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- **TRADE WITH AFRICA**

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COLD CHAINS IN ICE AGE

PORT SCAN

GOPALPUR PORT

GET RIGHT, GO

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SKY IS THE REACH

REAR ADMIRAL K C SEKHAR

CMD, GARDEN REACH SHIPBUILDERS & ENGINEERS

BIG ON CONSTANT CARE

RIZWAN SOOMAR

MANAGING DIRECTOR,
MAERSK LINE (INDIA CLUSTER)

SOUTHEAST ASIA

**THE LURE OF
HALAL TRADE**



**HIGH TIME FOR
ALTERNATIVE
GATEWAY PORTS**

As the perennial congestion at JNPT is translating into increased cost to the users, some segments of the trade strongly pitch for other promising ports as alternative gateways.

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High Time for Alternative Gateway Ports

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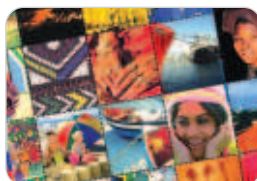


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Of Issues and Incentives



As this issue goes to print, Gujarat Chief Minister Narendra Modi's argument on the development of greenfield ports causes a stir. He raises objections to the ban imposed by the environment ministry on setting up of new ports and expansion of the existing ones. As the state readies to be the Rotterdam of India, he fears that any red signal at this stage could derail the economic progress that is picking up steam.

The ministry's rule could affect several new ports that are in the pipeline. In the east coast, Gopalpur Port eagerly awaits the ministry's nod. The port, having completed the first phase, hopes to roll out its second phase work quite soon. A glance at this natural port in our inside pages.

As the networking season begins, the trade community voices its concerns in various forums. *Maritime Gateway* brings various issues to the forefront. The need for alternative gateway ports being mooted in the wake of congestion at the JNPT, the cover story explores at length the issue of judicious distribution of cargo through other promising ports. In the similar vein, the customs house agents' issues at ports are also highlighted.

The government has announced special incentives to encourage exporters to diversify and develop new markets in Latin America and Asia-Oceania. The exim community is a relieved lot and hopes to make hay when the Foreign Trade Policy shines. We attempt to provide a detailed report on this.

Our Southeast Asia writer Nazery Khalid discusses the growing potential of halal trade the world over, especially during the holy month of Ramzan. The value and growth in the number and variety of halal products and services is only going up. Let's explore the halal of the story and many more informative ones in this issue.

Warm Regards,

Ramprasad, Publications Director
ramprasad@gatewaymedia.in

Seafarers' issues



Letters

I am glad that seafarers' issues have been talked about in the August issue of *Maritime Gateway*. I thank you for the same. I only hope that something positive will happen for the welfare of seafarers like me, who are working around the globe. It would be good if such human interest topics are covered once in a while.

Apostolos D Kaknis, Chief Mate, Piraeus - Greece

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BCHAA Perspective Lift Facilities 'n Practices

The yardstick for development is not just growth. Solving the problems, both big and small, that arise at ports from time to time as trade faces qualitative and quantitative changes is the real measure for development, say agents who liaise between the customs station and the exim community.

With 70 years of history, BCHAA stood as witness to the both sides of the story. When we begin to count the problems of CHAs, Octroi being charged at Mumbai Port is the first one. The Government of Maharashtra is more concerned about the large revenue earned through Octroi but fails to realise the potential business that can happen if it is removed. Though

we frequently represent this issue across various forums, other stakeholders in the trade too should raise their voice.

Everyone knows that roads are bad and evacuation of cargo at port is a big problem. We face a bigger problem of not having functional IT infrastructure at port. The system that has been created is incomplete and still users need to interact with people and present hard copies of documents for various transactions. There is a Port Community System (PCS) operational all over the world through which all the stakeholders are connected and information is shared both ways. This avoids duplication of work and human error.

“Though India evinced interest in the PCS ten years ago we are yet to witness proper implementation and its benefits.”

Efficiency or congestion is no longer an issue due to less traffic. Vessels are being shifted to Nhava Sheva as draft at Mumbai Port is insufficient. Though Nhava Sheva could organise itself to handle vessels, congestion within the terminals prevails. In one ICD alone 14,000 containers got stuck which is alarming. Along with the Port Authority, the other stakeholders also need to gear up to deliver efficiency. There are about 23 CFSs around JN Port. Because of the inefficiency and inadequate equipment at these places, the importer or exporter suffers.

Tariff is another major issue. It so happens that even after paying charges to CFS, the customer is driven to a situation to move container on his own. All this increases transaction cost. The client for CFS is a shipping company. But all the charges are collected from importer. It is the shipping line that chooses CFS and not the importer. CFS concept came up to create competition. But it turned out to be a game of monopoly.

Truck operators often get blamed for parking their vehicles on the road side. Where can they park in the absence of a Truck Terminal? Port

should have a building for users and for associations like CHAs as well. Security at JN Port is another concern. There were instances when things from customs office were stolen. It took two decades and two thefts to install a simple CCTV.

Transportation to port is another issue. Before any communication link is established, it is the rail link that is first built to connect the port. Amidst all these problems customs house agents are fortunate to see an increase in the operational efficiency of customs department. It is high time that port authorities understood the needs of port users and built their infrastructure to meet those needs. Also, shipping companies should be more accountable to their customers.

The Shipping Trade Practices Act, which the Government is considering to implement, will bring in a lot more transparency in operations. Unfortunately, shipping companies are opposing this Act stating that it is not in the interest of the trade since it will increase costs. **MG**

Omprakash Agrawal is the President of Bombay Customs House Agents Association (with inputs from Nilesh Gandhi, Sr. Vice President and Nimesh Desai, Secretary)



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NEWS

April-July traffic

Major ports post modest rise

Traffic handled at 12 major ports in the country posted a minor increase of 1.17 per cent during the April-July 2009 period compared with the traffic handled during the corresponding period last year.

The over one-per cent growth achieved by the major ports has been made possible by a substantive growth in traffic at three major ports – Paradip reported traffic growths of 22.24 per cent, Tuticorin recorded 11.82 and Mormugao saw 19.01 per cent growth over the traffic handled during the same period last year.

Besides, the New Mangalore Port (4.90 per cent) and Kandla Port (3.96 per cent) also saw increase in traffic handled during the period.

At 180,094 thousand tonnes, total

traffic handled by the 12 major ports during this period was up 1.17 per cent compared with the 178,018 thousand tonnes handled during the corresponding period last year. However, total traffic handled by the 12 ports was well below the targeted 189,610 thousand tonnes.

Investment in PSU shares: The major ports may be allowed to invest their surplus of over Rs 12,000 crore in the equities of public sector undertakings in case they do not have any immediate need for funds. As per the

recommendations of an internal committee of the Shipping Ministry, a final call on the issue is to be taken by the Shipping Ministry in consultation with the Finance Ministry.

Currently, major ports have no incentives for maximising profits. The surplus earned is not a parameter used to judge its performance. It is in this context that the committee headed by Vijay Chhibber, additional secretary and financial advisor, Ministry of Shipping, suggested that “ports be allowed to invest in secured equities of public sector enterprises if the funds are not required immediately for port development.”

Rs 755-crore project

Kandla to have 4 more berths

Kandla Port will have an additional four multipurpose cargo berths (other than liquid/container cargo) as part of the government's project worth over Rs 755 crore to enable the port handle an additional 8 million tonnes of cargo per annum.

The Cabinet Committee on Infrastructure gave its approval for the project involving multipurpose cargo berths numbered 13 to 16. Of the total expansion cost, the operator's share will be Rs 728.84 crore while the remaining Rs 26.66 crore will be contributed by the port. The project will be completed within 24 months.

The capacity addition is likely to boost the exim trade, industrial economy in the hinterland of the port and eventually creation of more jobs. -PTI

Port-wise details of the target, traffic handled during April-July 2009 and April-July 2008:

Ports	April to July		%Variation Against	
	Target 2009	Traffic		Prev. Year Traffic
		2009	2008	
1	2	3	4	5
Kolkata Dock System	4070	3928	3303	-3.49
Haldia Dock Complex	16210	10684	15137	-34.09
Total: Kolkata	20280	14612	18440	-27.95
Paradip	17150	18210	14897	6.18
Visakhapatnam	21900	22142	22718	1.11
Ennore	4070	3675	4063	-9.71
Chennai	21010	19617	19752	-6.63
Tuticorin	7130	7887	7053	10.62
Cochin	6020	4618	5139	-23.29
New Mangalore	13110	12320	11745	-6.03
Mormugao	13400	13783	11581	2.86
Mumbai	17440	17446	17684	0.03
JNPT	22330	19988	20133	-10.49
Kandla	25770	25796	24813	0.10
TOTAL:	189610	180094	178018	-5.02

Cargo competition

VPT cuts cargo charges

In the wake of cargo gradually diverting to Gangavaram Port, Visakhapatnam Port has come up with a slew of incentives for exporters and importers, including reduced wharfage charges by 10-20 per cent.

Wharfage charges, paid for using a wharf for unloading or loading of goods, have been reduced to drive more cargo volumes to the port since bulk cargoes like coking coal, thermal coal and iron ore are being shifted to the greenfield port of Gangavaram.

The port hopes to attract the exim community through its latest incentives and is pitching for cargo owners who can bring more than 1 million tonne or above of cargo a year. Cargo owners have to sign a memorandum of understanding with the port to avail of the facility.

The port offers a 10-per cent concession for cargo up to 500,000 tonne and additional concessions beyond that till 2 million tonne. For instance, on iron ore handling (mechanical), the wharfage charge would be Rs 95 per tonne up to 500,000 tonne, Rs 86 per tonne up to 2 million tonne, Rs 76 pt up to 3 million tonne and Rs 67 pt up to 4 million tonne.

Under the new policy, exporters or importers or steamer agents can reserve a berth 15 days in advance.

The new norms

- 40 per cent discount on vessel related charges for coastal vessels.
- 40 per cent discount on cargo related charges for coastal cargo (except thermal coal, Iron ore, pellets and POL).
- 25per cent rebate in wharfage for project cargo.
- Only 10 per cent levy on bagged cargo (95 per cent for other cargo).
- Free period of 30 days to prestack export cargo.
- Free period of 10 days to store import project cargo.
- No hike in scale of rates since 2001.



Iron ore handling

Krishnapatnam achieves all-India record load rate

Krishnapatnam Port has recently set two milestones by achieving an all-India record load rate in 24 hours and turning around a Capesize vessel in a record time of 48 hours.

Vessel M V Cape Santa Alegria of the Salgaocars of Goa, that berthed at the port on August 18, achieved a loading record of 50,380 MT of iron ore, using the conventional handling system of shore cranes, breaking its earlier



loading record of 48,889 MT achieved in March this year. The next day, the port broke its earlier day's record by loading 50,870 MT of iron ore in 24 hours thereby setting a back-to-back all-India record. A total cargo of 101,250 MT was loaded within 48 hours with an average load rate of 50,400 MT per day. The Capesize vessel MV Cape Santa Alegria is 273-metre-long with a beam of 43 metre and a capacity of 125,000 MT.

Cape size vessels are handled only at select ports in India owing to length, beam and draft restrictions. Salgaocar Mining has expressed happiness and wished the port higher benchmarks. Vessel agent Viking Shipping too was happy with the port's operational turnaround capabilities.

The port has four continuous berths on a wharf with 1,200 m length with a 14.5 m draft. Once the mechanisation work is completed, the iron ore loading capacity per berth will be 120,000 MT per day and coal unloading capacity 90,000 MT per day, the officials said.

Meanwhile, the port took the top honours in the non-major port category at the South East CEO Conclave & Awards 2009, a logistics and maritime event, held in Chennai recently.

Coal berth construction

Essar to lead Paradip project

Keen on expediting capacity expansion of the major ports in the country, the Indian government has awarded a Rs 479-crore project for construction of a coal berth at the Paradip Port.

According to shipping ministry officials, the project has been given to a consortium led by Essar Shipping Ports and Logistics on 31 per cent revenue sharing basis. The berth will have a capacity of 10 MT per annum and will be constructed within 36 months from the date of the award.

The project at Paradip is the third major public-private partnership project in the last two months, the other two being Rs 591-crore iron ore berth at Paradip Port and Rs 252 crore coal berth project at the Goa Port.

While the iron ore berth at Paradip has gone to Noble Group-led consortium, the project at Marmugao Port in Goa has been given to Mundra Ports and SEZ Ltd. and Adani Enterprises Ltd.

Expansion: Integrated logistics service provider Essar Shipping Ports and Logistics, which has plans to invest US\$1.5 billion for capacity expansion, hopes to achieve a turnover of Rs 4,000 crore (US\$ 836 million) by 2012.

"We are expanding capacity in all our businesses (ports, shipping and oil rigs) by investing around US\$1.5 billion. We will also implement new business strategies," V Ashok, director of Essar Shipping told reporters recently.

PPP project

Chennai Port to develop barge jetty

Chennai Port has sought expression of interest for the development of a 200-m long jetty to handle barges adjoining the new pipeline trestle at the northwest side of the Bharathi Dock. This is in line with the proposal made by the shipping ministry to explore the possibility of developing small barge jetties through public-private partnership.

ChPT will provide private operators the right-of-way in the existing pipeline trestle without affecting the present operations; permission to develop an elevated approach from the breakwater to the barge jetty; land area of 7,500 sq metre in the vicinity of the jetty and existing barge handling facility.

Jaigarh Port opens

JSW to develop ports



The Sajjan Jindal-led JSW Group plans to enter the port development business in India and abroad in a big way. To this extent, it has drawn up aggressive plans to develop a slew of ports, both in India and overseas as part of its backward integration initiative. This will include four ports along the Indian coast and one each in Mozambique and Chile. The group's greenfield port at Jaigarh in Maharashtra, developed at a cost of Rs 677 crore, was inaugurated recently.

According to a company official, the Mozambique port project will see JSW teaming up with the local government in a 51:49 JV. On the other hand, the Chile initiative is likely to be completed without any local partner. The group plans to spend US\$150 million to develop the Chile port which will have a cargo capacity of 30 million tonne per year.

The group plans to invest about Rs 450-crore in the Phase II development of Jaigarh Port. The wholly-owned port under JSW Infrastructure will cater to the total coal requirements of JSW Energy's 1,200 MW power plant in Ratnagiri. The deep-water port currently has a capacity to handle 10-million tonnes of cargo under Phase I that will be expanded to 50 million tonnes in the final phase.

West coast alert

Security beefed up at ports

Following a foiled attack on Pakistan's oil storage facility recently, the Indian Ports Authority has beefed up security at all the ports in the west coast. According to the IPA, MarSec Level 2 conditions have been imposed in the wake of the seaside threat perception. This could increase the costs for shipping companies.

It may be noted that burqa-clad assailants armed with Kalashnikov rifles and hand grenades tried to attack an oil terminal in south Pakistan but were thwarted by a security guard who was gunned down as the suspects escaped.

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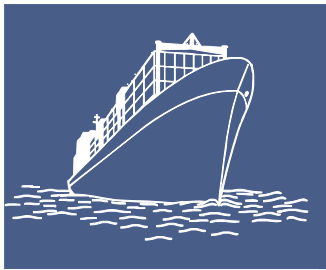
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Disinvestment plans

Cochin Shipyard to divest stake

As the government revives the divestment programme, promising equity of state-run enterprises in the hands of general public, the Department of Economic Affairs seeks 10 per cent disinvestment in Cochin Port.



Cochin Shipyard, the largest shipbuilding and ship repair yard of India and a fully-owned government of India company, is planning to enter the capital markets with an initial public offer (IPO) and is ready to divest 10 per cent of its stake.

The Shipping Ministry supports the Department of Economic Affairs' move to divest government equity in state-run Cochin Shipyard, the largest shipping and ship repair yard in India, Shipping Secretary A P V N Sarma said.

"We are looking at better port infrastructure and enhancing capacity. The ministry will be signing about 20-25 port projects under the public-private partnership mode by the end

of this year," Sarma said. The ministry is also working on a better taxation regime for shipping companies to boost maritime trade, he added.

"We have broadly agreed to the Department of Economic Affairs recommendation. DEA is likely to ask for 10 per cent disinvestment in PSUs. This includes Cochin Shipyard," Sarma told reporters on the sidelines of an Assocham event in Delhi.

Cochin Shipyard, which attained category -1 miniratna status in July 2008, posted a 70-per cent increase in net profit at Rs 160 crore for 2008-09 financial year.

Shipyard declares dividend: Meanwhile, the shipyard declared a



I have made it very clear that we intend to include the public in disinvestment programmes.

Pranab Mukherjee

Union Finance Minister, a day after presenting the national budget.

dividend of Rs 196.679 million. As per a report, M Jitendran, chairman-cum-managing director of CSL presented a cheque to the Union Minister of Shipping. The dividend consists of Re 1 per equity share on the 11,32,80,000 fully paid equity shares of Rs10 each amounting to Rs 11,32,80,000 and INR 70 per 11,91,420 fully paid 7 per cent non-cumulative preference shares of Rs 1,000 per each amounting to Rs 8,33,99,000.

Divestment in CIWTC

The Board for Reconstruction of Public Sector Enterprises (BRPSE) has recommended the revival of the ailing Central Inland Water Transport Corporation (CIWTC) through the dilution of stake in favour of a private partner, preferably an entity from Bangladesh.

The recommendation has been made since the closure of CIWTC would lead to virtually scrapping of the India-Bangladesh Protocol on Trade and Transit, as, according to the protocol, CIWTC is a designated goods transporter to the North-East using waterways via Bangladesh.

Defence urgency

Govt set to take over Hindustan Shipyard

India's Defence Ministry will take over a commercial shipyard to build military vessels for its navy in a move underlining a new urgency in upgrading defence capabilities.

The Hindustan Shipyard is strategically located in Visakhapatnam, where the government intends to build frigates, destroyers and submarines for the navy from later this year. "Hindustan Shipyard is being taken over by the Ministry of Defence," Pallam Raju, Minister of State for Defence, said in Kolkata.

"There will be suitable investments regarding alterations and modernisation of the shipyard, suiting the requirement of the Indian Navy," he told reporters.

The exact capacity of the Hindustan Shipyard was not immediately clear, but India wants to build 100 warships over the next 10 years and phase out old vessels. Experts said the takeover would help India improve its ageing naval fleet. "It signifies our indigenous capabilities and the fact that the navy needs more ships," said Commander PVS Satish, a naval officer.

Military ships are currently built in three shipyards, but the government decided to take over the Hindustan Shipyard to speed up defence modernisation, defence officials said. The Defence Ministry would upgrade other existing shipyards and take over smaller ones to help speed up plans to build more military vessels and submarines, defence officials said.

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New car carriers

MOL announces future ship

Japanese fleet owner Mitsui OSK Lines (MOL) says it has developed the concept for the first of its next-generation vessels, which will be technically practical in the near future, by building on and refining technologies it has already developed and adopted. The company has revealed details of a next-generation, environment-friendly car carrier. MOL is still on concepts for other next-generation vessels including ferries, bulk carriers, tankers, and containerships.

MOL has named the design Car Carrier ISHIN-I – Innovations in Sustainability backed by historically proven, INtegrated technologies. The features help develop the use of renewable energy for conventional car carriers, realise zero emission goal by adopting large-capacity solar-power panels and rechargeable batteries. Also, they help reduce CO₂ emissions by 50 per cent by adopting multiple new technologies, according to an MOL press release.



Cargo charge increase: MOL said it is planning for a general rate increase for all cargo moving westbound from Asia and the Indian subcontinent (including Japan) to northern Europe and the Mediterranean.

The new rate of US\$ 250 per TEU will become effective from October 1, 2009, a company source said. The general rate increase is applicable to all commodities and equipment, including reefer containers.

MOL also effected a rate increase on its Europe-Southern Africa routes in order to remain sustainable. A general rate increase of US\$ 200 per TEU will apply from the beginning of October on both north and southbound legs.

