth momentum,” he says.

FFFAI also feels that the courier mode should not be given any special priority over other modes of transport, particularly air freight. The organisation says it is not just FFFAI's position but even Kyoto Convention establishes the principle that no mode can be given a preferential treatment, special priority or special privilege over other modes.

Future

The future will see the Logistics Integration of Supply Chains. “The logistic service provider will play key role in not only physical movement of goods, coordination and documentation, but also in planning and other internal processes of customers. Of the Six basic business functions of the customs value chain, the LSPs will play an increased and integral role in production, marketing, sales, distribution and Customer service. The customers will focus on research and development and design of products, services, or processes,” says Bhadkamkar.

In India, freight forwarding business is set to grow. “World over the freight forwarding business has reached a saturation point and there is stagnation in business. In India, due to lack of infrastructure and traditional business trends, freight forwarders have good opportunity and growth prospectus. The growth registered is around 10 to 15 per cent annually in the country,” says Shah.

However to find its true potential, freight forwarding business will have to overcome challenges related to the sector. In supply chain managements, all logistics operations are carried out by the freight forwarders on behalf of importers and exporters. And in future, freight forwarding will be a small part of the total logistics chain. 

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With power sector gradually moving out of its fixed tariff regime and companies struggling to rev up gas production, demand for imported coal is set to rise, paving way for India becoming the largest coal importer in the world.

With a staggering compound annual growth rate of 32 per cent during the last five years, India is overtaking Japan as the second largest importer of thermal coal. The country's coal imports rise to 118 million tonnes in 2012-13 from 39 million tonnes in 2008-09. Now India is second only to China and analysts say the country is inching toward the *numero uno* position in coal imports.

Power sector in the country is the main driver of this huge growth in coal imports. Faced with chronic power shortages and depleting gas domestic production, India is banking on coal imports to fuel its power plants. Power sector accounts for 75 per cent of the total thermal coal imports

In recent years, China has been focusing mostly on the domestic coal production. Analysts say that India has good chances of becoming the largest

coal importer in the world in the coming years as Chinese imports of coal slow down. According to Energy Aspects Ltd, India is likely to become the largest importer of coal for thermal plants by 2017.

In India gas is not going to replace coal as a thermal fuel as state-owned entities are struggling to increase production. Coal-fired power plants produce about 60 per cent of the power generation in India.

In 2012-13, India imported 20 per cent of its total coal requirements and this is expected to go up to 23 per cent by 2017. Meanwhile, the government estimates that the share of gas-based power generation capacity will fall to 6 per cent in 2017 as against 9 per cent in 2012-13.

Thermal coal imports from Indonesia increased by 60 per cent on a year on year basis to 10.8 million tonnes,

Coal imports set to surge



increasing its share marginally from 78.9 per cent in July 2012 to 79.5 per cent in July 2013.

According to Sava Report, Mundra followed by Krishnapatnam have been the most preferred ports, accounting cumulatively for 29.8 per cent of total thermal coal imports.

All PCI imports came through the port of Mumbai, whereas met coke imports came through the ports of Paradip, New Mangalore, Tuticorin, Kolkata, Visakhapatnam and Magdalla.

In the next five years, around 100 GW of new coal-fired power capacity is expected to be operational, which will create additional 350 million tonnes of coal requirement.

However, domestic thermal coal production is expected to support merely 48 per cent of this requirement, further growing India's dependence on imported coal.

Salva Report suggests that import demand is also set to go up with key tariff regulations setting in. The Power Ministry had announced financial restructuring of ailing state distribution companies last year to improve their financial health. This move will push discoms to adopt regular tariff increases across all consumer categories, allowing gradual reduction in cross-subsidy charge on industrial consumers.

As per the restructuring exercise, 50 per cent of each discoms short-term loans as of March 31, 2012 will be converted to bonds issued by discoms to lenders and guaranteed by state governments. Subsequently, the state governments will take over these bonds during next 2-5 years by issuing special securities to the lenders.

For the remaining 50 per cent of the short-term loans, the lenders will reschedule the loan and the discoms will receive a three-year moratorium on principal repayments.

The rescheduling of loans will be accompanied by initiatives focusing on increasing operational efficiency and timely tariff revisions.

To date, eight discoms have accepted this restructuring package and aligned with the initiatives. Some discoms have

Jul'13(Mt)	Jul'12 (Mt)	Y-o-Y Change	Jun'13 (Mt)	M-o-M Change
13.6	8.6	58.8%	13.3	2.5%

	4-Aug-13	6-Aug-12	Y-o-Y Change	3-Jul-13	M-o-M Change
Coal Stock (Mt)	22.2	10.2	116.6%	20.9	6.2%
Average Stocks (Days)	18	9	100.0%	17	5.9%
Plants with Critical Stock Levels (<7 Days)	7	32	-78.1%	11	-36.4%
Plants with Super Critical Stock Levels (<4 Days)	4	17	-76.5%	6	-33.3%

	Jul' 13	Jul' 12	Y-o-Y Change	Jun' 13	M-o-M Change
Coking Coal imports (Mt)	3.7	3.2	13.1%	2.9	24.6%
PCI Imports (Kt)	42.7	87.5	-51.2%	127.9	-66.6%
Met Coke Imports (Kt)	315.6	167	88.9%	245.7	28.4%

(Courtesy Salva Report)

“In the next five years, around 100 GW of new coal-fired power capacity is expected to be operational, which will create additional 350 million tonnes of coal requirement. However, domestic thermal coal production is expected to support merely 48 per cent of this requirement, further growing India's dependence on imported coal.”

also moved ahead with tariff increases.

In another indication of the government's flexible policy on tariffs, the Central Electricity Regulatory Commission (CERC) has mandated a variable compensatory tariff to be offered to Adani's Mundra thermal power plant and Tata's Mundra ultra mega power plant (UMPP) to mitigate the standoff between increased fuel costs and rigid power tariffs. This is expected to open doors for other power projects operating or planning to operate using imported coal but facing financial constraints.

The government has also cut duties for both steam and bituminous coals in 2013-14 Budget.

All these indicate strong signs of Indian power sector gradually moving out of its previously deadlocked situation on tariffs. Besides, private companies which have learnt their lessons from aggressive bidding without considering future market risks, are expected to offer rational tariffs during bidding stages. Future seems bright for coal imports. 

In June this year, the three shipping lines decided to forge an operational alliance. CMA CGM, Maersk Line and MSC Mediterranean Shipping Company SA agreed to establish a long-term working relationship on East-West trades, called the P3 Network. They aim to improve and optimize operations and service offerings. The P3 Network is expected to have a capacity of 2.6 million teu (initially 255 vessels on 29 loops) on three trade lanes: Asia -Europe, Trans-Pacific and Trans-Atlantic.

While the P3 Network vessels will be operated independently by a joint vessel operating centre, the three lines will continue to have fully independent sales, marketing and customer service functions, a statement issued by CMA CGM said.

The P3 Network was formed to provide customers with more stable, frequent and flexible services. Each of the lines will offer more weekly sailings

in their combined Network than they do individually. As an example, the P3 Network plans to offer 8 weekly sailings between Asia and Northern Europe. In addition the P3 Network will offer more direct ports of call.

The decision was prompted by declining volume growth and over-capacity in recent years, thus underlining the need to improve operations and efficiency in the industry. This has prompted the creation of other operational alliances such as G6 and CKYH. Using the P3 Network, the lines expect to be able to improve their efficiency through better utilisation of vessel capacity.

The lines intend to start operations in the second quarter of 2014, but the starting date will be subject to obtaining the approval of relevant competition and other regulatory authorities. In addition, the establishment of the P3 Network is subject to the lines agreeing on definitive contracts. Finalisation and signing of

the contracts is planned for the fourth quarter of this year, the release by French container and transportation and shipping company said.

The improved P3 Network is expected to reduce the disruptions for customers caused by cancelled sailings. In order to provide customers with a consistent service offering across the Network, the lines will establish an independent joint vessel operating centre. And it is this operating centre that the three Asian ports are targeting.

The three shipping lines together hold almost half the market share when gauged along the route from Asia to Europe alone. Hence a favourable port status for any of the three competing ports can be a huge win in terms of revenues for the port.

Currently, Port Kelang, also known as the Port of Malaysia is the preferred port of CMA CGM because the port is connected 600 ports in close to 200 countries. Its capacity to handle



What the P3 alliance means for the Asian ports

10,000 teu annually has earned it the 13th place in the world's busiest cargo ports. The Danish shipping giant Maersk prefers the other port in Malaysia – Tanjung Pelepas as its preferred port handling 8 million teu annually. With these ports taken, Swiss major MSC chose the Port of Singapore as its preferred port, the port being one of the busiest in the world handling close to 50 million teu annually.

With this alliance fructifying from early next year, a total of 255 ships will be operated in 29 loops with a combined capacity of 2.6 million teu annually, estimates suggest. Hence, the consequences of this alliance taking off will reflect greatly on a port's performance. Research firm Drewry says that each of these 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.

However, it is still unclear whether the shipping lines will cut down on their calls to other ports once one of these three ports is chosen as a favoured port. The report by the firm says, "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. For example, APM Terminals has a presence in Bremerhaven, where Maersk has more than 10 port calls a week, but not Hamburg, and MSC prefers Antwerp over Rotterdam."