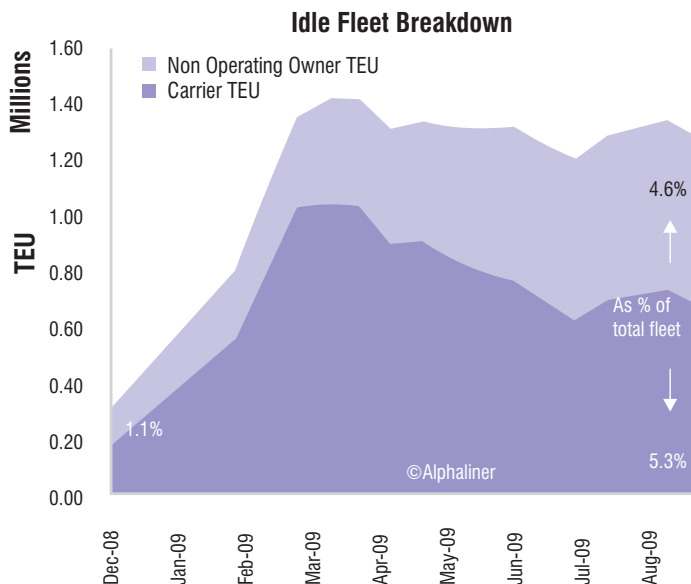
Trade slump

Idle ships set to climb in number

The pool of idle containership is expected to increase over the next two months as the peak season ends. As per data released by Paris-based consulting firm AXS Alphaliner, a number of service rationalisations by carriers will be implemented in September and October which will lead to ships coming off employment.

Three major service rationalisations were announced recently, including the 20 per cent reduction in the overall capacity of the CKYH Alliance on the Far East to Europe trades. The move by the CKYH carriers would free up 18 vessels of above 5,000 TEU, starting from October. It would be difficult for these ships to find employment during the period as demand will likely remain weak until early next year, AXS Alphaliner foresees.

Meanwhile the current idle fleet as at 31 August stands at 1.279 million TEU, with 524 ships recorded to be without employment. The idle figure represents 9.9 per cent of the fleet.



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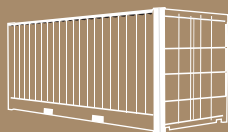
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Multi-enterprise supply chain

Stress on visibility, collaboration

A new research report discusses ways to manage multi-enterprise, demand-supply networks in order to increase responsiveness and agility.

Aberdeen Group, a Harte-Hanks Company, in its research study reveals that due to an increase in the outsourcing of supply chain processes and solutions, organisations are losing visibility at a time when agility and responsiveness are a must for the customer-driven supply chain.

"Manufacturing and demand-supply networks are continuing to grow in complexity. Because of this complexity, it has become difficult for companies to stay informed and in control of every stage of the supply chain lifecycle," said Viktoriya Sadlovska, analyst and co-author of the report. "At the same time, these organisations are working to move towards a more customer-driven supply chain. Therefore it is critical for companies to better align their outsourcing and customer-service

efforts to attain agility and enable better responsiveness to minimise supply chain risk."

Key findings from survey respondents indicate that:

- The top strategic focus for 2009 was on customer-related processes
- When combating the multi-enterprise visibility challenge, respondents are more likely to focus on collaborative approaches
- Effective information management is absolutely key for success in today's complex demand-supply networks
- Having granular visibility that extends both upstream and downstream the supply chain allows companies to achieve operational excellence

According to report authors, visibility plays a big role in day-to-day routine supply chain management tasks, historic supply chain performance analysis and long-term planning. Additionally, a centralised supply chain organisation, with globally defined strategy has both global and regional centers of excellence, and is an important element for managing today's networks with a high degree of process outsourcing. Best-in-class companies have repeatedly shown to have adopted this capability.

Potential tie-ups

Shubham signs MOUs with banks

To increase exposure to the agriculture sector, Shree Shubham Logistics Limited (SSLL) signed a Memorandum of Understanding (MoU) with Axis Bank to work together in the area of warehouse-based receipt financing. SSLL, a subsidiary of Kalpataru Power Transmission Limited, is a Gujarat-based company focussed on developing commodity warehousing logistics parks in strategic locations in the country.



The agreement is aimed at bringing the two institutions together, with the bank extending finance against warehoused commodities and inventories, and under the collateral management structures of SSLL, providing end-to-end solutions to all the commodity stakeholders in the agricultural and non-agricultural segment with a pan-India presence.

SSLL also signed an MOU with Development Credit Bank recently to facilitating post harvest credit facilities for farmers against warehouse receipts. It will provide collateral management to DCB for extending post-harvest credit facilities to farmers, agri enterprises and processors.



India expansion

DHL-Balmer Lawrie tie up

DHL Express India, the world's leading Express & Logistics Service Provider announced its Memorandum of Understanding with Balmer Lawrie & Co Ltd., a Mini Ratna Public Sector Undertaking with diversified business interests in manufacturing and services sector and a major player in air consolidation. The tie-up will offer Balmer Lawrie customers an enhanced service portfolio of international and domestic express solutions, courier requirements and movement of temperature sensitive cargos.

DHL Express India will provide Balmer Lawrie customers a one-stop-shop solution for international & domestic express solutions. Offering a market leading transit time of 1-3 days through a network of seven air freighters and more than 45 international commercial flights arrangements from India, the customer can get faster connectivity. In addition, through Blue Dart, part of Deutsche Post-DHL, Balmer Lawrie customers will also have access to over 21,000 domestic locations in India.



Photo: DHL

Deutsche Logistics' entry

Deutsche Logistics, Europe's leading logistics company and a wholly-owned subsidiary of Trevor's Group of Worldwide Businesses, will soon be found plying on Indian highways and city streets as to cater the Indian transport and logistics industry.

It will tie up with some preferred logistics companies to cater its customers and by the end of 2010-2012, will launch its own range of fleet consisting of both international and Indian brands. "We are the first company in India to have the widest range of fleet. Our fleet will consist of international brands like Mercedes Benz Actros & Axor, Volvo Globe Trotters, Man and Scania trucks apart from the major Indian brands like Tata Trucks and Ashok Leyland Trucks," the spokesperson said.

20-year deal

Sical reserves CPT berth

Sical Logistics Ltd, India's leading provider of multi-modal integrated solutions for the logistics of bulk and containerized cargo, has signed a Berth Reservation Scheme (BRS) agreement with the Chennai Port Trust for 20 years, effective from February 26, 1998.

Sical Logistics has been handling vessels at JD5 berth under BRS but was restricted until now to berth vessels with less than or equal to 10.4 meters draft.

After the completion of dredging by Chennai Port, the draft has been deepened to 12 meters, providing Sical Logistics with the capability to berth vessels of 50000-52000 MT cargo capacity against the current capability of handling 25,000-30000 MT vessels.

The servicing of larger vessels coupled with reduced pre-berthing delays, improved port-to-port turnaround times, and higher berth occupancy is expected to raise the throughput of Sical's bulk logistics operations at Chennai Port by 2-3 million MT per year. In FY09, Sical handled 3.4 million MT of bulk cargo at Chennai Port.

Between August 18-21, 2009, the JD5 berth received its first 12 meter draft vessel, MV Mokara Collosus. The vessel, for which Sical Logistics is the shipping agency, discharged 50940 MT of coking coal under contract with JSW Steel Ltd.

Sical Logistics is studying the feasibility of enhancing the handling equipment at the JD5 berth to receive gearless vessels to maximize loading /discharging economies for large importers and exporters.

Facility at NMPT: Sical has also won the bid for the Rs 300-crore project to set up a mechanised iron ore handling facility at New Mangalore Port Trust on a build-operate-transfer basis.

As per report, the integrated solutions provider for bulk cargo, will offer 37 per cent of the gross revenue to NMPT – the highest revenue share offered for any of the NMPT's projects in the recent past. The project involves payment of Rs 11 crore annually as licence fee and one-time success fee of Rs 4 million to NMPT. The company will get two years time to execute the project after signing the deal, perhaps in three months.

Once ready, the facility will handle 6.62 million tonnes of iron ore annually. NMPT is the fourth largest exporter of iron ore among the major ports in India. Last year, the port handled 8.3 million tonnes of iron ore.

Easing logistics

Boeing, Damco sign MOU

Boeing and Danish logistics company Damco, part of the AP Moller-Maersk Group have signed a Memorandum of Understanding (MOU) to pursue the development of industrial and technological logistics tools for improving global supply chain management.

The MOU paves the way for Boeing and Damco – a leader in global freight forwarding and supply chain management solutions – to improve efficiency and effectiveness in the multi-billion dollar supply chain optimisation market. The two companies will explore opportunities to use the Boeing-developed Joint Logistics Command and Control Environment (JLC2E) modelling and simulation tool to expand into commercial markets and incorporate Damco's expertise in supply chain management. Boeing's state-of-the-art JLC2E tool allows defense customers to experiment and evaluate supply chain tactics, processes and technologies to support current and future complex defense missions.

"We look forward to working with Damco and integrating their optimisation capabilities into our own experimentation environment," said Torbjorn Sjogren, vice president of Boeing International Support Systems. "Leveraging the logistics capabilities of our two companies creates a powerful platform for mutual business opportunities and for developing optimal supply chain solutions for our customers," said Martin Thaysen, Damco chief commercial officer.

SCM partner: Meanwhile, Damco was appointed by Hennes & Mauritz (H&M), the world's third-biggest clothing retailer as its supply chain management partner in India and Pakistan. Damco will be responsible for the management of H&M's consolidation programme.



FMCG association

Future Logistics starts 3PL with Hitachi, Nestle

Future Logistics Solutions, an arm of Kishore Biyani's Future Group, has forayed into third-party logistics (3 PL) operations by signing leading electronic and fast moving consumer goods (FMCG) players such as Hitachi and Nestle.

Future Logistics has been catering to the logistics needs of more than 1,100 outlets of the group in the country. However, over three years, the company is expected to earn half its revenues from outside the group, as it is in talks with over 15 companies, said sources.

The company is expected to post revenues of Rs 300 crore in the current financial year and plans to triple its income in the next three years with multi-model transportation, international logistics, reverse logistics and brand distribution services, the sources added.

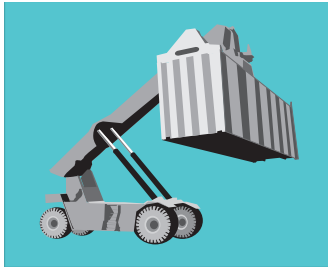
Recently, Fung Capital, the private equity arm of the Hong Kong-based Li & Fung Group, bought a 25 per cent stake in Future Logistics for Rs 150 crore (US\$ 30 million), valuing the company at Rs 600 crore. Future Logistics also plans to start brand distribution services in the country in the next six to eight months, where it will buy merchandise from international and domestic brands and supply it to retailers.

Parcel business

Deccan to go big on small

Deccan Cargo and Express Logistics Ltd., promoted by Capt G R Gopinath, launch its small parcels business through Deccan 360 in mid-October. Three large Airbus 310s and seven smaller ATRs will be pressed into service for the purpose. Reports state that Gopinath will put his own money into building logistics infrastructure first and then look for suitable fund raising options once the markets recover.

Deccan 360 will be operated with Nagpur as the hub for aggregation, distribution and redistribution. In an interview to a daily, Gopinath said 75 franchisees were selected from throughout the country and emphasis will also be given to the tier II cities which will be connected to the hub through the ATRs.



NEWS

Next fiscal

Indian exports to grow

Though India's exports slid for the 11th straight month in August by 19.7 per cent to US\$14.3 billion as global demand for merchandise remained sluggish, the next fiscal holds hope.

Achieving or nearing the export level of US\$168 billion in 2008-09 in the current fiscal would be a key challenge for India against a projected sharp fall in global trade, Commerce and Industry Minister Anand Sharma said.

"If we are able to sustain, or be close to the level of last year, I would still call it growth," Sharma told reporters during a CEOs' delegation of the Confederation of Indian Industry in Stockholm. But Sharma saw things improving next fiscal. "We would like to take our exports from 2011 again into 25 per cent growth rate and doubling our share in global trade by 2020 is our target. We are sure we will

be able to achieve US\$200 billion next year". President of Federation of Indian Export Organisations A Sakthivel had said Indian exports this fiscal were expected to be in the range of US\$ 150-155 billion. Bulk of the country's exports go to the developed markets of the US and Europe and several other economies affected by the worst recession since 1930s.

Meanwhile, a top official of Export-Import Bank of India predicts that India's total exports are expected to grow by 10 per cent during 2010-11 with most of the key sectors showing signs of revival.

The growth in export during this fiscal is likely to be "either flat or marginally negative," T C Venkat Subramanian, CMD Exim Bank, said. India has set an export target of US\$ 200 billion for the next financial year. He said most of the sectors, including automobile, plantation and engineering have been showing signs of revival. -PTI

ECGC forecast

Insurance income premium to cross Rs 850 cr

State-run Export Credit Guarantee Corporation of India (ECGC) said its income from insurance premium is expected to jump by over Rs 100 crore this fiscal to Rs 850 crore, as more and more exporters are facing payment defaults.

"I am confident we will cross Rs 850 crore (in 2009-10)," Export Credit Guarantee Corporation Chairman and Managing Director A V Muralidharan told reporters on the sidelines of FIEO function.

In FY'09, ECGC's income from premium was Rs 745 crore. ECGC provides a range of credit risk insurance covers to exporters against loss in export of goods and services. It also gives guarantees to banks and financial institutions to enable exporters to obtain better facilities from them.

Exporters have been complaining of payment defaults as buyers in the western markets have been impacted due to the demand slowdown.



Recession impact

Textile exports to drop

The global economic downturn will continue to affect Indian textile exports which will drop by more than 5 per cent in 2009-10, an industry body said.

"Textile exports will decrease more than 5 per cent in 2009-10. The effect of recession in major countries, especially in the US and EU, has been particularly severe on the Indian textile industry, since over 60 per cent of our exports are to these markets," Confederation of Indian Textile Industry (CITI) Chairman R K Dalmia said.

A study recently conducted by ICRA Management Consulting Service to assess the impact of the global recession on Indian textile and clothing industry reveals that the index of industrial production for cotton textiles has declined by 3.7 per cent in December 2008, 6.2 per cent in January 2009, and 12.1 per cent in February 2009.



Output down

Sugar imports to go up

India may import at least 6.5 million tonnes of sugar in 2009/10, two million more than trade forecasts as domestic output would be lower than expected, according to the country's top sugar producer.

Government officials have said sugar output in the new sugar marketing year that begins next month would be 16-17 million tonnes, down from about 15 million tonnes in the current year and 26.3 million tonnes last year.

The domestic output is expected to be 13.5-14.5 million tonnes in the next season. Even if the output is 14.5 million tonnes, India would have to import 6.5 million tonnes because it will start the season with 2 million tonnes in stocks and is expected to consume 23 million tonnes.

A poll in early August had forecast India was likely to import a record 4.5 million tonnes of sugar in 2009/10. -Reuters

Engineering products

Exports plunged by 31% in August

India's engineering exports plunged by around 31 per cent to US\$ 2.6 billion in August due to a slump in demand in major markets like the US and Europe. The exports stood at US\$ 3.8 billion in August 2008, an official said.

Engineering goods exporters are not hopeful of recovery in demand in the international market in the coming months, the official said. Exporters are pinning their hopes on revival of demand in the major markets due to large stimulus packages. However, at best, only tentative revival signs have been perceived in select export destinations.

The government had announced several measures to revive exports including 2 per cent interest subsidy, duty-free import of capital goods and had extended income tax holiday for export units for one more year.

The sector, which had contributed US\$ 37.5 billion in India's total exports of US\$ 168 billion in 2008-09, employs over 40 lakh people. India's overall exports have been contracting for the last 11th month in August to about 20 per cent. /PTI

Car shipments

Exports from Ennore next year

Car exports from Ennore Port in Tami Nadu will start from August 2010, Shipping Minister G K Vasan has said. "The construction of the car terminal at the Ennore Port is

proceeding smoothly. The port has inked an agreement with Nissan India, which will use the terminal to ship out 180,000 cars," Vasan told reporters.

Built at an outlay of Rs 110 crore, the car terminal will have a 175,000 sq metre parking yard. According to Vasan, the Ennore Port has attracted private investments to the tune of Rs 1,200 crore for building coal, iron ore and marine liquid terminals.



GRSE

Sky is the Reach

Rear Admiral K C Sekhar, VSM, IN (Retd.), Chairman and Managing Director (CMD) of Garden Reach Ship Builders & Engineers Ltd. (GRSE) is committed to make the company competitive. His team is upbeat about the mega order of Rs 8,700 crore and 2015 is their deadline to deliver the ships. Infrastructure or rather expansion of facilities is the key to competitiveness, the CMD strongly believes, as he negotiates with international players for technology and knowledge transfer.

The Rs 530 crore modernisation plan is already abuzz and is likely to be completed by 2011. The plan includes an integrated modular construction facility to improve delivery time and enhance technology infrastructure, refurbishment of shops at a cost of Rs 80-90 crore, induction of a goliath crane and creation of an ultramodern dry dock. "The mega facility will allow us build four Frigates at the same time and also help us in cutting down the delivery time by 20-25 per cent," the CMD says.

GRSE is the oldest and the leading shipyard in the country that caters to a wide range of shipbuilding projects – from modern warships to sophisticated commercial vessels, from small harbour craft to fast and powerful patrol vessels.

Formed in 1884, as a small repair unit on the Eastern Bank of the river Hooghly, GRSE became a public sector undertaking under the Ministry of Defence, Government of India in 1960. In April this year, it celebrated its 125th anniversary. Today, it has seven manufacturing and production units in and around Kolkata. In addition, it has one unit solely dedicated for imparting technical training and another unit at Ranchi that caters exclusively for the manufacture of diesel engines. The company has a clear agenda to face the growing competition from private players like Larsen & Toubro, ABG and Bharati. "For the first time we are diversifying," the CMD says as he shares the company's plans and growth perspectives with Ramprasad of **Maritime Gateway**. Excerpts from the interview.



Inking contract: Rear Admiral K C Sekhar, CMD, GRSE.

It is a little more than a year since you assumed charge of Garden Reach. What do you think were the significant developments?

A: The year 2008-09 was good for the company on three accounts. First, we have been able to deliver seven ships in one fiscal year which has never been done so far. This includes four passenger ferry crafts to Andaman & Nicobar administration, one Landing Ship Tank-Large (LST-L) to Navy and two Water Jet Fast Attack Crafts (FAC) again to the navy. Second, our value of production touched Rs 671 crore which has been the highest. Third, we have been able to tie up through MoUs for upgrading our infrastructure, improving our productivity and for expanding our market. Through such initiatives today our MoU for making bridges with ThyssenKrupp Marine Systems (TKMS), Sweden has fructified. The RFP is likely to come out from the army. We are there to



bid for it. There are not many manufacturers for such bridges in India. Bailey bridges take 7-10 days for erection whereas we can make fast bridges ready in less than 48 hours. So it increases the mobility of the army considerably.

For the first time we are diversifying. We have also got order from the Navy for 120 marine pumps. This is an indigenous substitute for the foreign pumps. After extensive trials on both ships and submarines they have been accepted by the navy. Five more types of pumps are undergoing trials. Once we complete these trials we are likely to get more orders. Since these pumps have been accepted by the navy we can install them on new constructions. We also have an MoU with BE Pumps, a local company, for combined production of these marine pumps. We are negotiating MoUs for making composites. We have enquiries for building war ships from neighbouring countries like Malaysia,

Bangladesh, UAE, Oman. We are likely to expand our market.

After 26/11 there is a growing concern about coastal security. What kind of demand does that put on shipbuilding?

A: we have an order from the Ministry of Home Affairs for delivering 78 fast interceptor crafts out of which 12 were delivered by Aug 09. By October 2010, we have to deliver the rest of the boats. We have four assembly lines working parallel. A lot of enquiries are coming for similar interceptors. More are likely to come from the Coast Guard and the Ministry of Home. These (interceptors) are built with not aluminium or steel but a complete composite structure. We have obtained this technology through the Transfer of Technology (ToT) from Motomarine of Greece and have even mastered it. So we find potential market for the platform that can provide coastal security. Interceptor boats with 100 tonnes displacement and fast waterjet crafts are also in demand. We are setting up infrastructure to meet this increasing demand.

When compared with building commercial ships what are the challenges you

face in building ships for defence purposes?