For a certain port to be preferred over the others, it has to qualify a few prerequisites. The no brainer is about the ability of a port to handle ultra large container vessels, quays have to be long and deep and the terminal will have to be sufficiently equipped with cranes to

handle cargo with little or no margin of error. Drewry also points out the consolidation will result in tampering with the well-established berthing windows of each schedule, and the feeder/intermodal connections of each carrier that will be separate under the plan.

While the shipping lines will determine their port based on all of the above criteria, the ones who are worried most are the customers and the feeder lines. While feeder lines have to rejig their routes, customers will have to perhaps shell out more currency to transport their cargo to the preferred port if there is a change from the current port of loading.

Ports will also have to accommodate the port calls to ensure that other major shipping lines do not collide with the P3. Efficiency will be the key factor in which port will hold forth over the rest. While the upside for the P3 is quite conspicuous, the first quarter will project a clear picture of which port is winner among the three. 



Three Asian ports– Port Kelang and Port Tanjung Pelepas and the Port of Singapore are trying to snare the big three shipping lines to their ports to be the most favoured port in South East Asia. The world's three major shipping lines – Maersk, MSC and CMA CGM – are using three different ports right now to dispatch cargo to the United States and Europe.



Mark Millar

As the traditional strongholds of consumerism – the developed Western markets of Europe and the United States – suffer from a range of economic woes, consumption growth is slowing down, causing revenue and profitability challenges for multinational corporations (MNCs). As a result, companies are increasingly looking to Asia for market expansion, revenue growth, and increased profits.

It is easy to generalize and consider Asia to be one market, but in fact Asia is a collection of very different markets that vary widely, especially when it comes to the maturity of their logistics networks and supply chain ecosystems. As growth shifts to Asia, companies often experience significant supply chain challenges as they venture into new territories and consequently seek informed and independent insights to help them navigate the complex landscape.

Exciting consumer market potential

The Organisation for Economic Co-Operation and Development estimates that, globally, the size of the middle class (defined by the Economist Intelligence Unit as those who can afford to spend money on non-essential items) will increase from 1.8 billion people in 2010 to 4.9 billion by 2030. Asia will deliver 85 per cent of this growth, with spending by the region's middle class expected to account for almost two-thirds of middle class spending globally.

At the same time, urbanisation is accelerating – China is forecast to create more than 200 new cities with a population greater than 1 million people by 2025. Projections also predict that in the next decade, some 500 million people in Asia will have access to electricity in their homes for the first

DESTINATION ASIA

time, which will drive exponential increases in demand for a whole range of consumer household products.

Demand for fast-moving consumer goods (FMCG) is also forecast to rise, with PwC reporting that spending on soaps and cleaners in China and India should continue to grow at over 15 per cent per annum. But as MNCs rush to capitalize on this consumer market potential, they may discover that the most attractive markets are also likely to have challenging logistics environments.

A key factor for businesses to consider – for their logistics and distribution activities – is whether they will be best served by a global 3PL or a local service provider. There is no one-size-fits-all solution. In making their decision, companies must evaluate a number of factors including local market knowledge, sector-specific expertise, information technology systems, international best practices – and of course price.

The impact of China's economic shifts

The region's largest market, China, is experiencing shifts in its economy. International companies initially came to China to capitalize on an abundant supply of low-cost labour and incentives to establish operations in Special Economic Zones. In addition, they are now just as interested in the opportunity to sell products to the huge and rapidly expanding Chinese consumer market. As *The Economist* noted, "Foreign firms that came for the workers will stay for the shoppers."

Migrant workers, who moved to the coastal areas to work in the factories, are increasingly returning to their provinces as more work becomes available inland. As they do, the lower cost of living in rural areas results in greater spending power, driving domestic consumption in third- and fourth-tier cities.

For consumer goods companies, the logistics emphasis is just as much on distributing goods throughout the domestic Chinese market, as it is on transporting products from factories to coastal ports for ocean freight exports to the EU and the US. Increasingly, these rapidly expanding consumer markets are being established and opened up around the Asia region, notably in India, Vietnam and Indonesia.

“on top of Asia's geographic, economic, and political complexity, there are significant supply chain challenges resulting from developing regulatory environments, inadequate infrastructure, and talent shortages.”

Alternative production locations

As businesses pursue their China-plus-one strategies – usually seeking additional, rather than purely alternative low cost manufacturing sources – there are several options to explore – particularly India, Vietnam and Indonesia. But each alternative option has its own supply chain challenges. Companies considering manufacturing in alternative locations should consider the maturity and capability of their chosen market and assess the supply chain challenges they may face, including three critical aspects:

- The regulatory environment, including bureaucracy and administrative overheads, and its implications – for example, India's state-level tax system often leads to operating multiple distribution centres across different states.
- Infrastructure – in many Asian markets the transportation infrastructure is underdeveloped which can lead to damage and delays resulting in costly inefficiencies in the supply chain.
- Talent shortages – more than 70 per cent of businesses are now affected by the industry's ongoing skills shortage, according to the Logistics Executive 2012 Employment Market Survey Report.

Logistics challenges throughout Asia

The complex, fragmented and inefficient nature of the logistics sector can present many challenges for those doing business in Asia. The region's dynamic economies span developing, developed and emerging markets – all at different stages of maturity and sophistication. The nuances can be difficult to read and expensive to ignore.

The top three key challenges for MNCs are likely to be infrastructure, bureaucracy, and talent. Companies also need to deal with multimodal distribution into the hinterland regions, for which they will need partners with local market knowledge. Different consumer markets may also require product localisation, adding an extra layer of complexity to supply chain operations.

Additionally, Asia's diverse geographies – for example the massive land masses of China and India, or the substantial archipelagoes of Indonesia and the Philippines – together with the heavy traffic congestion in major cities, all add to the complexity of logistics operations, impacting supply chain effectiveness and efficiency.

Conclusion

There are huge opportunities in Asia as the middle classes grow exponentially, demand for consumer products increases, and spending on non-essential goods grows, including throughout the region's second- and third-tier cities.

But on top of Asia's geographic, economic, and political complexity, there are significant supply chain challenges resulting from developing regulatory environments, inadequate infrastructure, and talent shortages.

However, with informed insights and the right business partners together providing deeper understanding about the region, businesses can benefit from both production and consumption opportunities in Asia – and ensure that they are in a position to capitalize on that growth during what is becoming known as “The Asia Era”. 

Industry thought leader Mark Millar has been engaged by clients as Speaker, MC, Moderator or Conference Chairman at more than 240 functions in 20 countries and is recognized by the Global Institute of Logistics as “One of the most Progressive People in World Logistics”. mark@markmillar.com

ADJUST OR BITE THE DUST

It is imperative that the players and parties along supply chains keep a close eye on the trends in global logistics, given their influence on the logistics sector and the supply chains it serves. Doing so helps them to adjust to the impacts brought about by the trends.

Nazery Khalid

“Don’t follow leaders, watch the parking meter.”
– Bob Dylan



It should not come as a surprise then that the logistics industry is greatly influenced by many factors and developments in many fields. They shape the way logistics services are demanded and delivered. They affect the way industries and companies think and approach logistics. Logistics has emerged from the fringes to become a matter of strategic importance to industries and enterprises. They seek to enhance their competitiveness, market share and revenue through logistics to facilitate fast, efficient delivery of their products and services along their supply chains at competitive cost.

There is a maxim in business that in every dollar worth of product, there is 50 cents worth of service packed, and much of the value of that service lies in logistics. Logistics enables producers to obtain raw materials, facilitates the flow, storage, tracking, retrieval and disposal of materials and cargos, and also non-physical resources like capital and information. Logistics helps to deliver the right products, in the right quantity, to the right place, at the right time, and at the lowest cost possible.

There is a huge array of factors that drive the logistics sector. They include globalisation, liberalisation, production and consumption patterns, trade and economic dynamics, transportation, supply chain management trends, the advent of ICT and technology, policies, investment and financing, among many others. The extent of commerce, business operations and production of various goods has increased the complexity of supply chains. Companies servicing international clientele have to deal with complex transboundary supply chains featuring interdependent, interwoven networks of producers, partners, suppliers, vendors, service providers and regulators and customers.

Logistics is the pivot that links these stakeholders together. Much like a conductor of an orchestra, integrated logistics service providers have to orchestrate many parts and activities in the supply chain, like musicians playing different instruments, to ensure they are in harmony and deliver a satisfactory performance to the audience. As more companies outsource their logistics activities, third-party logistics service providers are increasingly relied upon

“The emergence of 3PL players, or third-party supply chain management providers, has enabled companies to focus on their core competencies and generate cost-saving and operational efficiency by outsourcing the logistics operations to these players.”

to enhance the performance of supply chains to help companies deliver satisfaction to the customers.

The ‘ecosystem of supply chains’ demands integrated and complex logistics services to seamlessly connect them to facilitate the flow of goods, materials and resources. These services are increasingly provided by third parties to facilitate movement of huge volumes and variety of goods and resources across boundaries and to overcome the challenges that come with this mammoth task. Logistics service providers play a crucial role in enabling the smooth, safe and cost-efficient movement of goods and resources along this ‘ecosystem’.

Key trends in global logistics

Given logistics’ all-encompassing reach, it is important that those along the supply chains they serve pay close attention to the major trends affecting the demand and provision of logistics services. These trends are influential in dictating the logistics sector and steering its direction. Those who fail to take heed of these trends run the risk of being left behind by the fast-moving, ever-changing dynamics of the sector, and may lose competitive advantage arising from poor performance of their supply chains.

The major trends affecting the global logistics sector are as follows:

i) Outsourcing of logistics activities

Companies are increasingly focused on keeping low inventories and shortening their product life cycle to reduce the cost of storage, as underlined by production concepts such as just-in-time and zero-inventory. This phenomenon has led to companies to outsource logistics services to specialists to enable the former to focus on their core competencies to gain competitive advantage over their rivals. Outsourcing of logistics activities has also given rise to transboundary issues and challenges in supply chain management and demands companies to adopt a globally integrated supply chain management and network approach. Outsourcing across boundaries creates cross-border risks and increase costs which have to be astutely managed by those managing extended supply chains.

Driven by the never-ending pursuit by companies to minimize cost, they are increasingly rationalizing their supply base of logistics services providers to reduce the number of outsourced partners to a handful of ‘best breed’ providers specialized by geographical focus, transportation mode and niche services offered. The companies are seeking to deal with as few logistics services providers as possible in facilitating the procurement, storage, distribution and movement of goods, materials and other resources across their supply chains.

The emergence of 3PL players, or third-party supply chain management providers, has enabled companies to focus on their core competencies and generate cost-saving and operational efficiency by outsourcing the logistics operations to these players. They are essentially logistics service providers specializing in offering integrated operation, transportation and warehouse services that can be customized or scaled to meet their customers’ needs based on market conditions and the demands and delivery service requirements for their products and materials.

These services typically extend beyond the ‘traditional’ realm of logistics and encompass value-added services related to the production or procurement of materials and goods, for example services that integrate parts

of the supply chain. 3PL services have helped companies improve their supply chain efficiency, flexibility, productivity and profitability. 3PL players provide integrated or 'bundled' services which typically include transportation, warehousing, materials outsourcing and other value-added logistics services to meet the needs of companies and prevailing market circumstances.

Companies are increasingly demanding more complex, value-adding logistics services, often procuring them from specialized players. One such service is contract logistics, which involve manufacturing logistics and original engineering manufacturing (OEM). Such service, often found in sectors such as electrical/electronics, textile/apparels, healthcare products and telecommunication products, reflects the growing trend of outsourcing and the global nature of production, consumption and trade. Companies use contract logistics services to gain competitive advantage by procuring raw materials and parts from the cheapest sources, by relocating in cost-competitive jurisdictions and by getting as close as they can to their target markets.

ii) Growing demand for sophisticated, value-adding logistics services

As companies grow and serve global markets and as countries expand their trade, they increasingly require more complex logistics services and supply chain management solutions. This demand arises from the increasing need of producers and suppliers to transmit resources and deliver goods to markets farther, and a marked shift from 'port-to-port' delivery of goods to 'door-to-door' delivery using a combination of transport modes (or multimodal transport service).

In meeting this demand, logistics service providers have been driven to invest in capacity and capability to provide integrated, value-adding logistics services to their customers. This is essential to enable the logistics services providers to deliver growing volume and variety of goods across greater distances in a speedy, efficient and cost-effective way. Providing specialized logistics services such as cold chain, transportation of halal goods, management of energy supply chain, transportation of dangerous goods,



and delivery of high-end, high-value products require enormous investments by logistics companies to provide the skills, assets and processes to ensure the timely, safe and secure delivery.

iii) Growing emphasis on protecting supply chains from security threats

There is growing focus on protecting lives, assets and information in the logistics sector and along supply chains. This also covers ensuring business continuity, preparing for disaster recovery, responding to crisis and emergencies, managing volatility and disruptions, and building a risk-tolerant supply chain. Security of supply chains has become a central issue to many companies who have now embedded it in their planning, control and execution of their supply chains. This is especially the case for companies conducting cross-border business and involving high-value, sensitive cargoes such as energy. They have allocated huge resources and have accorded extra protection along their supply chains against security threats such as piracy and terrorism and also to ensure business continuity.

Various security measures introduced by regulatory authorities have had an impact on movement of goods, information and capital along supply chains, and companies have to cope with this while ensuring the flow of their supply chains remain smooth. These include ISPC Code, Container Security Initiative, 24-Hour Advance Vessel Manifest Rule and Customs-Trade

Partnership Against Terrorism (C-TPAT) introduced by United States after the 9/11 attacks in 2001. These measures have arisen out of fear of terror attacks being mounted on supply chains and disrupting business, industries and economies. Although this has largely had a positive effect, the growing focus on security along supply chains has also increased the cost to businesses and caused delays along supply chains arising from more inspection.

iv) Increasing focus on human capital development to serve the sector

Focus is especially growing on nurturing skilled, talented and innovative personnel to match the growing needs for sophisticated, integrated logistics services; the complexity and extent of supply chains; and the increasing use of ICT and cutting-edge technologies, equipment and systems. Companies increasingly realize that failing to provide, retain and nurture such workforce will risk them lagging behind in capitalizing on the growing need for more sophisticated logistics services.

v) Emerging opportunities in the logistics sector arising from the Internet, telecommunications and social media

The advent of ICT and new communications channel has given rise to tech-savvy logistics operations and has changed the way information is relayed, shared and used across the supply chains. Technology and solutions providers are increasingly aligning their



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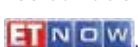
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products to meet the growing need of companies wanting to track their shipments and inventories at all times and conditions. Logistics companies have stepped up to the plate to meet these needs. They have personnel who are constantly connected and are multi-tasking professionals who bring new, innovative approaches to supply chain management that deliver profitability to the companies and clients.

vi) Growing influence of leadership in facilitating growth and value creation in logistics sector and along supply chains

The old way of looking at the logistics sector and supply chain management as just moving goods, information and capital from one point to another is rapidly giving way to supply chain leadership that can be instrumental and influential in building and enhancing customer relations and service, coming up with scenario planning, maintaining nimble and lean supply chains and delivering profits and enlarging market shares. Greater focus is also given to resilience of supply chains, corporate social responsibility and best practices as a means to win the hearts and minds of customers and gain differentiation and competitive advantage.

vii) Emergence of new techniques in the provision of logistics service and supply chain management

There is growing attention on creating lean supply chains through proven techniques such as Kaizen, Zero Inventory, Just-In-Time and Six Sigma and new, innovative ones like cloud technology and Value Stream Mapping to attain enterprise-wide efficiency, continuous improvement, cost reduction and better performance for companies, customers, plants and vendors/suppliers. The use of ICT in the logistics sector is also intensifying, as seen in the use of electronic data interchange (EDI) in facilitating trade and submission and processing of information related to trade information and the use of electronic single window platform to link stakeholders across the trade supply chains.

viii) Growing focus on benchmarking

Benchmarking has emerged as a strategic tool to link supply chain objectives, measures and metrics to business and corporate strategies. This entails embedding process performance management, measurement and controls into core business processes and making the supply chain more visible from end to end. There is greater demand by players along supply chains for greater transparency in logistics charges and trade transactions to minimize cost. More discerning companies will only do business with logistics service providers who benchmark their services against internationally accepted standards and measurements of performance.

ix) Increasing focus on cooperation and collaboration among players in logistics sector and along supply chains

This is notable among logistics services providers, managers, companies, businesses, transportation/logistics services providers, suppliers, vendors and other players along the supply chain to create lean supply chains, manage inventory and product lifecycles, drive performance, generate profit, create competitive advantage and even undertake research on new supply chain innovations, solutions and best practices. There are also regional and multilateral cooperation among governments and other parties along trade supply chains to overcome technical, trade and geographical barriers to promote greater trade, smoother flow across supply chains and better access to markets.

x) Growing focus on reducing carbon footprint from freight logistics activities and environmental protection along supply chains

Sustainable supply chain management is a staple agenda among many corporations and consumers nowadays. It is a global trend among consumers and in the business-to-business (B2B) realm that buyers and businesses are placing high emphasis on the 'environmental reputation' of their suppliers, vendors and partners. It is encouraging to note that there is growing emphasis on sustainability by reducing carbon footprint and greenhouse gas emissions in supply chain operations.

This has driven companies to adapt sustainability strategies and green measures through procurement of technologies, equipment and solutions to reduce emissions. This entails working with their logistic partners to improve the environmental performance and operations. This is in line with the requirement of Corporate Social Responsibility (CSR) to embed sustainability in all facets of the supply chain including product design, packaging, transportation, outsourcing, warehousing and disposal.

Survive or perish

It is imperative that the players and parties along supply chains keep a close eye on the trends in global logistics, given their influence on the logistics sector and the supply chains it serves. Doing so helps them to adjust to the impacts brought about by the trends prioritize their actions, optimally allocate resources, improve performance of their supply chains and come up with the right strategy to leverage supply chain management to enable their business to flourish.