A: This is a different ballgame altogether. Building merchant ships is much easier and less time consuming. The specifications and characteristics are not as demanding as that of warships. Warships being smaller and heavily dense because of the equipment, are more complex. Since we have been building ships for more than 50 years, our expertise is good. In fact, the Anti Submarine Warfare Corvette (ASW) that we are building will be the first warship to use indigenous steel. Because of the R&D efforts put in by the DRDO/M/s. SAIL India, the steel is much better than that we get from abroad.

What are the designing facilities that you have here?

A: We have a central design office (CDO) where 80-85 engineers design the ships. In most of the warships the basic design comes from the Navy and we make the system drawings. But in the process we also improve our design skills. For example, the water jet fast craft is entirely our design. Since the work load on us is more now due to all the recent orders, we are outsourcing some of the activity. We are also looking at a joint venture in ship design.



Watching weight: The CMD explains a point to Minister of State for Defence MM Pallamraju.



How is the ancillary equipment being sourced out?

A: In cases like pumps and the deck machinery we are manufacturing on our own. We were conferred with the Raksha Mantri Award for innovative skill in manufacturing Common Helicopter Traversing System. In addition to this, we have a license agreement with diesel engine manufacturer MTU, Germany. In case of other equipment, the Indian industry supports us. PSUs give us weapons and sensors. Only in very few cases, we source from abroad.

Ship repairing is another important aspect. With so many ships being built what about the repairing facilities?

A: We undertake repairs in a limited manner. Because of the constraints on the dry docks, we have so far focussed mainly on repairing warships and Coast Guard vessels. We are looking at possibilities for expanding this business. In the eastern region, particularly towards Kolkata – Haldia, Saga islands – not many ship repairing facilities exist. We find tremendous potential to establish ship repairing facility down-stream Ganges. **MG**

GRSE TO EXPAND FACILITY

The Defence Ministry is mulling over extending the Garden Reach Shipbuilders and Engineer's (GRSE) facility in deeper draft locations and Diamond Harbour is one of the options. As part of the modernisation plan, it will set up another unit at Diamond Harbour. "This unit will allow GRSE to build larger vessels that require greater draft. In the next two years, the existing yard will be modernised at a cost of Rs 573 crore," said M M Pallam Raju, minister of state for defence, during a visit to the facility recently.

In the next two years, the existing yard will be modernised and the shipyard is on the lookout for some 30 to 40 acres on the riverbank for the new unit. The GRSE is right now building four anti-submarine warfare corvettes (ASWC), 10 water jet fast attack crafts for the Indian Navy besides 88 fast interceptor boats for the Home Ministry. The deliveries of the ASWCs will start from 2012 and continue till 2015.

Interestingly, Diamond Harbour is the site selected by the Kolkata Port Trust (KoPT) to build a container terminal there. KoPT requires 43 acres from Defence for the Rs 1,233 crore ambitious project. The proposed terminal will have six jetties, four for handling ocean-going vessels and two for barges. It was to come up over 125 acres that included 40 acres of private land, 24 acres from the directorate of lighthouse and lightships, West Bengal Public Works Department and Fisheries department besides Defence and Railway land.

The Defence Ministry has recently indicated to KoPT that it would not be able to part with the land.

"In the last few years, orders to GRSE have picked up. The work culture in this unit has also improved. The shipyard delivered seven ships last year. There will be no dearth of orders if GRSE continues its good work.

I have also spoken to the management about special packages for employees. This will include medical benefits for retired employees. This will definitely help to boost morale," the minister added.



The makers: Minister of State for Defence MM Pallamraju interacting with GRSE employees. (Above) A frigate built by the company.



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HIGH TIME FOR ALTERNATIVE GATEWAY PORTS



JNPT achieved a throughput of 3.95 million TEU in 2008-09.

Just 20 years old, JNPT, the jewel of Indian maritime trade, garners the lion's share in handling container trade volumes. The addition of two private container terminals in the last ten years has catapulted this major port into the league of top 25 ports in the world. However, the port began to face congestion problems in the last five years due to steep growth in container volumes from north and central Indian hinterland. Though JNPT is still the 'most preferred container gateway' for a huge majority, a section of the trade has started using other promising ports to avoid congestion hassles. **Jagadeesh Napa** explores the intricacies involved.



Ever since its inception in 1989, Jawaharlal Nehru Port Trust (JNPT) has been playing a key role in India's exim trade by being the only major port handling more than 60 per cent of the container traffic. Pride of the trade, it is the preferred port of call for almost all the major container lines in the world and the gateway port of choice for exporters and importers in Central and Northern India. Growing volumes are only making the port busy as huge piles of containers wait to be cleared and more number of vessels wait to be docked.

Owing to exponential surge in container volumes, all the three container terminals in the port operate at more than 100 per cent of their designed capacity. The third container terminal, Gateway Terminals India Pvt Ltd., started operations in 2003 and in less than two years, the volumes handled here crossed the designed capacity. With all the three terminals, JNPT today handles more than 4 million TEU per annum at 105 per cent capacity utilisation.

Though shipping lines, under both Indian and foreign flag, have been complaining of congestion at JNPT,

Photo: JNPT

very little has been done to improve the status quo. Despite the Ministry of Shipping giving the green signal for the development of a fourth container terminal, work is still in the conceptual stage and will take another five to seven years to go onstream. Dredging at the existing terminals too needs urgent attention, as the draft restrictions do not allow bigger vessels of more than 8,000 TEU into the port.

In this scenario, it is necessary for all the stakeholders like exporters, importers, shipping lines, middlemen and the government to understand the gravity of the problem and consider developing multiple gateway ports instead of putting further burden on an already congested port. The trade too has been complaining about the congestion for some years now. The shipping community has been voicing its concern since it has to pay dearly for congestion.

Increasing cost of congestion has been leading to increase in product costs thereby burdening the end customers. The JNPT management too has been working its way to find a solution to the problem. Despite the growing trade, things have been moving at their own pace thanks to the bureaucratic hurdles coming in the way of this government-run port.

It is therefore high time to focus on developing alternative gateway ports both on the west and the east coast. There are several factors that go into choosing a gateway port. Of them, directional flow of cargo, easy connectivity, infrastructure set-up, speed of operations and service quality are the major ones.

Directional flow of cargo

It involves the origin of cargo and the direction of the destination. If the cargo is originating from NCR and is being shipped to Europe, a major container port on the west port like JNPT is ideal. Similarly, if the cargo originating from NCR is going to China or any other Far East country,



Cargo redistribution through principle of directional flow

Pramod Bhandari

President, Federation of Shipping Agents Association of India (FEDSAI)

North Indian hinterland encompasses the “sweep” from Jaipur, past Ludhiana, past Moradabad, and ends with Kanpur, with Delhi/NCR forming the largest territory, and hence fulcrum. Container traffic throughput of this territorial “sweep” has grown many folds in the past few years, and investment barometers indicate that the process will continue in future as well. Much of this comprises imports from China and other eastern countries (resultant upon India’s “Look East policy”), and metal scrap from Gulf, Africa and Europe in support of the re-rolling industry. Several non-traditional exports have emerged from this geographical area. The region has consequently seen India’s largest investments in inland container handling facilities – ICDs, CFS, expanded rail connectivity etc. Such growth necessitates the call for diversification in the use of seaports, beyond those historically used. India is blessed with a vast coastline on both sides. This territorial “sweep” has access to recent growth in port investments on both coasts, reasonably well connected by economic and efficient rail linkage.

These investments in port sector are now part of national wealth. They need to be used and perhaps the best way is to diversify port usage by a redistribution of throughput from traditional gateways, using the principle of directional flow. This will spread out the origins of traffic that converges into northern destinations, and will also concurrently create more capacity at the traditionally used Gateway, thus alleviating the recurring port congestion and its several attendant difficulties.

Piling up: The cost of congestion is increasing year after year, adding up to the product cost.



selecting the nearest container port on the east coast would be rational. Given the overflowing volumes at JNPT, there is a pressing need for redistribution of export-import cargo based on the principle of directional flow. For instance, Delhi International Airport Limited has imported several equipment like conveyor belts and such others from China. The consignments were routed from China through JNPT to Delhi. It could have also used an east coast port, say Visakhapatnam, for the same as it is nearer to China, could have saved almost 6 days of



Photo: Port Strategy

delivery time and could have also brought down the associated costs. In such a situation, “the best way is to diversify port usage by redistribution of cargo from traditional gateways to new and upcoming ones, using the principle of directional flow,” says Pramod Bhandari, president of the Federation of Shipping Agents Association of India. “If JNPT’s cargo throughput is analysed, there is a considerable percentage of cargo that is China-centric and can be routed through the east coast. This will reduce the excessive volumes that are now

going to JNPT,” Bhandari justifies and suggests that the carrier has to take the initiative to move the cargo through a more economical gateway.

Although traders complain constantly about congestion adding up to their logistics costs, they still prefer to move their cargo through JNPT rather than through other ports. “The trade’s preference to route cargo through established ports instead of emerging gateways is in fact increasing the product cost,” says Capt. Sriram Ravi Chander, chief operating officer of Visakha Container Terminal. “Development of

value addition by exerting thrust on exports rather than import of finished products will give the clients as well as the trade the cost advantage,” he says in an interview.

Easy connectivity

Smooth and cost-effective connectivity has been a problem in India. While the Delhi-Mumbai industrial corridor, the biggest contributor of exim trade in India with 75 per cent of container traffic, enjoys good connectivity through both by road or rail, the vast Central and North Indian hinterland has yet

to improve in this aspect. For instance, private ports in Gujarat like Mundra and Pipavav have established their own road and railway connectivity from their respective ports to nearby road and rail networks. Yet, container volumes going to these ports are meagre relative to JNPT.

The big surge in container volumes calls for more container trains to be run between ports and ICDs. Although the introduction of private container rail operators has led to new services, this is not entirely sufficient to handle the volumes. The head of Indian operations of a popular container shipping line from Far East told Maritime Gateway that they have been weighing the option of shifting their gateway port from

Look East Policy to Boost Trade

As part of the "Look East" policy of the Indian government, the country has entered into bilateral and multilateral trade partnerships with many East Asian countries in the recent past. China is the major trading partner in this region and India is looking forward to build trade relations with major players of this region. This policy has been given significant thrust and has achieved significant results since its implementation. India recently signed Free Trade Agreements with Korea and ASEAN countries thus enabling trade in this region to bloom. After a lot of years of waiting, negotiations and due diligence, India has finally inked the free trade pact with the ten-nation ASEAN. This block has formed the biggest free trade zone removing trade barriers among the member countries in Southeast Asia. Now, with India signing in the FTA, it has joined the free trade zone to boost its trade relations with the ASEAN. Total value of exim trade of the ASEAN nations is more than US\$ 1 trillion and India is supposed to grab a sizeable chunk in the next few years.

All the results and developments from the look east policy will point to increased trade between India and these countries. The multi-fold increase in this trade will demand more gateway ports on the east coast and it would be prudent on part of the existing and emerging ports to gear up for the steep growth. Therefore, in the face of the exim trade growing multi-fold with Far East, it is rational to route cargo from / to central and northern hinterland through a gateway port on the east coast rather than from the west coast which is JNPT.



Photo: GTI

JNPT to Pipavav. But lack of sufficient rail services is a challenge at Pipavav as CONCOR has not committed enough number of services to clear the cargo causing cargo to idle there indefinitely. No shipping line, the executive says, would like to be blamed for non-availability of rail services at any port. It is altogether another story that all the container rail operators in India are facing the problem of acute shortage of rakes and this is definitely a blow to the emerging gateway ports.

The container terminal in Vizag, which earlier had only one weekly container train service from Delhi,

has more services today between Delhi and Vizag, run by different private operators. But the increase in the number of services does not commensurate with the increase in trade volumes as the cost of moving containers from North and North Central India to Vizag is exorbitant. This has been one of the biggest hindrances for the port to improve its volumes. Though connectivity has been established, high inland movement costs curtail the growth in volumes to this port. But Bhandari feels that if the cost of moving a container, say from NCR to Vizag, is equal to the cost of moving the same from NCR to JNPT, then there should

not be any issues in shifting some of the overflowing volumes from JNPT to Vizag. In fact, private rail operator Boxtrans is running regular services between Delhi and Vizag at more or less the same tariff charged by CONCOR between Delhi and JNPT.

Seaside and landside infrastructure

Infrastructure plays a vital role in developing a gateway port. Water depth (draft) in the approach channel and alongside the berths will determine the maximum size of the vessels that can call at a port. Dredging remains pending for a long time and this is seriously affecting the berthing of larger vessels. Quay cranes, RTGs, container yard and other handling equipment form the landside infrastructure. Though JNPT faces draft restrictions and cannot accommodate larger vessels, the trade is blessed to have JNPT with the state-of-the-art landside infrastructure. However, the port faces shortage of land to further extend its services. It becomes heavily congested during monsoons and peak seasons and evacuation of containers from the port becomes a daunting task. Capt. A K Sahni, general manager - north, Yang Ming Line, feels that the port is ill-prepared to handle imbalances in export and import containers during monsoons and peak seasons.

Though the number of free days was reduced from 15 to 7 in order to

In Focus: Visakha Container Terminal

All the promising ports are gearing up to meet the rush of volumes and are leaving no stone unturned in improving their facilities and service standards. As an example, the case of Visakha Container Terminal is presented below, which is a promising and upcoming container gateway on the east coast equipped to connect the Far East more economically.

The Visakha Container Terminal Pvt. Ltd. is located at the outer harbour and offers a deep draft of **15** metres enabling direct berthing of larger container vessels of **9,000** TEU.

It is a natural port with all weather **round the clock** operations and caters to the growing trade in Andhra Pradesh, Orissa, Chhattisgarh, Jharkhand, Madhya Pradesh, Uttar Pradesh and other states.

It handled around **90,000** TEU during 2008-09 clocking **24** per cent growth. The container terminal has developed excellent delivery system to Hong Kong with **one-stop service** at Singapore.

As per the roadmap, says Capt. Ravi Chander, they expect the terminal to handle **100,000** TEU in 2009-10, half a million in next three years and **1 million TEU** in five to seven years. A lot marketing activity is happening currently to achieve these goals.

A strong marketing strategy is in place to overcome the impact of global recession and to attract cargo from seven states within a reach of **750** km. Plans are also being drawn to project Vizag as a ready alternative gateway wherein container cargo from Kolkata will be transhipped to Vizag instead of Colombo or Singapore. The terminal also signed an MOU with Vedanta Resources for shipment of project cargo up to **18,000** TEU in the next six months.

Strengths	Weaknesses
Natural port with deep draft	Prohibitive surface transport costs
Excellent infrastructure	Poor marketing till now
Suitable for larger vessels	Cargo containerisation yet to happen in full scale
Speedy evacuation, no congestion	More number of CFSs to be established
Regular connectivity to Delhi/NCR	
Direct connections to Far East Destinations	

fasten the evacuation process, it only resulted in extra financial burden on the trade.

It is currently planning to have a fourth container terminal on totally reclaimed land. In case of Mundra

and Pipavav, both the ports have sophisticated cargo handling equipment installed and are aggressively taking up dredging work to get rid of the draft restrictions. These ports have ample land to

Direct into the yard: Rail siding at Visakha Container Terminal.



Photo: VCTPL

expand and no such land problem is bogging them. Similarly, Vizag container terminal too has set up excellent infrastructure. This terminal has an impressive 15 m draft (which is its USP) enabling larger vessels to call there. The number of CFSs that are operating at Vizag Port, however, are not enough and there is a need to establish more of them. "Ports on the east coast have not earmarked adequate area for the development of CFSs, back-up and storage areas for container cargo," says Capt. Ravi Chander. This can be attributed to the fact that the east coast has predominantly been handling bulk cargo – iron ore exports and coal imports among others – and the associated hinterland has not fully embraced the concept of containerisation of cargo as western and northern industrial belts have done. This explains the current low levels of container throughput at the Vizag Port.

Speed of operations

JNPT claims that it offers one of the fastest turnaround times in Indian ports of less than two days. This of course does not include pre-berthing detention period when the vessels have to wait for availability of berths. But it clearly indicates the speed of operations at JNPT, which is in no way inferior to world-class ports like Rotterdam and Singapore in terms of efficiency. Hence, the congestion at the port is mainly due to the excessive flow of cargo that is much beyond its designed capacity, and not because of inefficiency.



“Private rail operator Boxtrans is running regular services between Delhi and Vizag at more or less the same tariff charged by CONCOR between Delhi and JNPT.”

North and Central hinterland prefer JNPT for this very reason of speedy operations and service. This preference, that started when Mundra and Pipavav ports were not fully developed, has led to tremendous increase in volumes and it has now gone to such an extent that the volumes have surpassed the saturation point where the benefits of speedy operations will no longer be felt. Mundra and Pipavav, on the other hand, have fully evolved over a period of time and are ready to handle more container volumes than they handled a few years ago. The two container terminals at Mundra and the one at Pipavav are aggressively adding capacities to accommodate more volumes. Vizag container terminal has the rail siding adjacent to the yard and quay and this has resulted in fastest ship-to-shore-to-rail time and vice versa.

Status quo

In the light of the above arguments, a section of the trade is inclined to shift their cargo volumes to Mundra and Pipavav ports on the west coast and Vizag on the east coast. While some shipping lines have started direct services from Mundra and Pipavav, many others have to follow suit to save costs to the line as well as to the client. Maersk Line has considerable presence at Pipavav Port and has recently made Mundra Port as the cargo acceptance point for Gujarat and Rajasthan states. Other lines like

Emirates Shipping Line, Hyundai Merchant Marine have direct services from Pipavav. In any case, none have made these ports as their gateway ports in India.

The problem of acute shortage of wagons and rakes has a huge impact on the development of these ports, and rail operators have begun to use these precious resources judiciously. The issue of higher cost of rail transport too needs immediate attention. Passenger rail fares are subsidised in India at the cost of freight transportation. In the interest of growth of exim trade, the Ministry of Railways should consider reducing the haulage charges levied on the container rail operators. Currently, such charges account for 75 per cent of the total operating costs incurred by the rail operators.

Delhi-Mumbai dedicated freight corridor which will be operational in a few years will make it cost-effective to access Pipavav and Mundra. Once the freight corridor becomes operational, a lot of cargo originating from Haryana and NCR will find their way to Pipavav and Mundra.

This will reduce the prohibitive costs considerably and pave way for the emerging gateway to develop and flourish. JNPT on the other hand, will benefit from reduced congestion, higher operational efficiency and reduced costs to customers. Therefore it is high time to have a thorough relook of the distribution of cargo to different gateway ports and develop a long term redistribution strategy in line with directional flow of cargo with the end benefit being minimum cost to customer. **MG**

Long-term infrastructure development

JNPT Moots Initiative

- Rebidding announced for stand-alone container terminal.
- Creation of container freight stations planned in big way.

A **Maritime Gateway** update.

Jawaharlal Nehru Port has gone for the rebidding process for its proposed stand-alone container terminal. The new terminal would extensively cater to the future growth of container traffic at the port projected to grow at, 10 million TEU by the year 2014-15. Further, to cater to the growth in container traffic, the port has drawn up plans for adding up container freight stations in a big way which will offset possibilities of piling up of containers, witnessed by the port in the recent past.

Speaking to Maritime Gateway, S N Maharana, Chief Manager (Operations) of JNP said, "taking into account our present fast-growing position as a prime export import gateway port for container cargo traffic originating to and from the Northern India hinterland and also from Western India, it becomes quite necessary for us to add infrastructure in a colossal manner with a long-term perspective."

"The long-term growth would be essentially catered by creation of a stand-alone container handling facility and adding up of CFS. Moreover, the proposed development of the fourth container terminal would add value," he added.



Photo: JNPT

“The new bidding process is expected to draw bigger response from potential bidders than the earlier RFQ process enabling the project to be completed by the year 2011 as per its target.”

The port, Maharana informed, has gone for rebidding process for the stand-alone container handling facility following the Shipping Ministry's perception that the earlier request for qualification (RFQ) did not elicit large-scale bidding response.

The port has invited RFQ in June 2008, which it received in September the same year. Out of the RFQ documents received, the port short listed DP World Pvt. Limited and Vadinar Oil Terminal Ltd. out of eight applicants for RFP stage. The new bidding process is expected to draw bigger response from potential bidders than the earlier RFQ process enabling the project to be completed

by the year 2011 as per its target.