Those who ignore these trends and the changes they bring will leave themselves exposed to the vagaries of the fast-paced supply chains and lag in key areas such as inventory management, materials sourcing, sales, operations planning, procurement and transportation of goods. Being laggards in these key areas can affect the companies' competitiveness and customers, and run the risk of losing their customers' loyalty and patronage.

Staying in tune with the trends in global logistics is especially crucial in these times of high oil prices, high alert and the prolonged global recession. The dramatic fall in freight volumes arising from the slump in production and consumption puts huge pressure on companies, shippers and players along the supply chain to match capacity with demand, attain economies of scale, lower cost and focus on core competencies. Keeping track of the trends is also important to enable them to prepare for the eventuality of global economic recovery and capitalize when demand for logistics services across the supply chains pick up again. 



Maintaining a healthy supply of manpower in a scenario, where an ever growing shipping and logistics business is throwing up new challenges. Then one has to grapple with the extinction of historical practices and emergence of contemporary breeding grounds, where creation of training infrastructure and imbibing culture & skills have become a daunting task in the recent decades.

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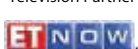
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FLIR launches **MU, MV**



After Vessel Traffic Services (VTS) systems, thermal imaging cameras are the latest addition to a fleet's technology to aid cruising through choppy waters at night. Senior crew members ferrying yachts and mega size vessels have discovered the power of thermal imaging and have installed the installed without questioning its benefit.

Though navigations systems are expensive, vessel owners have soon realized the relevance of such imagery. FLIR Systems is the world's largest thermal imaging company. The increasing worldwide demand for its products has resulted in the company's ability to bring down the cost of its core detector and to keep driving it down in order to make thermal imaging available to an even wider customer base.

Unlike the existing systems, FLIR's MU/MV requires no light to create images. This being the most distinguishable factor, vessels can make it ideal for seeing channel markers, shipping lane traffic, outcroppings of land, debris, any low bridges to

be avoided and other objects that could damage the vessel. The other applications of this product include detecting threats and conducting searches.

The MU system is equipped with an optical zoom that can produce crisp thermal images on which the smallest of details can be used for long range detection. An object the size of a small vessel can be detected at a distance of no less than 15,000 m. In addition, a wide field view of thermal imaging, contrary to the zoom, is ideal for detecting objects at a short distance or when docking in port. This imagery is possible when both moonlight and star light are present. The top model in this segment has four variations and by the touch of a button, the user can switch between different cameras.

The MV series is a more affordable multi-sensor solution. Its pan and tilt features provide excellent situational awareness. An active gyro stabilisation allows for steady images even in rough seas and the radar tracking facility allows users to track specific radar

returns from other ships, enhancing safety in low visibility conditions. The reason why a captain would pick this series over others could be because of the video tracker. A select target can be easily tracked by the touch of a button and the camera will follow the object for as long as it is visible. Its other notable features include Picture in Picture mode and Digital Detail Enhancement modes that allow for greater clarity of objects.

The MD series is also meant for maritime applications. The MD-Series are affordable, fixed-mount thermal night vision system. Once installed they always look in the same direction. MD-Series outputs standard analog video that can be easily displayed on any monitor at the helm or other monitors on the vessel. FLIR MD-Series are Ethernet-enabled for simple integration into your current electronics. The MD-Series can be mounted ball up or ball down according to user preference. The FLIR MD-Series are easy to use and require no operator training.

and **MD series**



FLIR markets two different versions of the MD-Series. One allows vessel detection at a distance of approximately 2,800 metres and the other is for detecting vessels located at a comparatively closer distance.

It is able to detect a small vessel at a distance of approximately 2,800 meter in total darkness. Both versions are come with the FLIR proprietary Digital Detail Enhancement (DDE) that provides a clear and sharp thermal image in all circumstances.

The FLIR MD-Series provide crisp and clear thermal images in total darkness and in light fog and smoke. It features the same technology found in many of FLIR Systems more sophisticated maritime systems but is packaged for those who wish to use the camera primarily as a navigation aid.

Joystick Control Unit

The FUR Mil- / MV-Series come standard with a remote Joystick Control Unit (JCU) to operate the Pan/Tilt and to access all features. Additional JCUs, which can be used to control the

FUR MU- / MV-Series from different locations on board of a vessel, are optionally available.

The JCU is the primary method of control for the FUR MU- / MV-Series. It can be used to move the camera (pan or tilt), zoom the cameras in and out, switch between different camera images, adjust the image quality, and access the on-screen menus.

The FUR MU- / MV-Series control panel is fully sealed for use in a maritime environment. The joystick provides precise proportional speed control. Use it to have the FUR MU- / MV-Series look in the exact direction you want.

Designed for use in harsh maritime environments

All versions of the MU-/ MV-Series have been designed to be highly rugged. Their vital core is protected against humidity and water. A built-in heater is included to defrost the cameras protective window. It ensures a clear lens and perfect thermal images even in extremely cold environments.

Easy installation

The FUR MU- / MV-Series JCU comes with Power over Ethernet (PoE). They can easily be installed on board of any vessel. Various options exist to connect the FUR MU- / MV-Series. They can be configured for stand-alone use or as part of a TCP/IP network.

About thermal imaging

Thermal imaging is the use of cameras constructed with specialty sensors that see thermal energy emitted from an object. Thermal, or infrared energy, is light that is not visible to the human eye because its wavelength is too long to be detected. It's the part of the electromagnetic spectrum that we perceive as heat. Infrared allows us to see what our eyes cannot.

Thermal imaging cameras produce images of invisible infrared or heat radiation. Based on temperature differences between objects, thermal imaging produces a clear image. It is an excellent tool for predictive maintenance, building inspections, research & development and automation applications.

It can see in total darkness, in the darkest of nights, through light fog, in the far distance, through smoke. It is also used for security and surveillance, maritime, automotive, firefighting and many other applications.

About FLIR Systems

FLIR Systems is the world leader in the design and manufacturing of thermal imaging cameras for a wide variety of applications. It has over 50 years of experience and thousands of thermal imaging cameras currently in use worldwide for predictive maintenance, building inspections, research & development, security and surveillance, maritime, automotive and other night-vision applications. FLIR Systems has eight manufacturing plants located in the USA (Portland, Boston, Santa Barbara and Bozeman), Stockholm, Sweden, Tallinn, Estonia and near Paris, France. It operates offices in Australia, Belgium, Brazil, China, Dubai, France, Germany, Hong Kong, India, Italy, Japan, Korea, the Netherlands, Russia, Spain, UK and the USA. The company has over 3,000 dedicated infrared specialists, and serves international markets through an international distributor network providing local sales and support functions. 

The Port of Stockton is located at the end of a narrow, man-made deep water channel, providing ocean freighters with access to markets over 100 km inland from the San Francisco Bay, deep in the San Joaquin Valley of California. The port, established 80 years ago, provides a marine “highway” directly into the heart of the most productive agricultural region of the United States of America, and trades directly with such faraway nations as China, Japan, Trinidad and Norway. Until very recently it has focused on bulk and break bulk cargo, such as fertilizer, rice, cement, sulfur, iron ore and scrap metal, and now it has begun to handle transhipped containers as well. It is an important economic “engine” to its region, and provides several advantages to shippers as it is located on the main Pacific Coast north-south rail and highway corridors, while its much larger sister ports in the San Francisco Bay, particularly Oakland, are significantly removed from this corridor. A small port by standard seaport measures, it has the distinction of being the only net-export port in California, and is a major land owner, with over 49 per cent of its operating revenues derived from its properties rather than its maritime operations. All that said, it is surprising to most casual observers that this modest inland port was classified by the US Department of Homeland Security as a Tier 1 port after September 11, 2001, when the criticality and vulnerability of US ports was evaluated. Tier 1 ports receive the majority of government funding for strengthening their resiliency to both attack and disaster, as they are perceived to be particularly important to the security and/or economy of the US. This classification has valid and logical reasoning, and as a consequence this port has seen an influx of requirements and funding for improving its security.

Much of the improvement in security at the Port of Stockton has involved the upgrading of the means for monitoring activities in the port via closed circuit television (video surveillance), the means for controlling access to restricted areas via electronic locks and personal identification devices, and the tools and data used to provide the port police with improved situational awareness. However, the port’s inland location and large land holdings also make the

Protecting critical port infrastructure

What happens when a small river port gets classified as a high-risk critical infrastructure by a national security risk model? And how does a port in response to this assessment cope with the need to rapidly ramp up its security stance and implement a wide variety of the latest technologies in an otherwise out-of-date technology environment? And how do geospatial technologies aid in accomplishing these goals across the entire enterprise?

Daniel Elroi and Chief George Lerner



port an excellent disaster recovery site for other ports in the region, such as Oakland, and the smaller ports of San Francisco, Redwood City, Richmond, and Sacramento, as well for other regional disaster recovery needs. In order to fulfill these requirements, the port also invested in greatly improved networking, communications and IT resiliency infrastructure. Finally, in recognition of its own vulnerabilities and the impact that emergencies can have on its own employees and many tenants and neighbours, the port also invested in the means to notify and direct these stakeholders in times of need, by means of electronic methods such as radio transmissions, telephone calls, emails, SMS messages, and

programmable signs. Through exposure to GIS and other geospatial technology solutions at other ports, such as Los Angeles, the Port of Stockton translated vision into action, and undertook a program to integrate all of its geospatial technologies across the enterprise, as part of this large upgrade in technology.

The port’s vision for geospatial integration was based on the following precepts:

- Visual, spatial representation of security related information, such as the viewing of video imagery in the context of the location of the imagery, especially for Pan-Tilt-Zoom (PTZ) cameras, is critical for interpreting and reacting to emergencies.

- The ability to see a digital map of port property boundaries, buildings, docks, railroads, and roads, is just as important as seeing security features, such as fences, cameras, gates, and evacuation routes on these maps.
- Situational awareness is deepened by context, and such context can best be accomplished through the collection and map-based presentation of as many of the port's physical assets as possible, including visible and buried utilities, environmental hazard areas, underwater hydrography, and port tenant information.
- Much of the data that is of great use in port security is present in the port's own organisation, such as within the Departments of Maintenance, Environment, Real Estate, and Operations, but is inaccessible to Port Security, or between those departments, due to a lack of common base map, a base map against which a variety of other information can be displayed, queried or reported.

For these and other reasons, the port hired an international firm specializing in geospatial solutions in ports, NorthSouth GIS, to create the enterprise systems infrastructure to help the port mine its own data; to collect, organize and manage its spatial data in a way that supports and enhances security of the port. NorthSouth GIS's philosophy – that different members of the port are most likely to collaborate and participate in data sharing if they receive benefit from that activity, and that this then collectively benefits port security – agreed with the port's own philosophy. This translated into an approach that actively sought participation from all port members, asking “how will adding your data to a central geodatabase benefit your job?” rather than “which data can you contribute to port security?” Combined with on-going stakeholder engagement and training during and after the building of the system, has resulted in the integration of GIS, GPS, AIS, CAD, and Mass Notification in such a way that it supports most port employees.

At its core the port's system is an Esri ArcGIS for Server enterprise geodatabase, combined with procedures and documentation for close two-way interaction with AutoCAD so that the port's CAD-based users and contractors

can benefit from, and contribute to, the port's data. The geodatabase itself contains over 100 image and map layers, mostly from the port's own data, but also including data imported from outside sources on a regular basis. Some of the data was converted from scanned documents; some was kept in georeferenced by scanned-only format for background reference; some was converted from CAD or GIS files; and other data was digitized from aerial photos, or captured with GPS.

The data is presented to users through a powerful and intuitive web map browser, called the Stockton geoPORTal, developed using Latitude Geographics' Geocortex Essentials development platform. The viewer has a full-featured in-office version, and a lightweight version intended for use on tablets and smartphones, enabled through the port's wireless mesh network. The viewers are configured to allow the collaborative use of maps for communicating development plans, emergency response, and other events between port users. Different users are directed to different versions of the viewers, which appropriate to their data and tool needs, and to their permissions, and in this way each user gets what they need and what is appropriate for their role at the port. The software, which makes use of automated workflows and reports, and interfaces with the port's mass notification system and electronic public address systems, is used to inform port employees and tenants of upcoming events or of emergencies. Furthermore, the mobile version of the viewer can be used to record incident reports and condition assessments in the field.

One of the important aspects of the system is its ability to integrate other systems that contain spatial aspects but lack the spatial componentry. For example, the GIS integrates with the port's lease management systems, which manages the port's 2,000 acres (8.1 km²) of waterfront, industrial and commercial properties. The system is now accessible through geoPORTal, and allows reports and maps to be easily created, proposed leases to be sketched and shared with new tenants or brokers, and for a snapshot of the port's holdings to be communicated with port management. Other integrations, such as with the port's command and control software, also strengthen these systems by sharing

a common base map and “revealing” information from around the port that would otherwise be inaccessible in separate systems or even non-digital format.

Beyond system integration, geoPORTal also integrates real-time data with the map layers. Live feeds direct from security cameras, electronically controlled doors, moving ships, weather stations, and nearby road traffic, are integrated with map layers. This integrated approach allows live data such as a moving vessel location and identification, to be viewed with a video camera, and then viewed in the context of its surrounding data. In such an example, a vessel that runs ashore can be viewed with a camera, determined to be within or outside the port's jurisdiction, and assessed for risk to nearby gas lines, from a single interface.

The port's geospatial integration program would not be successful without recognition of several critical factors:

- People do not adopt technology just because it is available or theoretically good for them. They require incentive, on-going training and outreach, reminders, and adaptation. Technology implementations are all about people.
- The quality of data is more important than the number of features in a software. Therefore, a rigorous method for keeping data updated, using the resources and people available to the port, is of utmost importance. But so is the ability to communicate data quality and its current condition, and the ability to solicit, receive and respond to data correction from system users.

The Port of Stockton has shown that an enterprise approach to its geospatial technologies, is no longer the exclusive domain of large ports like Los Angeles and Oakland, but can be used to the significant advantage of small ports as well. 

Daniel Elroi is the president of NorthSouth GIS LLC in Los Angeles, California,

Chief George Lerner is the Director of Homeland Security at the Port of Stockton, California

3D print technology

BOON OR BANE?

It's a technology that can dramatically alter the course of logistics and supply chain management.

Vijay Kurup

It's a technology that helps you to make a gun while sitting at home. It can be used to manufacture cement at the construction site. It can make a toy of your choice and color. It has reportedly prompted President Barack Obama to announce a \$200 million fund to create three new cutting-edge manufacturing institutes in an effort to bring home the outsourced manufacturing jobs. Knut Alicke, Master Expert, McKinsey & Company in a recent CII conference on 'Next Generation Supply Chain', said that some companies manufacture spare parts and accessories which go into thousands of items. With 3D printer it would be much easier to make these products. There are a lot of disruptive technologies in the making and they could change the supply chain in future, he predicted.

Welcome to the world of 3D printing technology, which has been exalted as the cutting-edge digital industrial revolution and in the same breath reviled as a nouveau disruptive technology. What is 3D printing technology? Will it affect logistics and supply chain management and how? If so, what could be the future role of 3PL/4PL entities?

Globalisation of logistics in supply chain was achieved by tapping low cost of labour which was available at the point of origin and transporting the

manufactured products to the points of consumption, continents away. The new 3D printing technology is threatening to change all that. It can, by its versatility, make a prototype of any product—from a candle stand to a bikini. 3D printing technology has the dimension to reverse the current order of establishment, viz. encourage onshore production, instead of off-shoring the business to developing countries. The cost of transportation and time saved would bear no comparison to the present day figures. There would be no delivery costs, no inventories to be maintained, no requirements of large warehouses for storage of inventories and no complex forecasts to be made for procurement of the product. The effect on air and sea shipments would be enormous.

A shoe made in the traditional way relies on cutting a piece of leather into shape and stitching the various parts together and discarding the waste cut pieces. This method of cutting away and discarding the waste parts is called the subtractive process.

On the other hand, 3D printing allows you to build the product layer by layer (hence printing) using a computer aided design to create a three-dimensional product. It is called the additive process because a three-dimensional object is made layer by layer, without any wastage. The material used can either be plastic, ceramic or even metal powder. The advantage of

3D printing is that it gives you the option of customizing the product to your specific requirement of color, shape and weight. Moreover, the product can be made within a few hours.

Is there going to be a paradigm shift in the manufacturing base? Would this also spell the end of the role of 3PL/4PL players? It would be difficult to hazard a guess at this point of time. Says a president of a software company based in Bangalore, "3D printing technology is still very far away. In my opinion it is very expensive. It would be practical, only if less expensive machines can be made." This technology is gaining foothold in many developed and developing countries. The competition would therefore be focused more on the design of the product available. The logistics players can take on the additional role of 3D printing products such as spares and accessories on behalf of the vendor or buyer, thereby expanding on the traditional role of maintaining inventory. The logistics companies could design and maintain systems that not only get the customers the parts they need quickly, but also anticipate and systematize the demand for the product.

If the chatter generated in the various social media groups is any indication, the interest in 3D printing technology is burgeoning by leaps and bounds. Its overwhelming edge lies not just in the range of items that can be manufactured, but also on its easy accessibility. It is a technology that is on the brink of catapulting itself to mass-scale application. The opinions in the social media predict that this technology is expected to gain traction exponentially from the year 2014 onwards. Like the Internet, new rules and regulations would be introduced to rein in its potential. How will it affect the logistics world? Will it be disruptive or will it add just another layer of complexity to its chain or will it propel it to a more transcendent level of service to the consumer? Whatever be its course, the logistics industry will bide its time with bated breath. The industry is perhaps on the threshold of yet another frontier. 



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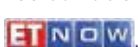
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Counter the risk of corrosion



Tighter regulations covering sulphur emissions, which imposes limits on the sulphur content of the heavy fuel oil (HFO) burned, has become an important consideration for many shipping companies seeking the most efficient cylinder oil feed rate to lubricate their two-stroke crosshead main engines.

Operating on reduced power (slow steaming) in pursuit of lower bunker consumption is now commonplace within the industry. Its adoption, and the accompanying risk of cold corrosion, has introduced a further variable, making it more complex to calculate which cylinder oil offers the most efficient lubrication solution.