The construction component of the new facility, to be constructed at an estimated cost of Rs 700 crore through BOT route, would have a construction component involving extension of container berth by 330 metres towards north at JNPT. The new facility, apart from catering to the growth in container traffic, would lead to faster turnaround time, accommodating larger size container vessels, optimum utilisation of feasible water front area and avoiding difficulties in container stacking. The greenfield infrastructure would lead to capacity addition of about 9.60 million tonnes (i.e. 0.8 million TEU) per annum. **ME**

Cold Chains in Ice Age

Cold chains in India are at a nascent stage even after years of frozen foods' presence in Indian supermarkets. While cultural differences have played a major role for such low penetration, changing demographics and lifestyles are expected to boost the cold chain infrastructure in the years to come.

by Vishal Sharma

A recent announcement in the Union Budget 2009 contains an important item that helps the development of cold chain infrastructure in India. It helps the companies making capital investment in cold chain expenses (other than land) to enjoy a tax benefit by depreciating the asset value by 100 per cent in the first year. Essentially this creates a tax benefit and is widely expected to jumpstart the development of critical infrastructure in this neglected field.

Although India has around 4,500 cold storages, only 30 units have modern facilities, with one company, Snowman's (a subsidiary of Gateway Distriparks), accounting for a majority of them. Dominated by family-owned storage units, the cold chain industry in India is highly fragmented and lacks modern warehousing facilities. At present, only organised players are extending the advanced warehousing facilities. For instance, 85 per cent of cold store facilities in India are used for storing potatoes.

There are many factors for the lack of development in this field. Unlike in other markets, India has the low level of land holdings (below 2 hectares), which means that the average farmer needs to convert his produce to cash as soon as possible. Generally, Indians consume vegetables from within a 150-km

Photo Courtesy: Plums Daily

radius, ruling out any urgent need for developing cold chains for the storage and transport of vegetables. Indians like to touch and feel their vegetables and consider 'frozen' as not fresh. Modern retailing will change that perception, but that will take years. Even in the advanced country like the US, frozen fruits and vegetables took nearly four decades to get public acceptance after they were first introduced in supermarkets. In China and Mexico, it took five years. In India, they appeared right at the start, but consumer acceptance has been low.

Although very few fruits – apples from Himachal Pradesh and oranges from Nagpur – are distributed nationwide, transportation of fruits in India poses an altogether different set of problems. Large-scale production demands storage and distribution capabilities which are only just beginning to develop. Considering that less than 10 per cent of retail in India is modern, there hasn't been any incentive to develop the infrastructure. As the products are anyway sold on the streets, the question arises as to who should bear the cost of a modern supply chain. But big business houses see a great potential in this segment. The trend has already been set with Reliance, Aditya Birla, Tatas and Walmart investing big time in the development of cold chain, warehousing and distribution along with modern retail.



Photo: Hapag Lloyd

Frozen food: Changing perception is an uphill task.

Modern retailing will have important consequences for development of cold chains. Retailers have spent millions of dollars on expensive temperature control and display units at their stores. But when the produce is received at 35-40 degree temperature, it is extremely difficult to bring down the temperature at the retail unit. The expensive machinery has not been able to handle such loads and has suffered breakdowns and write-offs. Therefore to keep the entire chain cool, investments should also be made in refrigerated trucks. Given the small size of land holdings in India, small storage units of 5-7 tonnes also need to be developed, which can be used by local farmers to keep produce at much below

ambient temperature. Someone needs to pay for this and at the same time, should bring about a change in consumer habits.

McDonalds knew this and has spent the past 15 years investing in the supply chain. The storage facilities they encountered were primitive and the distribution even more so. One reason why McDonalds has only 150 outlets is that they have spent years researching and refining local produce and the supply chain. The amount of research they have put in to the perfect size and quality of potato runs into several million dollars. It may sound odd, but when you think deeper, you realise that the only way they can sell what you eat for below Rs 100 is by eliminating wastage in production and the supply chain. The potato has to be grown perfectly and survive to give the optimum number and size of French fries. Similar has been the efforts of Domino's, Pizza Hut the likes of whom have spent years penetrating the market and are poised for growth.

Demographics will play a powerful role in changing food consumption patterns in India. My seven-year old daughter orders pizza twice a month while I do it once in six months. There is a revolution underway in Indian food tastes that will drive the

As per government estimates...

There were
5,101
cold stores in
India as on
December 31,
2006.

The total storage
capacity is
21.7
million tonnes.
More than 80 per
cent of this is
used for potato
storage and only
17 per cent for
other
commodities.

All-India capacity utilisation
of **cold storage**
stands around **48**
per cent. Capacity
utilisation is lower in Uttar
Pradesh, West Bengal,
Bihar and Punjab than the
national average due to
their focus on a single
commodity - potato.

A task force set up for
encourage the sector
aims to help create
2.5 million
tonnes of
additional capacity
each year during the
11th Five Year Plan.





Photo: Ebbe Holting

“Getting the right location is the key in developing a successful cold chain in India.”

- Vishal Sharma, former vice-president

demand for modern methods of food processing, storage and distribution. As countries develop, the food consumption patterns tend to change. This can be observed from the patterns worldwide – carbohydrate food in Africa; dairy, processed food in India; and organic food in Europe dominate their respective primary diets. The processed food market comprising ready-to-eat snack foods in India is expected to triple within the next 7-10 years. Increasing number of women in the workforce and continuing splintering of families will all increase the demand for easy-to-make food.

Getting the right location is the key in developing a successful cold chain in India. However, the high cost of operating cold storages in India is a dampener. In Uttar Pradesh, where the maximum conventional cold storages are located, load shedding during summer months can be as

high as 10 hours a day. If the facility has to rely on expensive backup power, it throws the economics out of gear. In the West and in China, the cost of industrial electricity is 30-50 per cent less than that in India. This is one reason where the development of cold storages has started out as company-owned initiatives such as the Adani Fresh and Healthy cold stores in Himachal Pradesh and Rajasthan. The company is saving costs in the value chain through reduced wastage and will be able to absorb the high operating costs. For third-party initiatives to prosper, customers of the third-party providers – retailers and manufacturers – will need to share the savings with suppliers.

Since price points for food in India are relatively low at the wholesale end, there is tremendous pricing pressure on facilities. Most unorganised players resort to shutting off cooling units in the dead

of the night as the temperature drops to save on electricity. The change will come from greater consumer awareness. Consumers will have to accept to pay a little more for quality while the farmers and retailers will get more value through less wastage. Sadly in India, things will not be that simple and only a major tragedy with respect to food and water contamination will drive change. Only then will the rules as tough as that of US Food and Drug Administration (FDA) be enforced in India.

While India takes its time to change, consumers around the world are used to convenience of all year round vegetables and fruits which augurs well for our exports. India is a natural supply area for the Middle East and Southeast Asia. The trade-off between distance and cost means that shipping distances of 3-5 days are the most that these products can bear, but the market is huge. The Middle East has a young and growing population and a large Indian Diaspora as well. The Nasik grapes are a stunning success story. From humble beginnings in the mid-90s of exporting less than 500 tonnes, now they export more than 50,000 tonnes per season to Europe. It's an example of fine cooperation between APEDA, farmers and the shipping lines. The development of the dairy industry is another success. India is the top milk producer and the advent of multinationals in the segment is accelerating the development of infrastructure. The new regulation aimed to encourage the development of cold chains, no doubt, will have a profound impact on food production and distribution in India. **MG**

Vishal Sharma is the CEO and MD of Tuscan Ventures – a firm focussed on investments and advisory services in logistics and transportation. He was the former vice-president of Maersk Line in India.



Maersk Line

Big on Constant Care

Maersk Line, one of the leading liner shipping companies in the world with 470 vessels and 1.9 million containers, sees world trade picking up. Posting a loss of US\$ 958 million in the first half this year compared with a profit of US\$ 268 million a year earlier, it expects 'modest' rate increases in the third quarter. A division of the Danish shipping and energy group AP Moller-Maersk, the shipping firm is big on customer care agenda. It believes in the key mantras of accessibility, proactiveness and accountability. "Maersk Line will constantly innovate to ensure that we can provide our customers with the best service possible," says **Rizwan Soomar**, managing director, Maersk Line (India Cluster), in an interview with **Maritime Gateway**.

What are the major opportunities and hurdles before Maersk India?

A: The global economic crisis and resulting lower demand for container shipping affected the container activities particularly negatively in the first part of 2009. The overall business outlook for 2009 is subject to considerable uncertainty. Specific uncertainties relate to the development in container freight rates, transported volumes, the US dollar exchange rates and oil prices. Combined with the falling demand, the increase in new tonnage has placed strong pressure on rates. We however must also bear in mind that India has been relatively better off in this global downturn and we actually are starting to see volumes improving. Global buying houses are starting to ramp up their volumes in line with traditional peak season starting from August through October.

In the meantime, ocean freight rates have reached historical lows and have crossed the line of not only long-term but also short-term sustainability. It is also encouraging to note that the exporters and the shipping fraternity recognise this and appreciate the fact that a correction is needed to maintain the service levels. We have announced rate increases for various trades and do hope to see some improvement in the rate levels in the near future.

What are the customer relationship initiatives that you have taken up as head of Maersk India.

A: Consistent improvement in our customer experiences has always been of prime importance. The recent developments in customer relationship initiatives include our Customer Care Organisation which lays greater emphasis on ownership and accountability towards the customer.

The customer care team realigns with our customers' needs and works proactively to exceed their expectations. As a result, our



The big talk: Rizwan Soomar, managing director, Maersk Line (India Cluster).

“We have a dedicated team of customer service professionals. We have also introduced a live chat on our website that enables online chat with a Maersk Line customer care agent.”



customers have specific Maersk Line representatives to contact for all their service-related requirements. Our efforts are directed to proactively furnish as much information and updates as possible to the customers, assisting them in managing their business better.

To be more accessible to customers, we have introduced toll-free calls from 9 am to 5 pm on weekdays from anywhere in India. Our toll-free number is 1-800-22 5556. We have a dedicated team of customer service professionals to attend to various queries. To further enhance accessibility, we have introduced a live chat on our website that enables online chat with a Maersk Line customer care agent. Please visit our live chat section at: www.maerskline.com for more details.

User charges at Indian ports are rather high. What is your comment?

A: Yes indeed! The expenses incurred per port call in India are generally very high compared to comparable ports abroad. For example, the port costs for a vessel calling Chennai are four times more than Colombo. Components like light dues, berth hire and other marine service charges increase port costs. Such charges need to be rationalised based on an international benchmark to make our ports more competitive.



Photo: Maersk

What is your take on the current port development happening in India? What developments do you wish to see on this front?

A: I would consider some key aspects of port development or overall container industry development in India:

(a) Infrastructure development

- *Vessel/container handling capacity at ports:* There have been some developments at a satisfactory rate in the past that helped ports achieve unprecedented growth rates in the last five years. Some ports could hit capacity bottlenecks in the immediate future and hence should prioritise investments, for example, the building of a fourth terminal at Nhava Sheva.
- *Dredging at Nhava Sheva:* Being the largest container port in India, it imposed restrictions on sailing drafts, vessel length (LOA) and night navigation, resulting in restrictions of calling longer or bigger vessels. The progress on the initiative to dredge the Nhava Sheva channel has been unsatisfactory and will affect the growth and cost-competitiveness of the port.
- *Hinterland Connectivity:* Road and rail infrastructure development should go hand-in-hand with port development to help hinterland customers make the best use of port services. There are several capacity bottlenecks on certain rail corridors resulting in cargo delays, cancellation or postponement of import orders. Initiatives like 'Dedicated Rail Corridor' and 'Golden Quadrilateral' should be implemented without cost and time over-runs as soon as possible.

(b) Geographic Coverage

Over 50-55 per cent of pan-India containerised cargo continues to be routed through Nhava Sheva,



Photos: Jagadeesh Napa

which also implies that there is untapped demand potential in the eastern and southern regions of India. Container facilities and port developments should be prioritised to harness this potential.

(c) Policy framework

Policies governing the industry development and investments should be addressed to make them more investor-friendly from the perspective of 'ease of doing business'. There are also some rules and regulations that are either outdated or prone to multiple and unnecessary interpretations resulting in elaborate and non-standard processes across the country. There is a need for active participation from various authorities to resolve these problems through joint fora.

DG Shipping is mulling to bestow the right of first refusal to domestic shipping companies. How will this move impact foreign shipping lines?

A: Healthy competition is always good as it gives an opportunity to offer better services at better rates. If domestic shipping companies are indeed competitive in offering better services at better rates, then there should be no objections to a 'level playing field'.

Will the trend of bigger size ships continue in the future? How do you see the growth of these jumbo container liners in the next few years?

A: Bigger vessels result in better economies of scale and the limiting factors for building and operating bigger ships are size (length, width, draft, crane outreach) restrictions at the ports of calls and the transit canals. To optimise unit costs, we anticipate that there will always be concerted efforts in the industry to build vessels that can carry more containerised cargo. Presently, there is a certain level of overcapacity in the available world tonnage complemented by the

depressed global economy; we expect investments in building bigger ships will most probably slow down in the immediate future.

How is the 'super slow steaming' helping Maersk's bottom lines? What are the other design enhancements being planned to make ships more cost-effective and efficient?

A: Our policy to run our fleet as economically as possible has helped us in a great way. Slow steaming, i.e. reducing vessel speed is an initiative that Maersk Line has pioneered. Bunker consumption increases exponentially when vessels travel at higher speeds. Slow steaming, thus helps a great deal to improve the bottom line, e.g. reducing a vessel's speed from 24 knots to 20 knots reduces the bunker consumption by approximately 40 per cent.

We also continue to employ more fuel-efficient solutions in our operations such as waste heat recovery system where the energy from the main engine's exhaust gas can be re-used to provide power for propulsion and electricity. This can reduce fuel consumption by 10 per cent.

A new software solution, QUEST, in Maersk Line's refrigerated containers cuts the energy consumption used for cooling by up to 50 per cent. An effective antifouling paint is used as it is less toxic and reduces the vessel's draught and hence its drag.

In addition, our innovation department has several other environmental research projects in the pipeline such as new designs of hull and propeller, further optimisation of engines and scrubber technologies. A substantial benefit from these solutions is a corresponding reduction in CO₂ emissions.

Sustainable Shipping presented an award to Maersk Line recently in London, in recognition of the efforts made by Maersk Line to reduce the environmental impact of its business operations. 



Photos: Gopalpur Port

Gopalpur Port

GO Get Right,

As the Orissa coastline wakes up to a frenzy of industrial activity, Gopalpur Port gets ready to serve as an all-weather deep-water direct berthing port within the next 24 months. There's nothing to stop it. Only the much awaited environmental clearance.

by **Radhika Rani G**

Languorous beach with coconut groves, casuarinas and gentle sand dunes run undisturbed for miles as one heads for a 15-km drive from Berhampur. The eerie silence, though haunting, hints at an ancient, commercial port, lying in ruins as one tracks the 4-km stretch of sea shore. Once an obscure fishing village, Gopalpur rose to be a prominent trading port during the British rule. With the wealthy traders leaving the place, it reverted to its quiet and distinct charm.

But the hustle and bustle of human activity seems to be coming back to the natural port. The Government of Orissa, through an international competitive bidding, has shortlisted a consortium led by Orissa Stevedores Limited (OSL) and Sara International Ltd., to develop Gopalpur on build-own-operate-share-transfer (BOOST) basis for 30 years.

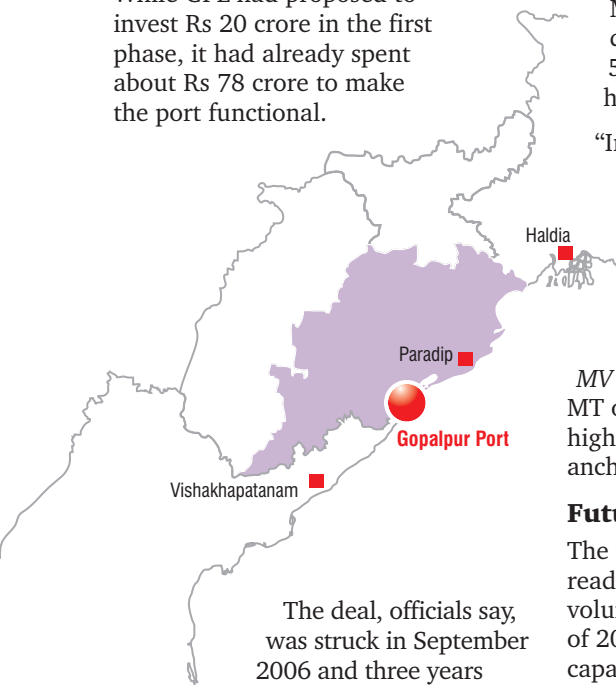
While OSL is the market leader in bulk cargo handling with a presence in all major ports on the East Coast of India, Sara International is India's leading business conglomerate with

interests in ports, infrastructure development, commodities and textiles.

With big names and money flowing in, the port nestled in Ganjam district on the Orissa-Andhra border, is waking up to a makeover. The entrepreneurs are readying themselves to transform this sleepy and rustic landscape into an all-weather deep water port. That means enough work for them all through the year.

Figures speak

The total investment envisaged for the port was Rs 2,000 crore, with Rs 150 crore earmarked for the first phase, Rs 1,100 for the second and Rs 750 crore for further expansion. While GPL had proposed to invest Rs 20 crore in the first phase, it had already spent about Rs 78 crore to make the port functional.



The deal, officials say, was struck in September 2006 and three years hence, Gopalpur Port Limited is already meeting targets and rearing to break

its own records. The consortium commissioned the first phase at the anchorage port in January 2007, within three months of starting work as against the stipulated 12 months signed in the terms of the concession agreement. "This was the first big leap," they confess.

As they gleefully reel out statistics, one can see the performance graph

The port has special logistics advantages for coal, ilmenite, steel, iron ore, agro and mineral-based industries of Orissa, Chhattisgarh and Madhya Pradesh. It can ease the heavy congestion at Paradip Port and fill the gap between Vishakhapatnam and Paradip.

steadily rising. "During the first year of operation in 2006-07, the port handled 50,000 MT of cargo.

Thereafter, in 2007-2008, during the shipping season between November and May, it handled 2,46,738 MT.

During the corresponding season in 2008-2009, it handled 2,52,351.800 MT," informs Mahimananda Mishra, managing director of GPL. So far, a total of 5,43,195 MT of cargo has been handled through 29 ships.

"Incidentally," note the officials, "the port entered the annals of the record book" by discharging a record 10,100 MT of Muriate of Potash (MOP) on February 17 this year in just 24 hours from a US vessel

MV Tenshou Maru carrying 49,560 MT of MOP. "This is the all-time highest discharge rate in any anchorage port in India," they claim.

Future potential

The port is scheduled to be fully ready by 2012, capable of driving volumes of nearly 40 MT. By the end of 2010 alone, it hopes to handle a capacity of 32 MT, with berths capable of handling Capesize vessels.



Dig deep: Dredging cannot erode soil.

"Work under phase II is going on a war footing at the port site to enable 1 million tonnes of cargo during the next season beginning October 2009," the officials inform.

Sharing the port's agenda for the year, port director Charchit Misra says, "Many shipping companies have evinced keen interest to send their vessels to Gopalpur Port after we successfully handled cargo in excess of half-a-million tonnes till date." The port, Misra reveals, has special logistics advantages for coal, ilmenite, steel, iron ore, agro and mineral-based industries of Orissa, Chhattisgarh and Madhya Pradesh. "Once operational, the port will ease the heavy congestion at Paradip Port and fill the gap between Vishakhapatnam Port and Paradip," he foresees. Gopal is along the east coast with Paradip Port, 120 km up north and Visakhapatnam Port, 260 km down south.

The port is being upgraded to receive 120,000 DWT vessels after the year 2016 and handle a capacity of 45 MT from 2026 onwards. "It is ready with all the backup preparation to start commercial operations of the all-weather deep water direct berthing port within 30 months of achieving financial closure," Misra adds.

As per the terms of the concession agreement signed with the Orissa government, the port has recently handed over a cheque of Rs 36 lakh to Chief Minister Naveen Patnaik as the first payment towards revenue share.