More recently changes to engine design – such as a longer stroke – have been introduced to reduce fuel consumption, but are also contributing to increased cylinder liner corrosion. At

the same time, increased combustion pressures, in combination with cooler cylinder liners, impact the acid dew point on specific regions of the liner, leading to increased condensation of sulphuric acid.

It is well known that engines operated at the lower loads associated with slow steaming may not achieve optimal cylinder liner temperatures. Under such conditions, there is a significantly higher risk of suffering increased corrosion on piston rings and liners as a result of the condensation of sulphuric acid formed from the sulphur oxides and water produced by burning HFO.

The risk is further increased when using fuel with sulphur content over

2.5 per cent. Increased corrosive wear leads to a shorter lifespan of key parts, causing premature and costly liner and ring pack replacement. The unplanned replacement of a single liner piston crown refurbishment and ring pack can cost up to \$90,000, thus leading to a substantial bill of several hundreds of thousands of dollars due to avoidable corrosive wear.

As a consequence, leading OEMs MAN and Wärtsilä, have issued new service letters limiting the use of mid-range BN oils on certain engine types and strongly recommending cylinder lubricants with a minimum BN of 70, and preferably higher.

To counter the risk of corrosion from sulphuric acid condensates, marine



“Selecting a cylinder lubricant of insufficient BN to match the prevailing operating conditions – engine type and load, lubricant feed rate and fuel sulphur content – can result in higher rates of corrosion.”

cylinder oils are formulated with a higher alkalinity (BN) than found in other lubricants: typical automotive engine oils may be in the 8-15 BN range, while current marine cylinder lubricants are typically of 40-80 BN.

Selecting a cylinder lubricant of insufficient BN to match the prevailing operating conditions – engine type and load, lubricant feed rate and fuel sulphur content – can result in higher rates of corrosion.

A lower engine load results in less fresh lubricant being injected over a given time; lubricant residence time is thus increased and reduced lubricant refreshment occurs.

As the capacity of a cylinder oil to neutralise any acidic species formed by combustion depends on the alkali (BN) concentration present and the lubricant

OEM's revise cylinder oil advice

Wärtsilä recently withdrew approval for mid-range (50-60 BN) cylinder oils when used with marine engines running on heavy fuel oil of above 2.5 per cent sulphur content. New 'letters of no objection' to suppliers limit use of mid-range BN oils on all "Wärtsilä RTA, RT-flex and W-X engines as well as Sulzer 2-stroke engines" to HFO whose sulphur content is "in the range $0.5 < S < 2.5$ mass %".

Previously, some suppliers had recommended mid-range base number (BN) cylinder oils as a single oil solution for marine 2-stroke engines using fuels of up to 4.5 per cent sulphur content.

The new guidance is in line with Castrol Marine's long-held concerns that the use of mid-range BN cylinder oils with higher sulphur fuels when slow steaming could lead to cold corrosion.

"MAN Diesel & Turbo has already excluded mid-range cylinder oils from its approved list for super long stroke S and G type engines," says Paul Harrold, Castrol technology manager marine & energy lubricants. "Some argued that advice was only relevant for a small number of engines. However, Wärtsilä are in effect excluding the use of mid-range BN oils in cases involving above 60 per cent of residual fuels currently in the market."

replenishment rate, an oil under slow steaming conditions (hence more acidic condensates) has to neutralise for longer periods. Therefore, a higher BN lubricant with optimised detergency properties provides greater protection.

Optimum, cost-effective engine protection can be achieved by choosing the most appropriate product from a range of cylinder lubricants. Castrol's Cyltech 80AW product was promoted in 2012 as a solution to the increased corrosive wear experienced in the field; its higher BN of 80 enables use at the minimum OEM-recommended feed rates across the widest range of available fuel-sulphur contents, even up to 3.5 per cent.

Case study evidence

Significant advantages have been demonstrated by higher base number (BN) oils over cylinder lubricants with lower BNs in reducing ship running costs under severe engine operating conditions such as slow steaming.

Case studies carried out by Castrol demonstrate the harmful effects of selecting a cylinder oil of inadequate BN to match the engine operating conditions, and also how higher BN lubricants can reduce corrosive wear with lower feed rates than those required for lower BN oils.

Valuable data on the performance of high-BN cylinder oils, in terms of corrosion prevention and piston and ring zone cleanliness in a challenging operating environment, is provided by four large containerships in longhaul service with a major container shipping company. Each vessel is powered by a Wärtsilä RT-flex96C low speed two-stroke engine with 10 or 11 cylinders.

The ships, operating under very severe conditions (high-sulphur fuel and low engine load with one turbocharger blanked off), have been monitored over several months. All started out with a mid-BN cylinder oil lubricating the 960-mm-bore engines, however extreme corrosive wear was noted, indicating that liner replacements would be necessary after just a third of their expected life, two of the ships were then switched to Castrol Cyltech 80 AW.

Typically a liner is designed to last for 70,000 running hours. Taking the example of a vessel life of 25 years with 150,000 running hours, this would require one liner replacement throughout the lifetime of the vessel. With an estimated cost per liner replacement of \$70,000, the shipowner would be required to spend \$0.7 million for one replacement of 10 cylinders. Shortening the liner life to one-third would result in five liner replacements in the same time period, increasing the costs to

Cylinder oil selection – A user guide

Corrosive wear of cylinder liners and piston rings is caused by acidic attack from the sulphur acids formed during the combustion of sulphur-containing fuels. The rate of corrosion is influenced by the concentration of the acids and the temperature of the liner and ring surfaces relative to the acid dew point. Acid concentration is a function of the fuel sulphur content, the engine pressures and the amount of water in the combustion air.

The higher the liner temperature is above the acid dew point, the less the acid will condense on the liner surface, hence lowering corrosive wear. Corrosive wear can also be controlled by the alkalinity of the cylinder lubricant, which acts to neutralize the acid: the higher the base number, the more protection provided to the liner surface. The available alkalinity at the metal surfaces is a function not only of the cylinder oil's rated BN but also of the throughput of alkaline material controlled by the oil feed rate.

Engine design changes in the recent past have led to increased liner temperatures; use of corrosion-resistant materials; and better delivery of the cylinder lubricant to the liner surface (multi-level lubrication).

Lubricant quality: An imbalance in the many factors involved in securing efficient cylinder lubrication for two-stroke crosshead engines can lead to increased corrosive wear. Over a prolonged period such wear could call for early replacement of piston ring packs and cylinder liners at considerable expense through repair, engine downtime and off-hire costs.

Among the long-standing factors is lubricant ability to provide the necessary fluid film and detergency level required to prevent the build-up of deposits.

Cylinder oil feed rate has become increasingly important with the application of load-dependent lubricant injection systems, whereby under-lubrication can result in mechanical wear and over-lubrication can lead to excess oil being combusted and residual deposits fostering abrasive wear.

Lubricant BN must also be matched to the sulphur content of the fuel used to prevent corrosion from acidic species formed during combustion: too low a BN can result in increased corrosion, while too high a BN can create the risk of deposit build-up.

Adopting **slow steaming** has complicated the situation, especially when engine designs that may be more vulnerable to corrosive wear are involved. Reduced load operation leads to lower combustion space temperatures, which in turn promote the condensation of higher levels of acidic species on the cylinder liner and hence create more acidic stress on the lubricant.

Load-dependent feed rate also leads to an increased number of cycles between lubricant injections. The lubricant present thus has to provide protection for longer periods before replenishment by the next injection of fresh lubricant, leading to further stress on the lubricant.

Higher oil stress can be countered by various methods, such as raising the feed rate to yield greater lubricant refreshment and throughput of alkali to neutralise the acids resulting from combustion.

If **OEM minimum feed rate** guidelines are followed then considerably less lubricant is consumed with higher BN oils.

\$3.5 million. In these case studies, the switching of the two vessels to an 80-BN lubricant should mitigate excessive corrosive wear and hence potential unplanned costs of \$5.6 million over 25 years (\$224,000 annually) solely in liner replacement, not taking into account the costs for ring packs.

"We have argued consistently that mid-range BN oils are not suitable for slow steaming operations in modern engines," says David Goosey, Castrol Marine chief executive and sales director. "Our own field investigations led us to raise concerns with the OEMs, concerns that were confirmed by Castrol bench tests and further field trials. The two leading OEMs in the market have now offered specific advice on this issue in line with our position."

In the case at hand, Castrol Marine was able to draw comparisons based on moving from mid-range BN to 80-BN oils as well as from observing the ongoing effects on engines remaining on mid-range products. It was found that introducing Castrol Cyltech 80 AW had an immediate impact on arresting corrosive wear. Iron contents in scavenge drain oils were found to have reduced from nearly 400 ppm with the mid BN products to less than 100 ppm with Cyltech 80AW.

An opportunity to evaluate two units with similar running hours, respectively served by mid-BN and 80-BN cylinder lubricants, showed that piston crown, crown land and ring land deposits were also significantly cleaner with the higher BN product. Higher resistance to corrosive attack was thus accompanied by enhanced detergency, keeping the ring zone and crown land cleaner.

Furthermore, engine inspections over 3,000 hours, following the switch to Castrol Cyltech 80AW, showed a progressive clean-up of existing deposits and generally improved cleanliness of the ring zone.