Upcoming SEZ

The port has developed substantial inland infrastructure required for the proposed port facilities and directly

employs around 6,000 persons from nearby villages during the shipment season. It has also acquired its own dredger and sea-going barges at a significant investment.

As the much awaited Tata Steel-proposed Special Economic Zone (SEZ) got the nod from the Board of Approvals of the Ministry of Commerce, multiproduct projects are likely to come up in 1,173 hectares of land near the port.

As a first step, TATA Steel has announced setting up of a galvanising and colour coating line with a capacity of 150,000 tonnes at an investment of Rs 250 crore. The steel major is looking for partners to develop the infrastructure for the project.

Awaiting nod

Meanwhile, 17 consultants of international repute, including DHI, I-maritime, Indomer and Maunsell AECOM, are learnt to have been engaged to carry out studies and investigations required to obtain clearances from statutory authorities. The port primarily needs clearance

Port Development

- In the first phase, three deep-water berths with two dry bulk cargo berths and one break bulk cargo berth are being developed.
- Another two berths – one oil jetty and one Coast Guard jetty – are scheduled to be ready by 2012.
- All the berths will be capable of handling 120,000 DWT vessels by 2016.
- The channel will have a depth of 18.5 m and a width of 200 m while the turning circle will have a depth of 17.5 m and a diameter of 600 m.
- The berths will have a depth of 18.5 m.
- To protect the berths and harbour facilities, a 2400 m-long southeast breakwater and a 425 m-long north breakwater are being developed to ensure required tranquillity in the harbour for all-weather operations.
- The master plan envisages 15-20 berths with three separate harbours to enable segregation of cargo as needed.
- The later stages of development would see a 3500 m breakwater for protection of all the harbours.
- The port will also be able to reclaim land south of the breakwater and use it for bulk storage.

A Potential Port

“Gopalpur has two advantages. One, rail and road linkage and two, an anchorage port,” says Gopalpur Port Chairman **D P Singh** as he shares his insight and information on the port with **Maritime Gateway**. Excerpts from a freewheeling interview with **Ramprasad**:

Location advantage: Once we have MoEF clearance we will start building a multi-berth all-season port. The government has been able to pass on 653 acres of land to us. We are located in a place where iron ore, bauxite and alumina availability is plenty. Coal imports which are congesting Haldia and Paradip will come to us now. So, when we talk of handling 21 million tonnes of cargo in six years, it looks achievable.

There are not many ports on the eastern side where green berths are available. Fertilisers do not go to Paradip, but either to Kakinada or Visakhapatnam from where they are transported. This is a national wastage on transportation. More than 50 per cent of our cargo handling last year, however, comprised fertilisers.



SEZ development: Tatas are keen to develop around 3,000 acres around our port.

The land originally meant for Tata Steel will be now developed as an SEZ. Indian Rare Earths Limited (IREL) will give us a cargo of 750,000 tonnes. Another industry which is near our port exports 2 million tonnes of aluminate.

Port plans: Initially, we will handle bulk cargo. Our container handling depends on how fast Tata develops the SEZ.

We have plans to set up seven berths out of which three will be completed in the first phase. We are keen to develop a green shipbreaking facility, wherein we can get carbon credits. As Reliance struck oil and gas near Gopalpur Port, we are talking to a few people to set up a refinery.

Challenges as port developer: First, environment clearance. Second, handling displacement of people. Third, connectivity and hinterland issues. In developed nations, there is a port for every 50-60 km and that is the efficient way of running hinterland business. Yet another major challenge is the cost of developing infrastructure project in general and port in particular. As the cost of borrowing is high, the government should come up with viability gap funding.

from Orissa State Coastal Zone Management Authority (OSZMA) and adequate land area of 1,200 acres for achieving the financial closure. The investigations and engineering plan for Phase II development, say officials, have been vetted by IIT Madras and are ready for implementation.

Also, the expert committee of the Ministry of Environment & Forest (MoEF), during its meeting early this year, recommended environmental clearance under the EIA Notification, but the clearance order is awaiting recommendation from the OSCZMA. "We expect to obtain the final environmental clearance by the end of September. The phase-II development would commence immediately thereafter," Mahimananda Mishra informs.

Environmental concern

The government apparently is taking stock of the port's impact on the



Ensuring ecosystem: A balancing act.

ecosystem, especially on the fate of the famed Olive Ridley turtles. According to environmental activists and wildlife experts, thousands of Olive Riddleys move to the mouth of the Rushikulya River – their annual nesting site, about 17 km from the port site. Port expansion could spell doom for them. Biswajit Mohanty, secretary of the Wildlife Society of Orissa fears that the mass nesting of the sea turtles may vanish as dredging could lead to soil erosion at the beach. "No species can survive

such a high mortality rate. It is more difficult for an already endangered species," he voices concern.

But port officials do not buy the argument. They say the mass nesting site is far away from the port. "As per our assessment, there would be no impact of the port's expansion activities on the turtles," they state categorically. Yet, the port will be spending Rs 27 crore to check beach erosion in and around Gopalpur, says M M Moharana, director (operations). The authorities are also planning to revive the fishing jetty lying defunct for years. The jetty is being developed following a demand by the fishing community to protect them from the fury of the sea.

As the port authorities anxiously await the green signal to get started, judicious nurturing of nature could be the key to their corporate social responsibility. The charm of Gopalpur may no longer be rustic enough, but the port can still be endearing. **ME**



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The Lure of Halal Trade

As the maritime sector plays a key role in the global trade of halal products, littoral nations can tap the attractive halal market.

by **Nazery Khalid**

Muslims are compelled by their religion to consume halal products and services, or those produced and offered in accordance with Islamic Sharia principles, and to shun those which are haram or forbidden. This is a principle tenet of the religion to protect its followers from consuming harmful, unclean products and from using services which are provided in an unjust and repressive manner.

The Holy Quran contains several verses calling upon Muslims to seek provisions which are *halalan toyyiban*, Arabic for 'lawful and wholesome'. By this definition, the application of the word *halal* is not only confined to food prepared according to Islamic rites but also demands that business conducts and transactions performed should be carried out in accordance with Sharia principles.

The halal concept may be associated with Islam, but as awareness towards the concept of halal grows and consumers worldwide increasingly demand products and services which are of high quality and hygiene standards, the halal concept and the qualities attributed to it have gained worldwide recognition and acceptance. The huge potential of the halal industry stems from the fact that it is not exclusive only to Muslims alone but to people of other faiths. Hence, halal products have a global appeal as the need for hygienic and safe products and quality services is a universal need.



Religious tenet: Embrace halal, shun haram.

Promoting halal industry has gone beyond being driven by religious obligation but also by its lucrative commercial potential. The halal industry provides consumers with a viable and competitive alternative to 'conventional' products and services. Contrary to popular perception, the halal industry is not only confined to halal food, or food consisting of ingredients which are allowed for Muslims to consume and are prepared according to Islamic rites. The concept of halal encompasses many aspects beyond food production and processing. Halal industry also includes sectors such as pharmaceuticals, durable consumer products, and even services such as

banking, finance and logistics, among many others.

Although the halal industry encompasses a wide spectrum of business activities, it is naturally most closely associated with food manufacturing and production. This is not surprising given that food is the most ubiquitous and consumed products, hence lending the halal concept a very close association with food preparation and production. Amid growing global population, increasing purchasing power in major population centers and changing lifestyles, there is an increase in the demand for more foods and for foods which are

Photo: Big Stock

healthier. There is also growing conscience for the need to focus on foods which are prepared, processed and transported in a way which is observant of the highest sanitary requirements. Fulfilling this need is at the core of halal food industry which emphasises on complying with Sharia principles in the production, transportation and distribution of the products.

The global appeal of halal

It is estimated that the global market for halal food products alone is valued at anything from US\$ 0.5 trillion to a stunning US\$ 2 trillion. The difficulty in ascertaining accurately the value of the global market stems from the fact that there lacks a concurrence on what are the industries and activities that make up such a market, and the paucity of global studies and surveys on the global halal food industry. However, the sheer value of the global halal market underscores the lucrative potential of this market. The value and growth in the number and variety of halal products and services stand testimony to growing acceptance of halal as a universally viable philosophy.

The market for halal industry is truly a global one. To highlight the worth and growth potential of the halal industry, just consider the size of its market. To begin with, there is a captive market of 2 billion Muslims in the world, who are obligated by their religion to use halal products and services. Many countries with majority or sizeable Muslim populations have enjoyed good economic growth and increasing income per capita, hence affording them to buy imported products. Such countries provide a lucrative, 'natural' market for halal products for producers worldwide. For example, the food industry in the Middle East is expected to grow 15 per cent in 2009, which provides an attractive export market for halal food producers and manufacturers worldwide.



The global race for the halal trade

Many countries and companies market their food products internationally to consumers of various faiths and ethnicities, hence they seek after halal standards to penetrate into Muslim markets. There is a growing acceptance of halal standards as a new benchmark for quality, hygiene and safety. Even countries with small Muslim population and manufacturers from non-Muslim countries have got into the act to tap into the halal market. For example, Brazil has emerged as the world's largest exporters of halal meat, mostly shipped to the Middle East. Nestle, the Swiss-based giant food manufacturer, has quietly emerged as one of the biggest producers of halal food products in the world, exporting over US\$ 3 billion of such products annually. Port of Rotterdam is a halal-certified port that acts as a gateway to 30 million Muslims in the European Union.

In addition to the 'ready market' for halal products and services in those countries, the remaining 4.5 billion people of other faiths and beliefs are generally acceptable of the concept of halal due to the universal values it stands for. This is what gives halal products a truly global appeal and a vast market of huge potential.

The business potential for halal products in ASEAN, with its sizeable Muslim population, is enormous as it provides a ready market for such products. China, a country of 1.3 billion people which includes 100 million Muslims, is expected to become a net importer of food, including halal foods, by 2015 (USDA, 2006). In the United Kingdom, which has 2 million Muslims, the UK Food and Safety

authority has estimated that the UK halal market is worth US\$ 4.1 billion. The halal markets in the US and France are said to worth US\$ 12 billion and US\$ 13 billion respectively (Agriculture and Agri-Food Canada, 2007). These impressive figures underscore the universal appeal of halal products and its tremendous potential for further growth.

And that is just the food sector. The mouth-watering prospect of the halal industry becomes more pronounced if one takes into the account the growing need for services oriented towards serving the needs of Muslims, for example in facilitating the transport and trade of halal products. Take the banking and financial services sector, in which

Sharia-compliant products and services have made significant headway over the last two decades or so. When one considers that assets worth US\$ 500 billion are managed under Sharia principles annually and the size of Islamic assets could reach US\$ 1 trillion by 2010 and growing at a rate of 15-20 per cent annually (Global Finance, June 2008), one can imagine the staggering worth of the entire halal market.

As emphasised earlier, halal is not just confined to production of food alone but encompasses the entire spectrum of the supply chain, involving a broad range of activities such as certification, procurement, packaging, transportation, distribution, storage, financing, auditing, accounting and insurance, among many others. There is a growing requirement for halal standards and compliance in areas such as certification and logistics to service the growing global halal market. There is also a huge need for Islamic banking and financial services and a universally accepted set of standards to facilitate the production and transportation of halal products, and the provision of services based on Sharia principles to support halal industry and trade.

The devastating impact of the global financial crisis has not spared halal industry players and has adversely

affected their business and expansion plans as consumers cut down on their expenses and consumption. It is also possible that amid the struggle of companies to survive the onslaught of the economic downturn, companies planning to 'go halal' might not be keen to spend to attain halal standards and incorporate halal-compliant elements into their processes and operations. Although this fear is not unreasonable, it should not take away the gloss of the worth and commercial potential of the halal industry. Muslims are bound by religious obligation to comply with halal requirements and base their conducts on Sharia principles as a mark of obedience to

MISC has introduced the world's first dedicated halal service between Port Klang and the Middle East to tap into the growing demand for halal products in the lucrative West Asian market.

the Almighty and of observance of the tenets of their religion. This factor makes the halal market a unique one, and a very resilient one at that. It would be out of character for Muslims to lower their guard in their observance of halal requirements even in the face of a serious challenge like the global economic downturn. Even as they reel from the massive impact of the recession on their spending and consumption habits, it is a safe bet that the overwhelming majority of Muslims will continue to consume halal products, and whenever they can, use services based on Sharia principles.

Prospects for maritime trade to capitalise on halal trade

Given that the majority of world trade is carried by seaborne transport, the importance of the maritime sector to propel the growth of the global halal trade cannot be overemphasised. The world's major container ports are especially poised to play a strategic role in facilitating greater volumes of halal trade. Several ports such as Port Klang in Malaysia and Dubai Port in the UAE have done well to capitalise on their national load center status to increase the throughput of their halal cargo. Malaysia's national carrier, MISC has introduced the world's first dedicated halal service plying between Port Klang and the Middle East to tap into the growing demand for halal products in the lucrative West Asian market.

In addition to the involvement of nations with majority Muslim population such as Malaysia, Indonesia and Arab countries, the lucrative halal industry and its growth prospects have attracted the attention of several countries keen to tap into its attractive potential. Countries such as Singapore and China have made significant moves to attract businesses carried out in accordance with Islamic Sharia principles, which include the production of halal goods.



A date with wellness: The steady bond with health foods is growing.

Malaysia : A halal success story

For nations with ambitions to emerge as halal hubs, key to gaining competitive advantage in the race to gain market share in the halal trade is through enhancing the capacity and efficiency in their maritime sector. Take Malaysia for example, whose government has outlined a target for the country to emerge as a global halal hub as an extension of its status as a regional halal hub in Southeast Asia. The nation's seaports act as the main gateways for its trade and are at the forefront of the supply chain that link producers with their buyers. It is not an exaggeration to state that without adequate maritime infrastructures and an efficient maritime network linking the various transport modes and facilitating trade, Malaysia would not have emerged as a key regional center for halal trade. Its success in the halal industry can be partly attributed to the availability of adequate maritime capacity and quality infrastructures, including world-class ports, which have enabled local producers to export their products worldwide and import halal raw materials to facilitate their production. Without efficient seaports and their excellent linkages to the hinterlands and major economic and population centers, and to others international ports, halal materials and goods produced in Malaysia would not be able to reach their markets effectively and at competitive costs. Also without efficient seaports, Malaysian producers of halal goods would not be able to have efficient and cost-competitive access to imported raw materials and machineries needed to produce their goods.

This is an encouraging development for the promotion of the halal market and for consumers who stand to gain access to greater varieties of halal goods. The efforts of trade-oriented countries to grab a slice of the lucrative halal market have led to improvements in trade facilitation to handle halal cargos that require special handling and logistical arrangements.

Given the importance of the maritime sector in facilitating the global halal trade, serious attention should be given by nations keen to tap into this attractive market to improve the capacity and performance of the maritime sector to specifically service the halal trade better. The availability of adequate, efficient and cost-competitive maritime infrastructures and ancillary services would greatly encourage manufacturers and businesses involved in halal trade to set up base and invest in countries keen to facilitate halal trade. Companies would be encouraged to hub their operations in countries that can provide them with dedicated, value-adding facilities and services that can help them produce their goods and deliver them to their markets more efficiently.

Key among those are ports, shipping services and supporting services. Shipping is by far the most

economically efficient mode of transport to carry large volumes of goods across great distances. As such, more shipping services should be introduced to enhance connectivity of ports acting as halal hubs with the global halal market to facilitate greater halal trade volumes between those ports and trading centres, producers and consumers of halal goods. The introduction of the Global Halal Express by MISC to link ASEAN and the Middle East is an admirable effort. However, there are other potentially lucrative markets with significant Muslim population and good potential that shipping lines would do well to tap into. MISC and other shipping lines ought to consider introducing more halal-oriented shipping services to 'ready' halal markets such as Indonesia, South Asia and China, and emerging halal markets such as European Union, UK and US.

As halal industry players and consumers grow in size, their demand for transport services will also grow in scope, size and sophistication. Many have come to expect that the halal concept should be extended to encompass the way halal products are transported as well. The more discerning halal industry practitioners and consumers certainly would prefer the goods they produce and consume are

transported in a dedicated manner that do not entail these goods to be shipped alongside non-halal products. This gives rise to the demand for specialised halal cargo handling services such as halal logistics, halal cold chain, halal warehousing and halal packaging.

Admittedly, the slumping trade volumes and low demand for shipping services amid the current global economic recession do not provide much incentive for shipping lines to introduce new services. Amid the fall in the demand for shipping services caused by the global slump, especially in the container trade, shipping lines are more concerned about surviving the onslaught of falling demand for their services instead of considering to introduce new services. However, they ought to look at the long-term prospects of shipping and the huge potential of the halal industry. Even amid the dire economic situation and outlook, it has to be emphasised that consumers and businesses will continue to demand for products and materials, and nations will continue to trade.

On that account, the shipping sector will stand to rebound once world trade, economic activities and consumer confidence recover. Once the global economy turns around, demand for halal products should pick up in tandem with the recovery in global trade volumes. Shipping companies, ports and logistics players which invest in capacity and work of improving their efficiency during these quiet times will enjoy first mover advantage and stand to reap the benefits once demand for halal goods picks up when the global economy recovers. **MG**



Nazery Khalid is a Senior Fellow at Maritime Institute of Malaysia. He can be contacted at nazery@mima.gov.my

The latest accident underscores the importance of navigational safety in the Malacca Strait, an issue that shipowners cannot ignore. The painful stories of this kind make one wonder if the waterways are safe for navigation. Such incidents could have a serious impact on international trade. For any country, maritime safety is of paramount importance and steps are being taken across the globe to prevent similar accidents. For every ship that passes through the Straits, there is a risk of an accident or a spill of cargo or radioactive substances.

A narrow waterway of 805 km between Peninsular Malaysia (West Malaysia) and the Indonesian island of Sumatra, Malacca Straits is the golden heritage of the littoral states of Malaysia, Indonesia and Singapore. It varies in width from 200 miles to 11 miles with irregular depths from over 70 to less than 10 metres. The Strait of Malacca is the second busiest commercial shipping lane of the world topped only by the Dover Straits in Britain. A recent

survey reveals that many shipowners are worried transiting the Straits. Continuous increase in the number of ships passing through the Strait has heightened the risk of accidents. Any accident in these waterways makes it difficult for other ships to pass through, forcing them to take a longer route. This results in the disruption of transport, seriously affecting the shipping industry.

Half of the world's oil shipments pass through the strategic Malacca Straits. On an average, 200 ships pass through the Malacca Straight each day, ranging from traditional sailing ships, pleasure crafts, fishing vessels, large bulk carriers, container ships, smaller petroleum, chemical and gas tankers, tow-boats, barges, passenger ferries and cruises.

Malacca Straits serves as a primary passage for the movement of cargo and passenger traffic between Indo-European region and the rest of Asia and Australia. Being the shortest East-West sea route, every year trillions of dollars worth goods and services pass through the region.



Flare up: Consequences of collision are far too many.

Super-large tankers ferrying crude oil from the Middle East to the Far East can save roughly three days sailing time by using the Malacca Strait instead of the Indonesia's Lombok Straits. It is also the shortest trade route from the Indian Ocean to the South China Sea and the longest strait in the world used for international navigation.

The growing frequency of accidents here has become the cause for environmental concerns in the region. It is reported that from 1978 till 1994, 476 accidents occurred including oil spills. From the year 1995 to 2003, there were 44 cases of collisions and 15 cases of grounding.

August 18, 2009: Nine crew members were charred to death when a Taiwanese oil tanker, MV Formosa Product Brink, collided with a Greek-managed cargo ship in the Malacca Strait off Malaysia. Both ships were heading towards Singapore when the accident happened. There was reportedly no spill.

by **Sadhana**

Dire Straits



Accidents threaten the health of the Straits' ecosystem, particularly when the spills, both cargo and oil, pollute major fishing grounds and beaches. An analysis of the types of ships involved in maritime accidents indicate that general cargo ships top the list at 53.13 per cent, followed by tankers at 20.59 per cent, bulk carrier at 6.72 per cent, fishing craft at 4.41 per cent, container ships at 2.94 per cent and liquefied gas carriers at 1.68 per cent. Serious accidents have occurred in high traffic density areas as well as in open sea areas. Also, there are risks posed by small crafts. Large ships have also sunk after colliding with crafts. Almost all types of ships have their share of the causality statistics.