The case study will now focus on achieving further savings by reducing the cylinder oil feed rate by 10 per cent. It is estimated that this will save a further \$100,000 per annum (\$2.5 million over 25 years) for the two vessels, increasing the annual saving to approximately \$324,000 together with the reduction in cylinder liner replacement. 



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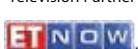
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ON THE BEAM

3D laser scanning technology can revolutionize the shipbuilding industry, bringing about drastic changes in ship refitting and conversion.

The commercial imperative

The recent 'baby boom' in shipbuilding is likely to lead to a future surge in demand for ship repair, conversion and refit projects. However, in the current depressed state of global shipbuilding, even this increased demand will still leave a buyer's market. Shipowners will drive hard bargains and profitability will be squeezed. The immediate imperative is to increase speed and efficiency to enable competitive tendering and acceptable profit margins. Yards which can achieve this are more likely to survive the downturn and be better able to take advantage of a market recovery. New-build projects already benefit considerably from the productivity gains that 3D design technologies enable, but ship repair remains labour intensive and little automated. However, the facilities and skills required are substantially the same for both, so 3D should be able to offer valuable improvements in ship repair productivity. The key lies in being able to capture the 'as-operating' vessel into the 3D design environment quickly, accurately and economically.

The naval imperative

A similar opportunity exists in the naval sector, but for different reasons. Widespread squeezes on defence expenditure are resulting in new warship projects being deferred or cancelled, so pressure increases to extend the lives of existing vessels. General refit projects are also much more common and more extensive in naval practice. Many warships are quite elderly and, in almost all cases, the true as-operating condition is not known, so the first task is to survey the vessel. This is usually carried out in dock, resulting in a serviceable warship sitting idle for some time before the refit itself can even start. Across a fleet, non-availability can therefore be significant, so there is much to be gained by any process which can reduce refit turn-round time.



Capturing the as-operating condition

Vessel refitting involves removing and replacing large amounts of equipment in limited spaces, and sometimes even modifying the hull structure itself, so the starting point must always be the 'as-is' condition of the vessel. This is rarely known with any degree of confidence; neither the original design drawings nor even the 3D design model (where there is one) are likely to accurately represent the true arrangement of the ship. You have to go on board and survey it. Manual surveying is costly, time-consuming and of limited accuracy. Also, it cannot usually take place until the ship is in the repair dock, adding dead time to the beginning of the project and incurring commercial risk that the project may turn out to be more difficult than was estimated. 3D laser scanning technology overcomes these problems, offering real potential to minimize time out of service and improve design quality, project efficiency and business value to both the shipyard and the vessel owner. Scanning systems are non-intrusive and deliver levels of detail and accuracy unachievable by conventional means. They are inexpensive to use and specialist service providers are readily available.

In use, a laser scanner generates a so-called 'point cloud' of 3D coordinates that forms an extremely accurate and photorealistic 3D rendering of the objects within its 360-degree field of view. The accuracy of such a survey is typically within a millimetre or so over distances of several metres; more than adequate for even the most detailed refit. The scanning process is repeated from several locations and the resulting point clouds are stitched together. This creates a comprehensive 3D survey, combining views of objects from different directions and overcoming the masking of objects by foreground objects in any individual view. The laser scanner also measures the intensity of the reflected beam and can distinguish between surfaces with different levels of reflectivity caused by colour or surface texture. For engineering design purposes these are typically shown in grey scale but, with the use of a special camera in the scanner, the correct colour can be assigned to data points. In appropriate circumstances, this can make 3D surveys easier to visualize and work with.

Because laser scanning is so quick and non-intrusive, there is often no need to wait until the vessel is in dry dock to perform the survey. It can take place well in advance of the scheduled refit, and can conveniently be carried out by a subcontracted laser-surveying company during a stopover, when on-board activity is relatively quiet and the main engines are shut down, minimizing any disruption and the effects of vibration. But one could equally perform the survey while at sea. Once the scan data has been processed into an accurate, as-operating 3D model, the repair yard's planners and designers can prepare accurate estimates of the work required, and begin the design, materials procurement and fabrication work in readiness for the vessel's arrival at the yard.

Combining reality and design

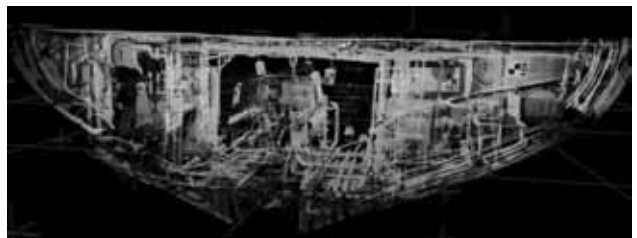
Modern shipbuilding design solutions, such as AVEVA Marine™, allow point clouds created by any of the leading laser scanning devices to be directly referenced within the 3D modelling application. Not only can measurements be

“In use, a laser scanner generates a so-called 'point cloud' of 3D coordinates that forms an extremely accurate and photorealistic 3D rendering of the objects within its 360-degree field of view. The accuracy of such a survey is typically within a millimetre or so over distances of several metres.”

made and drawings created using the same software that is used for new-build projects, but the new design objects can be created and positioned accurately against the 'as-is' laser models. For example, 3D models of new equipment items and their associated pipe and cable routes through an engine room can be visualized within an accurate 3D representation of the existing structure and equipment in that room. In addition to the ability to visually check the position and accessibility of the new items, the software's clash-detection functions detect any intersections of the new 3D models with the laser scanned model; for example, where a newly modelled pipe is being routed among existing pipes or bulkheads. Such accuracy, and the confidence it creates, enable new steel structure, pipes, ventilation or cableways to be designed and fabricated ready for the vessel's arrival. Refit work can begin immediately and be carried out quickly, with little or no rework required, because the new items will have been accurately checked against the 'as-is' vessel. One of the most disruptive refit projects is 'jumboisation', the



Clash highlighting between a proposed new pipe run and as-built laser scan data.



A typical laser surveyed hull block. Note the level of detail in the outfitting (image courtesy of Neopoint OY).

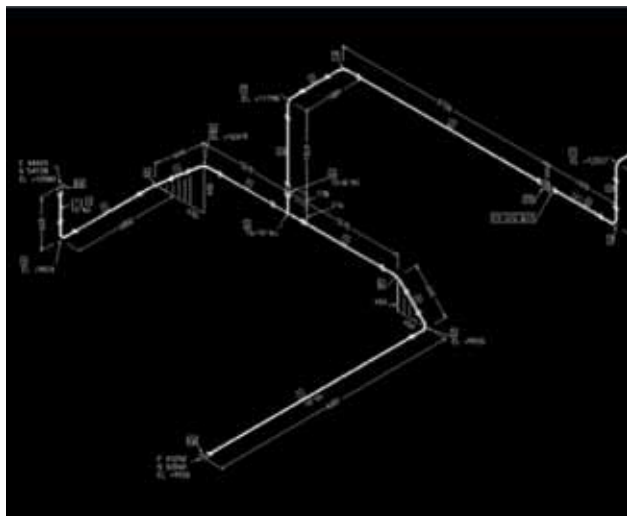
stretching of, say, a cruise ship to increase revenue-earning capacity. This involves splitting the hull, separating the two halves and inserting a newly manufactured hull block, usually with at least some of its outfitting items already installed. Of course, the new block must be an accurate fit with the existing hull, in both structure and the principal outfitting items. Laser surveying clearly offers the most effective means of ensuring this.

Reverse engineering

Reverse engineering involves measuring an existing item and then re-creating it to the same dimensions and specification in a 3D modelling application. An early development in laser surveying enabled simple geometries, such as cylinders,



Reverse engineering from a laser survey. The pipe run shown green in the foreground has been reverse engineered into an intelligent 3D model object with associated attributes.



An accurate pipe isometric can quickly be reverse engineered. As the model is intelligent, the length of pipe, for example, can quickly be defined.

spheres, cones or rectangular prisms, to be created in the scan data models simply by clicking on 3D points in a point cloud. These geometrical volumes would then overlay and replace similar shapes described by the point cloud. However, although a big improvement on traditional methods, this is still a time-consuming process and only generates very basic design information. It does not, for example, determine the correct specification of a pipe. Laser data processing software has more recently advanced to enable the semi-automatic creation of native 3D model objects from the corresponding shapes in the laser model. AVEVA Laser Modeller™ is the leading example of this. It enables pipes or simple structural elements captured in the point cloud to be identified and, by comparison with predefined specifications, interactively converted into intelligent 3D model objects with associated attributes. For example, by first selecting the appropriate pipe specification (which will usually be found on the relevant system schematic) and then selecting just two points on each straight-line segment of a pipe run, Laser Modeller will recreate the 3D position and geometry of the pipe, even if it is hidden underneath insulation or it passes through shadows in the point cloud. It even enables the capture of small-diameter pipe runs which, in many instances, are not modelled in design, but left to be routed during outfitting.