Scientists have also detected that mercury levels in the Straits are higher than those of the Kuala Terengganu – both in the water as well as the sea bed. Several fish caught off Sepang Selangor, have residual of copper, zinc and lead exceeding permissible levels due to the heavy metal pollution of seawater

Managing the Strait

While international community enjoys the benefits, the littoral states are left with the burden of financing navigational safety and bear the consequences of oil spill and other kinds of pollutions. Being a critical

lifeline for the Japanese economy, as many as 20 per cent of ships that pass through it are Japanese vessels. Japan reprocesses 90 per cent of its nuclear material in Europe and those shipments travel through the Straits. The Nippon Foundation, a Tokyo-based group, said that shipowners must ease the burden on border nations. Foundation chairman Yohei Sasakawa told at a regional maritime conference: "Shipowners must contribute to a fund to be managed by the three littoral states – Malaysia, Indonesia and Singapore."

Rapid development and the resulting pollution along the Straits would seriously affect the bordering nations of the Straits. Therefore, there is an urgent need for the littoral states bordering the Straits to initiate the necessary measures to prevent pollution and make it safer for the international trade. Malaysia has already made huge investments to install navigational, light buoys and beacons for the safe navigation of ships. Also, a vessel traffic management system was put up for navigational safety.

Traffic

The Malacca Straits makes significant contribution to the economy of the littoral states. Annually, more than 380,000 tonnes of fish are caught from the Straits of Malacca. For Indonesia, the Malacca Straits

contributes the second highest fish production after the Java Sea. Other economic activities such as mariculture, tourism, recreation and maritime industry are dependent on the safety and pristine conditions of the Straits.

Piracy

Piracy in the Straits of Malacca has been a global problem as it involves world trade. It has only getting worse of late. In 2004 alone, the Straits has claimed 40 per cent of the worldwide pirate attacks. This narrow channel offers ample opportunities to ransack, kidnap or kill the crew, and worse still, hijack the vessel. The Straits hosts one of the busiest maritime lanes, carrying about a third of global trade and nearly all oil imports for Japan and China. Singapore, Malaysia and Indonesia share the responsibility of safeguarding the vital waterways from marauders.

A secured passage through the Straits of Malacca saves the international shipping industry and the mercantile traffic transiting through the Malacca Straits. Any untoward incident in the Straits will have security and environmental implications for India too. If the strait were closed, nearly half of the world's tanker fleet would be required to sail further. Closure would immediately raise freight rates worldwide.

Meanwhile, several regional and international initiatives have been taken to boost security. Protecting the Strait requires the financial support from the wealthier nations and the major users of the Straits. Some 400 shipping lines and 700 ports worldwide rely on the Malacca and Singapore straits to get to the Singapore Port. For example, 80 per cent of Japan's oil comes from the Middle East via the Malacca Straits. With Chinese oil imports from the Middle East depending mainly on the Strait of Malacca, this waterway is likely to grow in strategic importance in the coming years. 



Photo: Peet de Rouw

New subsidiaries

Hanjin Shipping divides

The parent company of the soon-to-be newest terminal operator at Dames Point has divided into a holding company, Hanjin Shipping Holdings Co., Ltd., and an operating company, Hanjin Shipping Co., Ltd., according to sources. The South Korean company said Hanjin Shipping Holdings will concentrate on managing the subsidiaries, while Hanjin Shipping Co. will maintain full control over the existing shipping business.

The company board's decision to separate holdings will give each company more flexibility and allow each company to focus on their core business. Hanjin's US\$ 208 terminal is expected to open as soon as late 2012.

According to a press release, the transformation into a holding company will accommodate Hanjin Shipping with the tools necessary to ensure an independent business operation and corporate transparency.

Meanwhile, Hanjin Shipping has announced that it is joining a service connecting India and the Far East starting from the end of September.

Combating piracy

Norway joins ReCAAP

The Kingdom of Norway has officially become the 15th contracting party to the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP).

Though the Kingdom of Norway is geographically located outside Asia, the State has intrinsic interests in combating piracy and armed robbery against ships in Asia as a significant number of Norwegian ships ply in Asia. The latest addition to the ReCAAP signifies the importance of fostering closer cooperation among States, in terms of information sharing and capacity building, among others, to address the challenges in combating piracy and armed robbery against ships in Asia. Gaute Sivertsen has been appointed as the ReCAAP Information Sharing Centre (ISC) Governor for Norway.



Austerity measures

NOL to cut costs

SHIPPING giant Neptune Orient Lines is going green with the adoption of an advanced, clean fuel system designed in Singapore. According to The Straits Times, the new system is estimated to also bring about significant cost savings per ship as it utilises energy more efficiently. To this effect, NOL's container shipping subsidiary APL signed an agreement with the Russian-owned tech company Neftech. The fuel system will be installed on 20 of APL's vessels of different sizes within the next year said Neftech's chairman Victor Levin, who is a Singapore permanent resident. NOL chairman Cheng Wai Keung said: "In today's highly challenging business landscape, reducing costs, increasing efficiency and lessening the environmental impact of our operations are among the biggest challenges we face."



Staying fit

Cosco Pacific sells logistics stake

Cosco Pacific Ltd., Asia's third-largest container-terminal operator, agreed to sell a 2-billion yuan (US\$293 million) stake in a logistics venture after first-half profit dropped amid slumping world trade.

The company expects to report a US\$102.5 million pretax gain from selling its entire 49 per cent stake in Cosco Logistics Co., it said in a Hong Kong stock exchange statement. Parent China Cosco Holdings Co., which already owns the rest of the venture, will buy the stake.

Cosco Pacific reported a 32 per cent decline in first-half profit as recessions in the US and Europe damped shipments of toys, furniture and other goods.

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Ever**

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The survey will offer a holistic and indepth analysis of the quality of services at ports and will feature a Customer Satisfaction Index for each of the surveyed ports. It will also value the appraisal of both direct and indirect port users, including exporters, importers, freight forwarders, custom house agents, shipping agents and shipping lines.

The tremendous growth in the export-import trade and increasing competition among littoral nations has forced ports to gear up for the hardsell. While major ports are trying to improve their infrastructure and service standards to attract business, the private ones are emerging with the latest tools and technology to drive volumes. Given the scenario, the survey will be an authentic and authoritative study of the position and the development prospects of Indian ports. It aims to:

- Identify the kind of infrastructure present at the ports
- Measure the servicing standards and quality of service
- Offer insight into quality parameters, and
- Help in creating benchmarks for the industry.

Above all, the survey will act as a reference guide and help users make informed business decisions on a port.



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TMILL

Stealing the Limelight

TM International Logistics Ltd. (TMILL) is a single window logistics solution provider formed as a joint venture between Tata Steel and IQ Martrade Holding of Germany. While Tata Steel is one of the world's largest steel companies, the IQ Martrade group has diverse business interests in shipping, chartering, freight forwarding, terminal operations and supply chain management. Starting operations in 2002, the company now offers logistics services for port and terminal handling, maritime shipping, ship agency, custom clearance and freight forwarding through its network of offices based in Germany, Dubai and China. In India, it has offices at Haldia, Paradip, Kolkata, Jamshedpur, New Delhi, Mumbai, Pune, Bangalore, Chennai and Hyderabad.

Its fully-owned International Shipping and Logistics (ISL) FZE, based in Jebel Ali free zone in the UAE, carries more than 2 million tonnes of dry break bulk and bulk cargoes like urea, rock phosphate, sugar, cement, clinker, wheat, limestone, steel and project cargo. Another wholly-owned subsidiary TKM Global Logistics Ltd. looks after freight forwarding activities in India, Germany and China.

TMILL is currently running port operations in Haldia and Paradip ports. It also runs a dry cargo terminal at berth No. 12 in Haldia port and plans to further augment capacity investments to improve turnaround time and value-added services like rail-connected open and covered warehousing facilities. With a compounded annual growth rate (CAGR) of more than 40 per cent in turnover, the group plans to reach new geographies with steel, automobile, chemical industries as principal verticals. "More than achieving a turnover of Rs 1,000 crore, our priority," says **Dibyendu Bose**, Managing Director of TMILL, "is to evolve as a knowledge-based company providing total solutions to customers in the various verticals of the logistics chain. And we are confident of achieving this," he tells **Maritime Gateway** in an interview.



Dibyendu Bose, MD - TMILL

TMILL is into several activities like ship chartering, port services and logistics. How was the performance across these businesses?

A: Our business model is to give end-to-end solutions. So performance or business outlook is different for different verticals. In port operations, we are present in Haldia and Paradip. Our business has not been hit. In fact, it has increased as imports have not gone down. We are primarily into steel operations. We were affected by congestion rather than recession. If I treat TMILL and Tata Steel together, congestion affected us in a big way. We must have lost Rs 30-35 crore in the last 5-6 months due to demurrages for steel and coal and three labour strikes in Haldia. Business is there. Even today there is a 15-day waiting period in Paradip and 45 vessels are waiting at Haldia. Had they been prepared well, the maritime sector would have done well in this region.

When it comes to ship operations in Dubai, we were affected in terms of our margins. My colleagues have been able to increase the volumes by getting into different lanes and cargoes. In freight forwarding, both the volumes and margins got affected. In customs we service only Tata companies. There again we got affected as imports at group companies like Tata Motors and Tata-Hitachi were affected.

Post recession is there any re-engineering in the business model?

A: The business model remains the same except that we need to live with lesser margins. Tata Steel is a significant shareholder in Dhamra Port. We are trying to get into one or two verticals related to that port.

Both as a port operator and a port user what is your assessment of the port sector in India?

A: Infrastructure support and connectivity issues should be seen in totality. We are into bulk operation where a lot depends on connectivity. Waterfront facilities at the



Lined up: Steel handling operation in progress at berth No. 12 in Haldia Dock Complex.

PHOTOS: TMILL

new ports are world-class. But connectivity, especially rail connectivity, is a big problem. For example, at Gangavaram Port the quick unloading of vessels has turned out to be a bane as stocks are running so high. We have four ships of cargo there waiting to be dispatched. Railway rack availability is 25 per cent of our needs. That also got exacerbated because of waiting periods at other ports. It is like the Theory of Constraints wherein if you match one constrain another shoots up. More coordinated approach is necessary for all these upcoming new facilities.

Then what could be the solution?

A: I read somewhere that in the near future 80 per cent of thermal coal imports, after their discharge, will reach the point of consumption through conveyors. It means that consumption will take place in the proximity of the coast. If that be so, you do not need the last-mile connectivity. Fiscal benefits were always given to

industries that are set up in the backward areas or industries that have been traditionally been set up close to the raw material sources. Now ports must be specialised and all ports should come under common regulation. Somewhere down the line, the entire planning of logistics infrastructure must have a synchronisation. Ultimately, I hope, this will happen. What concerns me more is regulation: For instance, unless a rake carries goods into the port you will not get rakes to carry goods out of the port. So every port has to do a balancing act between imports and exports. Whether the business of hinterland supports that or not is to be seen. Railways can fix a price for taking empty racks to the port. But survival of the port should be the matter of concern.

What are the core strengths that make the growth possible at TMILL?

A: Arithmetically, the growth was high as we started with a low base. For the first 2-3 years we were adding new verticals already existing as divisions in the Tata group. As soon as we added a vertical there was a spurt in the growth. However, I must say that certain parts of the company have done wonderfully well because we are asset light and knowledge-intensive.

What is your future outlook for logistics operations?

A: Our industry touch points are iron, steel, thermal coal, auto and chemicals. We see growth in all these verticals. Logistics industry in itself cannot grow. It can only grow if the mother industry grows. Since we are an India-specific company I see a comfortable growth in 3-4 years range. **MC**



Bulk cargo: TMILL's terminal operation at berth No.12 in Haldia Dock Complex.

FTP: Benevolent Boost

The economic recession in the US and Europe has hit hard the export fraternity in the developing world and has left them weak and suffering. With consumer demand in the major export markets already hitting the bottom, many exporters in India have been finding it difficult to carry on their businesses. The recently announced Foreign Trade Policy 2009-2014, however, has brought the cheer back to the exporters as it has provided some necessary sops for their survival.

by Jagadeesh Napa

Commerce & Industry Minister Anand Sharma has put to rest all the speculations and worries of Indian exporters through a strong pro-exporter policy – ‘Foreign Trade Policy 2009-2014’. Referred to as FTP in short, the new policy has come as a relief to the exporters at a time when they were trying hard to retain their foothold in the foreign markets. Many of them have closed shop due to rapid erosion of their markets during the ongoing recession. Industry associations have put forth their demands before the government to protect their respective interests and some like the ASSOCHAM have sought export subsidies just like the incentives being provided by other exporting nations to avoid losing their markets.

The FTP has raised the spirits of the trade fraternity that was affected by the terrible outcome of global economic slowdown during the last one year. The timing of the FTP when an incentive package was desired the most is sheer coincidence. The policy has been aptly used by the government to carve out short-term and long-term objectives as well as strategies to achieve them. The primary objective of the policy is to ensure the reversal of the ongoing trend of dwindling exports month by month. There has been a consecutive decrease in exports in the last 10



Photo: Port Canaveral

Lifting up: FTP assures boost to India exports.

months. But the policy measures announced in the FTP are designed to arrest this trend and bring the exports back on track.

Renewed enthusiasm

Sharma has set quite optimistic objectives for the policy period. The objectives of turning around the decline in exports and growing at 15 per cent per annum are followed by another optimistic one – crossing the US\$ 200 billion mark by March

2011. If exports hit the growth path in the next six months, surpassing this mark is no big deal. But the biggest hurdle looks to be ‘penetrating into new markets’, which is a time-consuming process. With the poor figures from US and European markets still continuing, Indian exporters should build their markets as soon as possible in other new and emerging markets.

A target of 25 per cent growth rate

Special Focus Initiatives

- 1) Market Diversification
- 2) Technological Upgradation
- 3) Support to Status Holders
- 4) Incentives for Exports from North Eastern Region

Industries that got due attention in the policy

- 1) Agriculture and Village Industry
- 2) Handlooms
- 3) Handicrafts
- 4) Gems & Jewellery
- 5) Leather and Footwear
- 6) Marine Sector
- 7) Electronics and IT Hardware manufacturing industries
- 8) Sports Goods and Toys
- 9) Green Products and Technologies

Promotional measures from Department of Commerce

- 1) Assistance to states for developing export Infrastructure and allied activities
- 2) Market access Initiative
- 3) Market development assistance
- 4) Marketing expenses for statutory compliances in buyer country of trade related matters
- 5) Towns of Export Excellence
- 6) Brand Promotion and Quality
- 7) Test Houses

Rewards/Incentives Schemes from DGFT

- 1) Served from India Scheme
- 2) Videsh Krishi and Gram Udyog Yojana
- 3) Focus Market Scheme
- 4) Focus Product Scheme
 - a. Market Linked Focus Product Scheme
- 5) Status Holders Incentive Scrip
- 6) Common Provisions of Duty Credit Scrips

Duty Exemptions & Remissions Schemes

- 1) Advance Authorisation Scheme
- 2) Duty Free Import Authorisation Scheme
- 3) Duty Entitlement Passbook Scheme
- 4) Duty Drawback Scheme

“These are difficult times and we have set an ambitious goal for ourselves. I am sure that the industry and the Government, working in tandem, will be able to ensure that the Indian exports become globally competitive and that we are able to achieve the target, which we have set for ourselves.”



-Anand Sharma
Minister for Commerce and Industry

has been set for the years from FY12 to FY14 leading to doubling of exports from the current US\$ 168 billion to something around US\$ 340 by 2014. Further to this, Sharma has also set a long-term objective to double India's share in global trade by 2020.

The minister opined that a mix of policy measures like fiscal incentives, institutional changes, procedural reforms, enhanced market access and exploration of new export markets will form the crux of the policy and will be used in combinations to bring the exports back on track. He further stated that the development of export infrastructure, reducing transaction costs and full refund of all indirect taxes & levies will provide the necessary boost and make Indian merchandise attractive in foreign markets.

An immediate glance at the targets set out in the policy makes one feel that they are unrealistic. But one should remember that back in 2004 the total value of India's export trade was only US\$ 63.8 billion. It grew by leaps and bounds during the last five years to reach the current figure of US\$ 168 billion. The predecessor to the new FTP devised in 2004 by the then commerce minister Kamal Nath had been a great catalyst in

achieving such growth. During the period FY05 to FY08, exports grew at 26.4 per cent and the five year policy period from FY05 to FY09 clocked 20.84 per cent. This decline in exports during FY09 can be attributed to the recession in the US and Europe.

A comparison of the economic scenarios for both the policy periods will reveal that the targets are indeed optimistic, but they are not impossible to achieve. Aggressive market development and diversification is the need of the hour and the policy measures in the FTP are designed to be aggressive. Thus, it is expected that targets set out in the new FTP are achievable given the enhanced incentives and policy measures.

Stitches in time

The first and foremost initiative under special focus initiatives in the policy is Market Diversification. Maritime Gateway has been consistently reporting during the last three months on the urgent need for diversifying export markets as the current major ones are reeling under recession. The last few issues have covered extensively on this subject and also highlighted the efforts being initiated by the FIEO and the

government. Trade organisations had in fact appealed to the government to bring out an exporter-friendly foreign trade policy. Heeding to their requests, the new foreign trade policy turned out to be a boon for the exporters. It has laid special emphasis on market diversification, technology upgradation and the creation of the right export infrastructure.

In a bid to promote the major revenue earning industries in the exports basket, the policy has taken care to give out fiscal and procedural incentives. These sectors include handlooms, handicrafts, gems & jewellery, leather & footwear, electronics and IT hardware, sports goods and toys, marine sector and green products and technologies. The incentives under various schemes are meant to help the exporters to overcome the price disadvantage and compete with other exporting nations like China and Vietnam that are aggressively bailing out their exporters from the current crisis.

The policy also bestows special incentives on exports from Northeastern region. This region, which has been long neglected, will gain prominence from the policy initiative. Notified export products



INDUSTRY IN FOCUS: GEMS & JEWELLERY INDUSTRY

Size : US\$ 27 billion
Share in total exports : 13%

Highlights of policy measures

- Duty free imports of inputs for manufacturing
- Duty drawback on gold jewellery exports
- Plan to establish Diamond Bourses to enhance trade in Diamonds
- Value limits of personal carriage of gems & jewellery products to participate in overseas exhibitions increased from US\$ 2million to US\$ 5 million

Impact

Duty free imports of inputs for manufacture of jewellery can improve the cost competitiveness of this industry in the global markets. Duty drawback on gold jewellery exports will be big boost for the jewellery exporters and this will considerably reduce the cost disadvantage and make the Indian exports attractive. The idea of establishing one or more Diamond Bourses has been appreciated by the industry. Such bourses will have the potential to attract diamond traders from various parts of the world which will further spur the Indian diamond trade bringing in valuable foreign exchange. Increase in personal carriage limit of gems & jewellery products in case of holding/participating in overseas exhibitions will add more space to the exhibitors' inventory and brings in more business. As the limit has been increased 400 per cent from US\$ 1 million to US\$ 5 million, the scope for doing trade at the exhibitions has increased multifold and will eventually lead to more volume sales.

A broader look at these measures reveals that the improvement in cost advantage coupled with flexibility to sell more volumes will be a deadly combination for the exporters of this industry, which will ultimately lead to increase in the size of this industry.

“Under the EPCG scheme, exporters can import capital goods used in pre and post production, at zero customs duty subject to an export obligation equivalent to six times of duty saved on the imported capital goods.”

from this region will benefit from rewards/incentive schemes under DGFT. While all the above mentioned industries have significantly contributed to the overall exports, it is essential that the right export infrastructure has to be maintained across the industries in the long run.

Moving in this direction, the commerce ministry has come out with Export Promotion Capital Goods (EPCG) scheme through the foreign policy. Under this scheme, exporters are entitled to import capital goods that are used in pre-production, production and post production at zero customs duty subject to an export obligation equivalent to six times of duty saved on the imported

capital goods. This scheme is made available for exporters of engineering & electronic products, basic chemicals & pharmaceuticals, apparels & textiles, plastics, handicrafts, chemicals & allied products and leather & leather products.