By then adding details of bend types and radii, the pipe run is created as a 3D model in the shipbuilding design system, replacing the corresponding data in the point cloud. This forms an ideal relationship between the data processing power of software and the expertise of the skilled professional designer. At the time of writing, AVEVA Laser Modeller's scope covers pipes and structural steel items, such as angle bar, T- or H-beams, which can also be modelled by first specifying the type of item represented (for example, L200x10) and then simply selecting along the scanned surface of the object. This streamlines a significant portion of a reverse engineering exercise. AVEVA Laser Modeller can also create simple surfaces. For example, the selection of a few points anywhere on its scanned surface is sufficient to create a 3D surface model of a cylindrical pressure vessel; the end cap can then be created automatically. The potential for further development of this technology is considerable.

Creating the design in AVEVA Marine

The creation of a 3D surface or a 3D model of a pipe or structure is only the first step in full reverse engineering. To complete or modify the design, the design intent must next be transferred to a system such as AVEVA Outfitting™. Now the designer can complete the design by integrating existing and new objects, running collision detections, and creating drawings and other production deliverables.

Hull surfaces and structure

Hull surfaces and hull structure are also easily captured by laser scanning. While automatically converting such scans into usable design information is not currently achieved, it is nevertheless possible to use the 3D scan representation as a template for manual reverse engineering. Particularly for jumboisation projects, this facilitates the design of new,

“In the refit scenario, much programme risk can be eliminated by surveying new equipment mountings, penetrations, fixings, pipes, outfitting components or even entire hull blocks, at the point of manufacture to immediately verify compliance with the design. While, in the worst case, rework may be essential, in many instances deviations can be accommodated by adjustments to other parts still being designed or at a very early stage of production.”

intelligent hull structure. This, in turn, leads to more efficient and accurate parts fabrication and block construction.

As-built documentation using laser scanning

Because of its low cost, its ease of use and the high quality of the surveys, laser scanning can be employed creatively for other purposes. An obvious use is for the inspection of production; it provides an excellent tool for accurately surveying new work and comparing the survey with the 3D model. This is a key enabler for keeping a project on schedule by responding quickly and effectively to changing circumstances. In the refit scenario, much programme risk can be eliminated by surveying new equipment mountings, penetrations, fixings, pipes, outfitting components or even entire hull blocks, at the point of manufacture to immediately verify compliance with the design. Deviations can then be handled pragmatically according to their severity and potential impact on the schedule. While, in the worst case, rework may be essential, in many instances deviations can be accommodated by adjustments to other parts still being designed or at a very early stage of production. Laser surveying provides the tools for better informed and timely decision making.

Finally, the refitted areas of the vessel can be quickly resurveyed to provide a detailed record of the work performed. This can be particularly valuable in the event of subsequently emerging problems, whether warranty defects or simply unforeseen issues.

The as-refitted model makes it easier to determine the appropriate corrective action and to plan its execution so as

to cause minimum disruption to the vessel's operation. Here again, benefit is gained by both the shipyard and the vessel owner.

Naval considerations

All of the above is equally applicable to naval vessels, but these provide additional challenges and opportunities. Foremost of these, for warships in particular, are refits, which can be frequent, extensive and extremely costly. Smaller national fleets suffer a greater loss of effectiveness when a single vessel is out of service. There is therefore a strong case for making laser surveying of an entire vessel an integral aspect of its lifecycle management. For existing vessels, it offers an efficient means of capturing accurate and up-to-date records of their as-operating condition, something which can be a considerable burden by any other means. In densely-packed compartments, where items will be hidden behind panels or other equipment, successive laser scans during outfitting can build up highly detailed as-built records. It is even possible to use such successive scans to create a layered 3D image of the installation. Scrolling back through these point clouds would create the impression of stripping back the equipment, revealing the hidden items.

Naval refits, like new builds, can be beset with technical uncertainties and programme risks. Flexible manufacturing strategies are just as important here also. Being able to start refit planning early, with an accurate and detailed 3D model of the true condition of the in-service vessel, can substantially reduce the risk in a project. Not only can new design and demolition drawings be prepared early and with confidence, 'what-if' scenario planning can be performed to anticipate or respond to late-emerging changes in specification. Importantly, laser scanning offers a cost-effective means of updating the as-operating model of a vessel, and its documentation, following a refit.

As noted above, scanning is quick and non-disruptive. Any gaps or uncertainties in the as-operating survey model can be readily filled by a local scan without affecting the vessel's mission time table, and the data can be returned by normal communication channels.

Summary

3D laser scanning, and the advanced software tools now available for exploiting the resulting, highly accurate and detailed 'as-operating' surveys, combine to offer significant business benefits to both shipyards and shipowners, in vessel repair, refit and modification projects. The surveying process is rapid, accurate and non-intrusive and can be carried out before delivering the ship to the repair yard. The early availability of such detailed and accurate 3D surveys, and the ability to reference this data within the 3D design system, enable design and fabrication work to be carried out with confidence, ready for the ship's arrival. The refitting itself can then be performed quickly and efficiently, minimizing costs and out-of-service time to the shipowner. The repair yard, in turn, benefits from reduced commercial risk, increased competitive advantage and increased profitability.

This is a true enabling technology. 

Sri Lanka regains ground as transshipment hub

Strap Line: Island nation receives single biggest foreign investment in the sector.



Sri Lanka began operations at its South Container Terminal early in August amidst much fanfare as the terminal has the capacity to handle 2.4 million containers per year, virtually increasing the current capacity by half. This new terminal will render Sri Lanka as a strong transshipment hub in the Indian subcontinent.

Hambantota, which is just 12 kilometres away from the East-West sea lane, is conveniently positioned to take over as the nerve centre for transporting and transshipping industrial goods. In addition, it is being projected as a key service centre where mega size vessels can re-fuel or take on fresh food, helping them save on bunkering costs. South India's two major ports – Port of Tuticorin and Port of Cochin – are not deep enough to accommodate huge vessels to compete with the Lanka's new terminal.

The container terminal was developed at a cost of \$500 million on public private partnership basis where the Asian Development Bank loaned the Lankan government \$300 million for the construction of break water infrastructure. The government, on its part funded the project to the extent

of a hundred million dollars while the rest was bankrolled by the Chinese government. A joint venture – Colombo International Container Terminals – was established for this purpose between China Merchant Holdings International and the Sri Lanka Ports Authority.

The terminal can now handle big vessels carrying over 18,000 teu of capacity. However, the most distinguishable feature of this port is its breakwater, spanning a depth of 400 m and a deeper basin that can lodge three new terminals. This will enable the port to dispatch goods faster to other connecting ports from the tip of the continent to the Far East, Middle East and South East Asia. The West and East terminal are under construction and upon completion the three terminals will be able to handle a capacity of 7.2 million teu.

The new draft facilities created would help shipping lines and the port greatly offering cost and time benefits of up to four days.

The Sri Lankan President, Mahinda Rajapaksa, said during the inaugural that by 2020, the expected income from port operations would be Lankan Rupee 100 billion or \$758.6 million approximately.

Advantage Asia.

Located mid way between Asia and Dubai, the terminal constructed to equal any other international port is expected to even key stop over hub for all of Asia.

Undoubtedly, this port project would also give China a strong foothold over the sea waters in Asia with the world's second largest economy funding the third project in the continent. China has already sponsored ports in Pakistan and Myanmar to secure its energy requirements from the Middle East.

The Asian Development Bank vice president who was present at the inaugural said "The advantage of this terminal will also be shared by the shipping liners as vessels moving cargo from Far East to Europe can stop over at Lanka and cruise to the Cape of Good Hope without touching the Dubai shores, thereby, eliminating any risks associated with piracy."

ADB vice president Xiaoyu Zhao said the new facilities at Colombo Port will help it serve better the Indian subcontinent. The deepwater facilities at Colombo Port are expected to strengthen the country's position strategically as opposed to its neighbours India, Pakistan and Myanmar who are also investing, albeit slowly, in building world class ports.

Sri Lanka has been a recipient of Chinese funding for many other projects. The Export-Import Bank of China has granted funds to many infrastructure projects including road and airport projects. The island's first four-lane expressway, an international airport and another port in Hambantota city will be developed with the help of these loans.

On the back of these investments, India and Japan realize the need to cement ties with the island nation and are in talks to ship cargo to different destinations connecting to the Far East and other European nations.

Given Sri Lanka's potential, the Ports authority in the country has said that it attracted \$2 billion worth private investments in the last few years. Huge investments are expected to give a fillip to the country's economic growth spiralling it to 7.5 per cent this financial year. 



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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.

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>

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!



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

A **maritime gateway** event



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, ECMBBS 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

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



The recession is buffeting the world of shipping—with even rougher waters ahead. But despite all the downside risks and positive factors, maritime business will always be cyclical. So how do we weather the storm?

India Maritime Week returns to the Capital bringing the industry leaders together to discuss the changing dynamics of India's seaborne trade development.

The five-day conference agenda will deliver a hard-hitting programme of conference sessions designed to promote trade development, discuss port efficiency, with a number of exciting new panel discussions covering dry bulk, project cargo, container movement, hinterland growth, manufacturing zones, rail-road connectivity, coastal shipping, inland water transportation, ship building as well as the scenario of exim trade.

Mark your calendar to be part of this milestone event!

Find the ray of sunshine through the storm clouds

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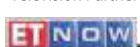
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