Another important decision taken for the policy period is to support those innumerable small and medium exporters who have lost orders and markets and were left jobless. The policy bestows additional focussed support and incentives to the Towns of Export Excellence and units located therein. Rajasthani handicraft industry, for instance, is one of the worst hit export



More incentives for exports of cars to 13 new markets

In a move to boost export of automobiles from India, the government has announced additional incentives on overseas shipments of cars and good carriers to 13 countries, including Australia and Brazil.

Cars and other vehicles used for transportation of goods have been included in the new market linked focus products, under which exporters will get incentives equivalent to two per cent of free-on-board (FOB) value of exports in foreign exchange, the Directorate General of Foreign Trade said.

Earlier, under the scheme the exporters were getting 1.25 per cent of FOB value of exports.

In the new Foreign Trade Policy, the government had identified 13 countries, including those in Latin America and Africa, in a bid to increase exports, which are on a downslide since October 2008. /PTI

Commerce Secretary to head panel to redress exporters woes

The government has set up a high level panel to redress the problems of the exporting sector in wake of a sharp drop in outward shipments in the past 11 months. The inter-ministerial panel is chaired by Commerce Secretary Rahul Khullar and will discuss issues raised by the exporters. The recommendations of the panel, however, will be of advisory nature. The panel will have officials from the Department of Revenue, Department of Economic Affairs, Reserve Bank of India and Directorate General of Export Promotion and other departments.

In April-August this fiscal, the merchandise exports contracted by 31.3 per cent to US\$ 63.9 billion from \$93.1 billion in the same period last year as the demand weakened in the country's traditional markets of the US and EU. To prop up the sector, the government in its new Foreign Trade Policy has announced sops on trade with new markets in Latin America and Africa, which by and large remained insulated from the global crisis.

Meanwhile, the RBI has extended the two per cent interest subsidy for exporters till March 31, 2010. The subsidy is to end on September 30 this year. /PTI

industries. The government under the FTP has recognised export hubs under certain industries as "Towns of Export Excellence". Jaipur, Srinagar and Anantnag have been recognised as towns of excellence for handicrafts. Kanpur, Dewas and Ambur have been recognised as 'Towns of Export Excellence' for leather products; and Malihabad for horticultural products. The policy further states that 'New Towns of Export Excellence' with a threshold limit of Rs 150 crore will be notified in due course of time.

Green products and technologies seem to be another promising area of the future. The whole world is looking for green alternatives in every aspect of life and hence considerable progress in this segment can command sizeable revenue share in the pie. Though reeling under recession, Europe is still the biggest market for green products and technologies as it is still supporting the green cause aggressively.

The policy has explicitly mentioned to encourage and support the export

of green products through measures such as phase manufacturing of green vehicles, zero duty EPCG scheme and incentives for exports.

The missed ones

A closer look at the FTP reveals that the textile and apparel exporters were left unattended. It looks like the benefits for this sector are miniscule compared to other industries. No specific policy measures were announced for these industries. EPCG scheme, with zero duty on imports for technological upgradation, has been appreciated by almost all the export industries.

But it has little use for the textile industry, especially for the small and medium exporters, as a similar scheme – Technological Upgradation Fund Scheme (TUFS) is already in force. The FTP clearly states that beneficiaries under TUFS are not entitled to the benefits of the EPCG scheme. The textile and apparel exporters feel that the duty drawback rates have not been raised further and have just been extended. **MB**



Trade with Africa

Clearing Hurdles

To beat the global recession and curb the drop in Indian exports, out-of-the-box solutions are becoming increasingly necessary. Continents that were treated with scorn and avoided earlier are now being viewed with renewed enthusiasm as export opportunities in traditional markets are free falling. Early this year, when Africa came calling in New Delhi, the then External Affairs Minister, Pranab Mukherjee spelt out government plans of doubling credit lines to US\$ 5.4 billion in Africa during the next five years.

Among the Indian projects in the pipeline were agriculture, mining, Information and Communication Technology (ICT), chemical, small industry, oil pipelines, power generation and transmission, and many more. The ambitious forays into Africa were planned despite the global economic meltdown.

Gone are the days when exports to Africa were shunned by Indian exporters as payments and the banking system did not exude enough confidence. Even the sacrosanct Letters of Credit from African bankers had to be treated with a pinch of salt. It was not unlikely to be rewarded with fake bank drafts after the gullible or over-eager exporter shipped goods against confirmed orders to Africa. Now, trade with Africa is expected to triple and hover around US\$ 100 billion in the next five years.

During the meet early this year, nearly 32 politicians and business leaders pledged to take business with India to the next level and improve relations that would not only be based on present economic



compulsions, but to get the legacy of past relations up and running once again. Relations with the continent is nothing new to India and dates back to the colonial era when shiploads of indentured labourers were taken by the British to work on plantations and construction projects.

With about 2 million descendants of Indian origin out there in Africa and most of them involved in small to large businesses, India is a natural partner. Both, India and Africa have a long history of colonialism and exploitation that can forge a bond in these tough economic times.

If purchasing power drops out there, relationships can be re-invented for trade and investments once again by nations and continents that have an embedded historical similarity. The

sentiment was echoed by Union Minister of Commerce and Industry Anand Sharma when he said, "We share an excellent relationship with Africa. The economic slowdown will not affect trade."

But, then again, we have to enter the race with China, way ahead by US\$ 100 billion in its trade with Africa. While China was behind India in trade with Africa a decade ago, it has now surged ahead and we need to catch up fast with similar mineral extraction and energy construction projects. Breakthroughs also lie in several areas with low-cost expertise compared to other countries as the Minister of State for Economic Monitoring of Uganda, Maurice Kagimu said, "India can bring in its low-cost expertise in the manufacturing sector and in IT.

There is so much India can offer Africa.” Uganda has trade worth US\$ 100 billion going with India and it could double up in five years with Indian textiles and food processing weighing in with investments.

FICCI had conducted a global survey and identified nearly 41 Indian companies involved in myriad fields in Africa, ranging from automobiles to gems and jewellery. With the so called ‘Look Africa’ policy harnessed in recent years, trade shot up by 285 per cent in four years and has taken trade with Africa to 8 per cent of the global trade a couple of years ago. FICCI was upbeat that the target of US\$ 50 billion by 2012 was on track.

If violence and civil wars are a discouraging factor in places like Somalia, Ethiopia, Zimbabwe and many others for Indians to penetrate, they have not stopped China from coasting past us. FIEO is on the job to get the nettles of tax policies, customs and import laws sorted out. It also urged all African missions to coordinate efforts for cleaning up the business environment in their respective nations for better economic and trade ties with India.

Primarily, a major role for Indian trade promotion in Africa has to be played by the embassies and high commissions and the trade commissions located there. Much of the problem to raise trade and business interaction with Africa lies in shipping lane shortages and very high costs as well as inordinate delays in procuring of visas. If the export earnings kitty has to swell, more brands and products have to be promoted with great gusto.

India’s duty-free tariff preferential scheme for least developed nations has benefited 33 African countries.

To add to the problems, there is stiff competition from China, out to get a larger slice of the energy and resource pie. Indian pharmaceutical companies, according to Pharmaceutical Export Promotion Council of India (Pharmexcil), are up against bad ethics by Chinese drug manufacturers that flood West African markets with made-in-India labeled drugs at rock bottom prices.

It is the job of Indian trade bodies and trade commissions of India embassies to raise awareness and lobby against the menace. Low cost generics and fakes are a genuine worry as the ultimate sufferers would be Africans and they would blame India. Corruption across all levels in many strife torn nations of the continent is also a major worry among exporters and investors.

According to Pharmexcil, South Africa is expected to cooperate as it is also aware of the counterfeits masquerading as Indian drugs and it is doing everything possible to push generic drugs all over South Africa. Teams from Pharmexcil were sent to Botswana, Zambia and Mozambique as Indian pharmaceutical presence is quite widespread in the continent. Nigeria is set to be the eighth largest importer of Indian drugs.

Delegations from Nigeria have also had talks at the ministerial level to prevent the attempted hijacking of an Rs 1,000-crore market for generic drugs in West Africa. Resources from the ‘Challenge India Fund’ of the commerce ministry would also be used to combat the menace.

Nigeria had seized a fake consignment of spurious anti-malaria drugs that were traced to China while three drug consignments were also confiscated at Chennai Port. Although the cartons carried Chinese names and addresses of the manufacturers, India lodged formal complaint. It remains to be seen if the racket gets busted by China. Officials feel India’s reputation as a low cost, but high quality and reliable supplier of drugs is threatened and immediate action is required as generic exports to Africa is worth a whopping Rs 30,000 every year. Public sector participation in drug manufacturing in the continent is also being toyed with.

Africa is one of the places that India has to look forward to for shrugging traditional dependence on Europe and the US for trade as the Minister of International Relations and Co-operations, South Africa, Mme Nkoane Mashabane, summed up so succinctly at the ‘Doing Business with India Conference’ in July, “Our partnership comes a long way and is not just a bond of friendship, but these bonds are blood ties.”

South Africa has a gravitas in the continent like no other. India has to take the cue and forge ahead with the baggage of goodwill and with different departments interacting in the process as the Minister felt that India cannot be underestimated as she is among South Africa’s top ten trading partners worldwide. **MG**



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

India’s exports to Africa

Region-wise	Apr-Mar 2008	Apr-Mar 2009(P)	%Growth	%Share
Africa	46,463.41	51,650.69	11.16	6.15
Southern Africa	14,523.88	14,326.22	-1.36	1.71
West Africa	13,990.29	15,422.16	10.23	1.84
Central Africa	1,036.23	1,761.51	69.99	0.21
East Africa	16,913.01	20,140.81	19.08	2.4

Cold Ironing Time to Press

Alternative marine power (AMP) is the use of shore-supplied electricity for ships berthed at ports. The time-tested technology can help ships cut down on their on-board power generation cost, fuel consumption, emission and wear and tear of ship equipment. It could be the best energy-saving, environment-friendly option.

by **Raunek Kantharia**

Exhaust gases, noise and waste water from berthed ships and terminal equipments are few of the many agents which have an impact in a variety of ways on the environment. The continuously growing shipping transport, increasing size of the ships and an urge to carry more and more goods are causing a significant rise in the shipping emissions. A recent study shows that if necessary steps are not taken, air pollution from ships will exceed the land based means of transport by 2020. However, the problem is graver than it seems to be.

The harmful effects of shipping emissions extend beyond carbon dioxide. Sulphur oxides (SOx), nitrogen oxides (NOx), black carbon and particulate matter are a few other constituents of the ship's exhaust. NOx and black carbon are significant contributors to global warming. In addition, both SOx and NOx exacerbate the acidification of the oceans by contributing to acid

rain. To reduce these negative impacts of ships and to attain compliance with stricter environmental regulations, various steps such as cleaning the inputs to a ship's engines (i.e. switching to low sulphur fuel) and rectifying the outputs (by means of on-board scrubbers, devices that remove unwanted gases and particles from exhaust emissions) are taken.

However, it has been seen that over the past few years, emission from large ships has changed little with the steady increase in the shipping volume. Raising concerns over the costs of implementing low sulphur engines have initiated new warnings, which might lead to the weakening of environmental regulations. An alternate method has desperately been in need for quite sometime now. The authorities have decided to go back to the age-old method of "Cold Ironing", a technology that enables the use of shore-supplied electricity to reduce diesel engine emission from ships while they are in port.

Will it help?

The ports with cold ironing facilities can see a large reduction of emissions with ships shutting off their engines. The switching over of electricity source would eliminate air emission associated with the use of auxiliary engines and shift the burden to power generation facilities in the local grid. This will not only reduce the negative impacts of ships during their stay at ports but also the operating costs of ships.

But the problem with cold ironing today is same as it was a few decades back. The significant investment the system demands, both shipboard and onshore, has put a question mark on the feasibility of its use. For example, retrofitting container vessels for cold ironing can run from US\$ 200,000 to US\$ 500,000 per ship. The shipowners, cornered by the unprecedented emission targets and the rise in fuel prices with low sulphur content, are forced to choose among the limited options they have. However, due to the increasing





The powerful option: Plugging vessels into shore-based power.

emissions of particulate matter are responsible for approximately 60,000 cardiopulmonary and lung cancer deaths annually throughout the world. By 2012, there could be an increase of 40 per cent in the annual mortalities, under the current regulation and with the same expected growth in the shipping activity. It is estimated that cold ironing could eliminate over 454 kg of nitrogen oxide, 32 kg of sulfur oxide and 7 kg of particulate matter emissions in a single 24-hour port call for a typical container ship.

But the question frequently posed with regards to cold ironing is: Does it really serve its purpose? Even until today, most of the port cities generate a large share of their power by coal. Using grid-based Alternative Marine Power system (AMP) would just mean transferring the emissions from ships to the coal-fired power plants.

The main advantage of using cold ironing or alternative marine power (AMP) is that it transfers the power production from dirty shipboard sources to the much cleaner central power stations. Moreover, several independent studies have shown that the cost of on-board power generation is much higher than the total direct costs for shipowners and ports. Thus, plugging marine vessels into shore-based power while they are docking would not only cut pollution, but would also reduce wear and tear on ship equipment as well as fuel consumption.

Challenges to overcome

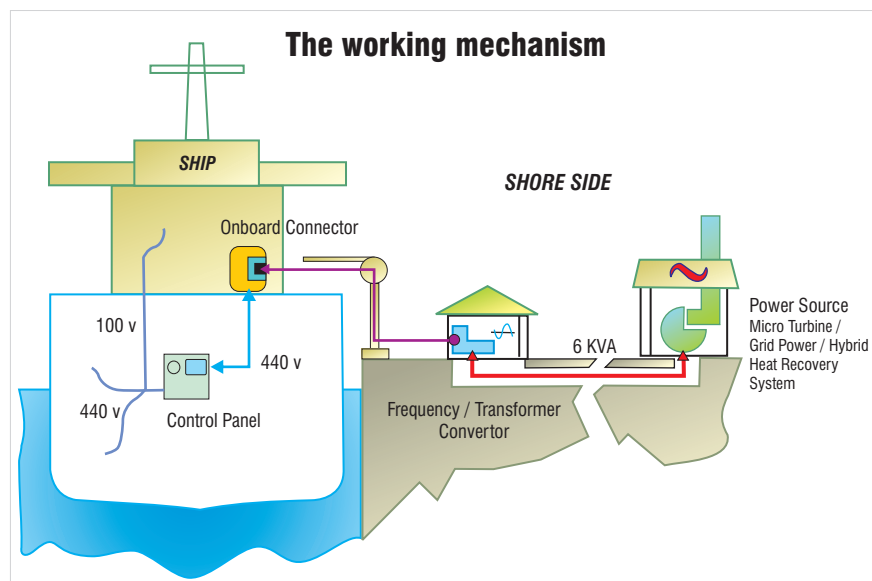
Container ships, passenger ships and tankers are best suited for cold ironing. Container and passenger ships are especially crucial for emission reductions because they account for the maximum percentage of ships visiting any country. However, with the continuous growth in the number of these types of vessels, using cold ironing may not be cost-effective, especially if the ships with AMP facilities pay infrequent and irregular visits to a

pressure to clean up the environment and save energy costs, various ports around the world are showing a great deal of interest towards cold ironing.

The road ahead

While the ship berths at port, its auxiliary engines are used for lightening, heating, hot water, air

conditioning etc. These operations consume a large amount of diesel and heavy oil, generating harmful exhaust fumes, noise and vibrations. Emissions from shipping fuel not only affect the whole environment but also impact the health of port workers, onboard personnel, and the inhabitants of port cities. A recent study estimated that shipping-related



cold ironing enabled port. Tankers and bulk cargo ships are relatively infrequent in their visits to ports and have lesser berthing time compared to other ships. On the contrary, container ships can lend themselves to cold ironing facilities because the berthing time is longer. Also, since the loading and unloading operations use shoreside cranes, the diesel engines that drive the ship's electrical generators can be shut down.

Generally, tankers are less amenable to cold ironing because the cargo pumps are continuously needed for loading and unloading cargo and the modest berthing time does not leave space for the cumbersome cable connecting process. Moreover, most of the tankers have a steam turbine pumping systems and large diesel engines for propulsion and boilers to produce steam for the turbine-driven pumps. To retrofit such tankers for a complete AMP system would require a huge investment for rebuilding the tanker's whole machinery system, hence is a least feasible option for the shipowners. However, few companies are constructing diesel-electric tankers, which are more suitable for cold ironing and can enable huge amounts of electricity delivered at a relatively constant voltage over a large operating range. Though these tankers can easily adapt to AMP under any voltage or frequency, most of the port terminals will require retrofitting and some of

Cold-ironing is a solution favoured by not only environmental groups but also by the ship and port authorities.

the tankers will have to install additional equipments to facilitate the use of cold ironing.

An additional problem that ports and marine vessels face is the differences in the voltages and frequencies between the ship and onshore AMP facilities. Lack of necessary standards and safety measures established in compliance with international maritime norms, increase the severity of the problem. Moreover, none of the ships are provided with a quality of power to protect the shipboard automation system.

Cold-ironing, therefore, is the only solution that is not only favoured by environmental groups but also by the ship and port authorities. The trigeneration method offers reliable and high quality power with least emissions. Also, with most of the countries looking forward to alternate sources of power generation such as nuclear and renewable energy, cold ironing is the only option to reduce global shipping emissions and to enhance a country's economic development. Moreover, if all the countries tighten up their regulations and set a goal to reduce the emissions from the berthed ships

by having 80 per cent of their ships using cold ironing, then it is estimated that by 2020 the emission of NOx will be reduced by 41 tonnes per day.

The cost factor

Though the global air quality and environmental groups strongly advocate the usage of cold ironing, the shipping companies seem less enthusiastic. Most of them argue that it costs more to have both diesel and electric capabilities on their ships. Moreover, establishing electrical connections between a vessel and harbor is extremely time-consuming and usually requires a crane and significant amount of manual handling by the crew and the terminal operator. These safety and operational concerns regarding the cumbersome ship-to-shore cable connections, along with the access of time consumed are averting shipowners from using AMP. The shipowners are not only sceptical about the environmental benefits of cold ironing but also argue that more energy is consumed powering a ship from the shore rather than with its own engine. Most importantly, the huge electricity bills worth thousands of dollars per ship docking, are what are scaring them the most.

Finally, the question arises whether there is sufficient grid power available for widespread cold ironing in all the major ports of the world. With most of the countries presently confronted by major power crises, the prospects of introducing cold ironing seems distinctly bleak. However, cold ironing is viable and worthwhile only if the ports throughout the world work harder to make provision for AMP facilities that utilise alternative renewable energy sources that project higher air quality benefits. **MG**



The pressing question: Feasibility and finance.

Liberty Marine

Standing Tall

Enforcing quality and cost-effective logistics solutions to the steel industry in the east coast of India, Liberty Marine makes a mark in sea trade. A **Maritime Gateway** feature.



Liberty Marine, the total logistics solutions provider, has been nominated as the 'Finalist for The Logistic Award' in the Lloyd's List Asia Awards 2009. "This is a huge recognition since Liberty is the only wholly-owned Indian Company competing with four international Players like Damco Maersk, APL Logistics, Agility and Toll Logistics in this category," says Bhaskar Ghosh, CMD of Liberty Marine Syndicate Pvt. Ltd.

Servicing coal, scrap and project machinery imports at Kolkata, Haldia and Paradip ports, the company has been maintaining its production cycle despite the economic downturn owing to end-to-end logistics solutions, Ghosh reasons. "Liberty's specialisation in scrap is

commendable since the key issue in scrap logistics is availability of containers and the commercial feasibility of freight and sourcing costs. Scrap traffic has mostly excelled where the scrap exporting locations are repositioning zone for shipping lines," he adds.

Generally, scrap is generated from six sources – industrial waste, construction & building materials, automotive parts, ship breaking, defunct factories and household goods. "To ascertain the quality of the cargo indented, we ensure 4-layer digital imaging of each container at both load and destination port and this is hosted on the server for e-check," Ghosh says.

Sensing the need for better infrastructure, the company has made captive arrangements for

storage, handling and transport facilities. "We also render services in chartering, port agency, stevedoring, international freight forwarding, custom house agent, project cargo handling and allied shipping services like dredging, support systems and offshore operations," the CMD elaborates.

Set up in 1972 by Nirode Kanti Ghosh, Liberty has since then been working towards a Pan-India reach. Today, it has offices in Mumbai, New Delhi, Ludhiana, Chennai, Paradip, Joda, Haldia, Visakhapatnam, Kakinada and corporate headquarters in Kolkata. It also has its presence in Dubai, Tanzania and Philippines to provide integrated services for sourcing, contract validations, quality / quantity survey and execution of shipments as per schedule.

The company attributes its efficiency in handling more than 500 TEU of imports per month on a turnkey basis to its dedicated personnel and usage of e-commerce.

It also attributes its growing success to its strategic location in West Bengal, the industrial hub of the east. Also, the state is home to India's largest concentration of mining, iron and steel, metal working and engineering industries and the leader in two of the world's biggest agro-based industries – tea and jute. This indeed offers liberty to the company to test new waters. **MG**



Flakes of fortune: Servicing of scrap imports.

by **Radhika Rani G**

The recent Indo-Nepal trade treaty is being viewed as yet another step towards bilateral diplomacy. Nepal Prime Minister Madhav Kumar Nepal, who left India with a lot of hope, hailed his Delhi visit as a new dimension to the existing mutual ties between the two nations.

Both the neighbours discussed multidimensional aspects and their major dialogue centered around Nepal's need for a transit port for its cargo. As the Himalayan republic is keen to further its trade in the developed world, the Nepal ministry of commerce urged India to allow access to another port besides Kolkata Port, which is already open to them. Factors like proximity and logistics offered enough logic for the Indian government to open Visakhapatnam Port on the east coast for Nepal's exim trade.

Though Jawaharlal Nehru Port in Mumbai was opened a few years ago for Nepal trade, the country's seaborne trade was entirely carried through Kolkata Port.

In terms of proximity, Vizag is farther from western markets than the West Indian ports. But it is a lot closer to Nepal's Birganj dry port, by nearly 600 km, than Mumbai and this makes cargo traffic easier, reason Nepal officials.

At present, Nepal imports its cargo through a 650-km broad-gauge line that links Kolkata and Raxaul, a small town in Bihar situated on the Nepal border. The cargo is unloaded



Vizag to serve Nepal as The Window to the West

As Nepal gears up to develop trade ties with the West, it pitches for Visakhapatnam Port as the takeoff point.

at Raxaul and sent to Birganj by road or through a metre-gauge link. Similar is with exports, but in the reverse route.

Since Vizag is about 866 km from Kolkata, ferrying goods to its port is seen as an economically viable option. As days go by, Visakhapatnam Port, the gateway to east India, could be the window to the West for the

landlocked country. According to the officials, private containerised trains could ply between the inland container depot at Birganj and the Visakhapatnam Port that has the modern Visakha container terminal.

They, however, clarify that ports in the west coast too have been discussed during the talks, including Mumbai which is 1,900 km from Birganj, keeping in mind future expansion in trade. And Delhi is learnt to have agreed to consider the request.

As ports open up for bilateral trade, they augur well for Nepal, say experts. Trade statistics show an increasing trend of trade in both the exports and imports. "However, it is noteworthy that the trade balance is not in favour of Nepal. As such, it

Indo-Nepal Trade Table

(in lakhs of rupees)

Bilateral trade	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
India's exports	307,578.76	333,903.93	380,738.81	420,138.23	606,348.08
%Growth		8.56	14.03	10.35	44.32
India's imports	131,440.13	155,385.77	168,173.09	138,450.90	252,725.72
%Growth		18.22	8.23	-17.67	82.54

Note: The country's total imports do not include import of petroleum products and crude oil.

(Source: Dept. of Commerce, Govt. of India)



Photos: PIB

Teaming up: Prime Minister Dr Manmohan Singh meeting his Nepal counterpart Madhav Kumar Nepal in New Delhi recently. (Right) Both the prime ministers join hands at the delegation level talks.

does not present a convincing picture in the macro-economic performance of Nepal,” says Dr Gyanu Raja Shrestha in Nepal’s Ministry of Finance. However, trade treaties have increasingly guided the trade direction, more specifically in the case of Nepal,” he says in his study ‘Nepal-India Bilateral Trade Relations: Problems and Prospects’.

Meanwhile, the Nepal prime minister is offering 100 per cent profit repatriation to Indian trade and industry for investing in his country. He says huge investment opportunities exist in hydropower, tourism, banking and finance, road development, ports, civil aviation and transportation. “Subsidies and joint venture with Nepalese

companies will be encouraged in areas like light engineering, manufacturing and information technology,” the premier adds.

While it is expected that the treaty will take business to greater heights and help Nepal boost its economy, Indian ports also stand to benefit from the pact. **MG**

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SOTAB

Oh buoy!

Spilling Data

A GPS-enabled robot – Spilled Oil Tracking Autonomous Buoy – helps cleanup teams to spot the area of oil spill and assists them in containing further spillage through its real-time data.

by **Raunek Kantharia**

No matter how great the technological advances impel the upgradation of the designing aspects of a ship, as long as the oil is transported by sea, the chances of oil spill always remain. Moreover, the increased sea traffic and unpredictable weather conditions are often seen as acting catalysts in the occurrence of marine accidents. The grim consequences of such accidents often take the form of oil spills, the slimiest form of marine pollution.

The spilled oil, if stationary at one place, doesn't impose a threatening condition. However, this doesn't generally happen. Waves and ocean currents drift the spilled oil towards the shore, with additional agitation provided by the heavy wind. The resulting condition not only contaminates the coastal habitat but also creates hazardous circumstances for the regional economies. Thus, it becomes extremely imperative to take adequate measures as soon as

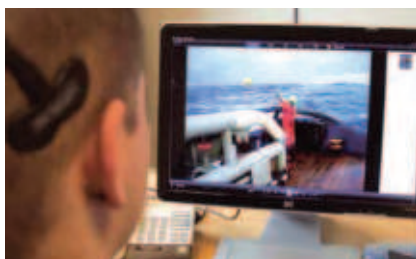
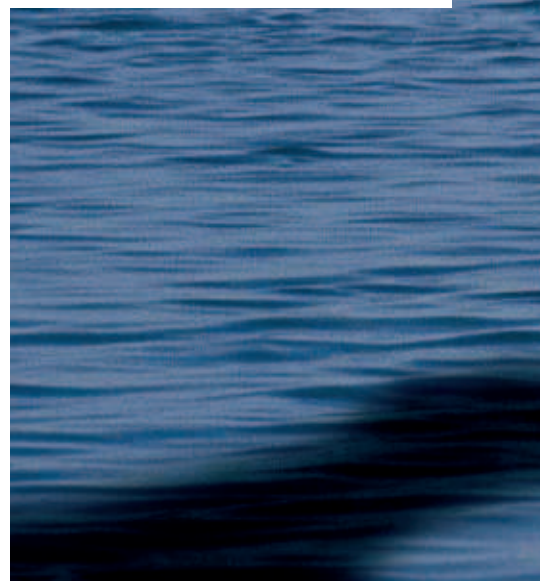
an oil spill occurs. Unfortunately, various reasons such as adverse weather conditions, rough sea and technical drawbacks have been spotted as deterrent factors for relief and remedial actions.

The practice of keeping track of the oil slick by aerial surveys, using aircraft and satellites, often becomes unreliable in hostile weather conditions. Moreover, it is not feasible for a vessel to keep a continuous track of the spilled oil because of the unpredictable ocean currents and wind forces. Similarly in case of aerial surveys, by the time the

data of oil slick taken by visual recognition reaches the relief team ashore, the oil would have already become invisible from the water surface. Thus, if a spill trajectory forecast is to be accurate, it is not crucial just to acquire oil slick observations but also a continuous transmission of real-time environmental data. This is the prime reason to look for an alternative for tracking oil spill in a better and accurate manner.

A solution – SOTAB

The reason for inaccurate simulation is the lack of continuous oil position



Keen look: Following the buoy's position on the screen.





Drifting buoys: Essential tools for monitoring real-time oil slick.

“When heavy oil comes in contact with sea water, emulsification of oil takes place, which increases the viscosity of the spilled oil and the water around it.”

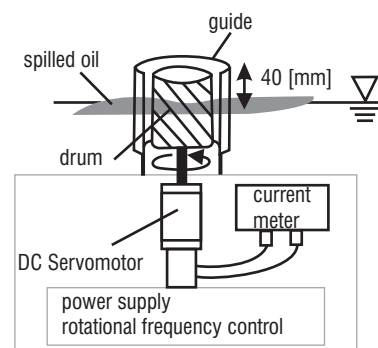
data. To enhance meteorological and on-scene spill observations and oil spill forecasting efforts, Osaka University, Japan, has been working on a project called Spilled Oil Tracking Autonomous Buoy (SOTAB), a real-time oil spill tracking device. The motive behind the concept is to build a tracking and predicting system to automatically follow the drifting oil slick, and to continuously send the positioning data and hydrographic phenomena of the spilled oil location to the operation base. The system once working will not only help to observe real-time oil slick drifting by

predicting the precise destination using the monitoring data from the buoy, but will also facilitate the tracking of oil slick during the night. Thus, the system will avoid the major possibility of losing oil slicks, by keeping a continuous watch on its movement till the time the cleanup team arrives.

Designed by Naomi Kato, a professor of submersible robotic engineering in the Department of Naval Architecture at Osaka University, the cylindrical submersible buoy weighs around 110 kilograms, with 2.72 metres height and a 27 centimetre

diameter. SOTAB or the autonomous buoy, is a global positioning system (GPS) enabled robot with a large number of sensors fitted to detect various parameters such as water depth, water temperature, wind speed and oil flow direction.

SOTAB starts working as soon as it comes in contact with water. It begins its search for oil slick by reducing its buoyancy and diving underwater. The four movable wings attached to the buoy enable it to ascend and descend into the water by controlling its buoyancy. While the buoy remains semi-submerged in water, it trains its sensors back up at the surface. There are basically two kinds of oil detecting sensors attached to the buoy – a contact sensor and a non-contact sensor, each having its own consecrated purpose. Contact sensors are usually temperature and viscosity measuring elements, which monitor their own temperature after coming in contact with the oil slick. When heavy oil comes in contact with sea water, emulsification of oil takes place, which increases the viscosity of the spilled oil and the water around it.

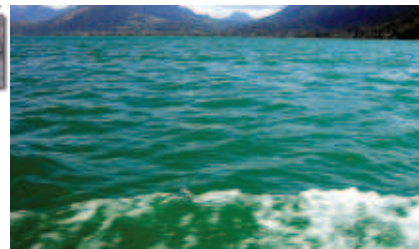


The contact sensor utilises the viscosity of the emulsified sea water to identify the difference and thus trace the presence of oil in the water. Non-contact sensors are used to remotely measure various parameters such as distance from land, water speed and the direction of oil with the help of infrared or optical radiations.

When SOTAB senses an oil slick, it dives to around 10 meters inside the water with the help of its buoyancy varying capability. The four fins

allow the robot to steer around the oil slick and measure the size of the area affected. Using several cameras and sensors, SOTAB collects the requisite data and sends it across to the shore base for further study of thickness of the offending oil and flow direction. In addition to that, SOTAB also takes samples of sea water to detect the extent and quantity of contaminating material in the sea and sends the data ashore to assist the cleanup crew. Thus, SOTAB helps in simulating the drift of the spilled oil in order to deploy the oil collecting equipments along the coastal regions before the spilled oil drifts ashore. Moreover, the Global Positioning System of the buoy helps in providing the exact latitude and longitude of the buoy's geographical position to the shore base.

The buoy, along with the real-time data of its location, sends essential meteorological and oceanographic data, while it drifts with the oil slick. The additional geographical data is collected by features such as wind monitor, depth meter and water thermometer. Though, SOTAB has been designed to follow the oil around, there are instances when the buoy is detached from the oil slick due to external forces. However, the



buoy is designed in a way that it is capable of detecting and tracking the spilled oil autonomously. For this reason, the design and construction of the buoy is made robust so as to withstand the adverse weather conditions.

Future prospects

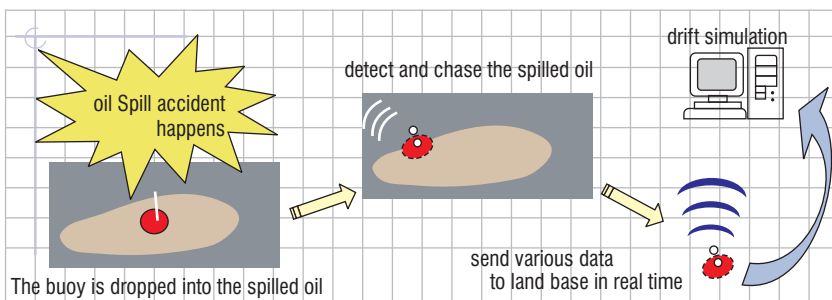
The main problems that SOTAB is facing today are its heavy weight and short battery life. However, head researcher Naomi Kato stated that he and his team are currently working on the buoy to bring down its weight under 30 Kg. He further added that new efforts are also being made to increase the battery life to about 3 to 4 weeks.

Moreover, the professor intends to make the autonomous buoys as standard equipment on oil tankers. He also plans to supply adequate number of SOTABs to all the seafaring oil tankers. To support his aim, Kato justified the usage of buoy to *The Japan Journal* by explaining that, "The development of an oil field in Russia's Sakhalin and Chinese economic expansion will likely lead to increased tanker traffic in Japanese coastal waters. The buoy is intended to be deposited along the edge of an oil slick in the sea at the time of an accident. A sensor to analyse the stickiness of liquids detects heavy oil, which is more glutinous than sea water."

Thus, when an oil spill accident occurs, tracking the direction of spilled oil is as important as requesting an immediate pollution response assistance. This not only ensures in minimising the detrimental effects of the oil spill on the environment but also provides an impetus to the relief activities. 

“The buoy is intended to be deposited along the edge of an oil slick in the sea at the time of an accident. A sensor to analyse the stickiness of liquids detects heavy oil.”

Understanding the process



The above diagram helps in understanding the whole process in a simpler way.

1. When an oil spill accident occurs, the ship's crew drops a series of buoys into the spilled oil.
2. The buoys automatically get activated the moment they touch the water. The buoys then detect and chase the spilled oil, simultaneously acquiring the required data and sending it to the land base in real time.
3. The data is monitored in the form of drift simulation at the control station located ashore and the needful steps are then taken.

Direct Taxes Code

The Complexity Continues

In the previous issue, the authors discussed the tax implications on charter hire payments made to foreign ship-owners under the provisions of Income-tax Act, 1961 ('IT Act') and the Double Taxation Avoidance Agreement ('Tax Treaty'). They now take a close look at some of the key changes proposed in the Direct Taxes Code as also the issues arising out of these proposals, several of which could impact the shipping industry in India.

by **Girish Mistry and Nikhil Rohera**

The much awaited Direct Taxes Code ('Code') was released by the Hon'ble Finance Minister on August 12 along with a discussion paper elaborating the Government's rationale behind the new Code.

The Code has proposed some sweeping and far-reaching amendments in the existing income-tax law. It seeks to address some of the key facets of a progressive tax regime – simplicity, uniformity, clarity, stability, ease of compliance

and compatibility with the needs of a fast developing economy.

At the outset, it may be noted that, broadly, the deemed basis of taxation for foreign shipping companies as also the Tonnage Tax Scheme for domestic shipping companies continue, albeit with few modifications.

Reduction in tax rates

One of the key attractions of the Code has been the reduction in the corporate tax rate to 25 per cent for both Indian and foreign companies.

Foreign companies would, however, also be subjected to additional tax of 15 per cent termed as 'branch profits tax'. The Dividend Distribution Tax of 15 per cent payable by Indian companies continues, thereby effectively achieving a broad parity between taxation of foreign and Indian companies in India.

The reduction in the corporate tax rate comes as a big relief for the shipping industry in India which has been sailing through rough waters



Photo: Ebbe Holsting

DTC: An attempt to simplify and rationalise the income tax law.

owing to global economic slowdown and falling freight rates.

Slot and Charter arrangements considered as business of operation of ships

Another significant proposal which could find favour with the foreign shipping industry in India is the treatment of slot and charter arrangements as integral part of business of operation of ships. The Code expressly provides that transportation charges would include an arrangement such as slot charter, space charter or joint charter. As such, income arising from such arrangements would now be treated as shipping income in the hands of foreign shipping companies.

No concept of 'regular' vs. 'occasional' shipping business

Interestingly, the Code seems to have proposed one section (i.e. section 176) to deal with shipping business of non-residents. The scope of this proposed section is similar to section 172 of the IT Act. As such, the provisions of section 44B (dealing with computation of income of foreign shipping companies in regular business) and section 172 (dealing with computation of income of foreign shipping companies in occasional business) have been merged into one section.

This proposal has evoked mixed reactions from the foreign shipping industry. The intent seems to be that all foreign shipping companies (i.e. those engaged in 'regular' shipping business and those engaged in 'occasional' shipping business) ought to be treated at par. As such, foreign shipping companies engaged in 'regular' shipping business would also be required to comply with the procedures of obtaining port clearance certificates, filing vessels voyage returns etc. as prescribed in section 176 of the IT Act. It may be noted that, hitherto, some foreign shipping companies were claiming that the procedural compliances



Key terms: Companies seek clarity.

“Transportation charges’ is inclusively defined in section 284(289) and is broader in scope than the existing provisions of section 44B and 172 of the IT Act.”

enumerated in section 172 of the IT Act are not applicable to them as they are governed by the provisions of section 44B of the IT Act.

Computation of shipping income

The computation of shipping income for foreign shipping companies is prescribed in the Fourteenth Schedule of the Code which provides for computation of income on presumptive basis i.e. 7.5 per cent of the ‘transportation charges’ on account of carriage of passengers, live stock, mail or goods. The term ‘transportation charges’ is inclusively defined in section 284(289) and is broader in scope than the existing provisions of section 44B and 172 of the IT Act.

Interestingly, Rule 2 of the Fourteenth Schedule seems to suggest that in case the amount of income actually earned by the assessee is more than deemed income, then actual income would be considered for taxation. This rule is perplexing and may defeat the very purpose of the deeming provision. As such, a suitable clarification from the Government on this Rule is required to avoid needless litigation.

Tonnage Tax Scheme

For Indian shipping companies, the amount of daily tonnage income prescribed in the Tenth Schedule is similar to the one given in Tonnage Tax Scheme under the IT Act. However, the formula prescribed in the Code is for computing the ‘profit of business of operating qualifying ship’ which enhances the scope of taxable income to include certain ‘gross receipts’ like consideration accrued on slump sale, profits on sale of assets etc. This proposal, if enacted, may adversely impact Indian shipping companies governed by the Tonnage Tax scheme.

Further, the conditions prescribed in the existing Tonnage Tax Scheme, viz. method and time of opting for Tonnage Tax Scheme, limits for charter-in of tonnage etc. have not yet been provided. Instead, it is

provided that the Central Board of Direct Taxes shall make rules for this purpose. It remains to be seen whether the new rules to be specified would be in line with the existing Tonnage Tax Scheme.

Surprisingly, in the Code, there is no express mention regarding the exemption from levy of Minimum Alternate Tax ('MAT') to Indian shipping companies engaged in the business of operating qualifying ships. Section 115V-O of the existing Tonnage Tax Scheme under the IT Act specifically provided for such an exemption from levy of MAT. As such, it is unclear whether the Indian shipping companies would now be subject to MAT in the absence of an express exclusion. This could assume even greater significance owing to the shift in the basis of levy of MAT from 'book profit' to 'gross assets' as discussed below.

Tax incentive scheme for infrastructure sector

For enterprises engaged in developing or operating and maintaining infrastructure facility, the profit-based tax incentives (viz. section 80-IA of IT Act) are sought to be discontinued and an investment-based investment scheme is proposed to be introduced. Further, the definition of 'infrastructure facility' has also been narrowed down to exclude 'navigational channel in the sea'.

New basis for levy of MAT

Alarmingly, the present MAT on 'book profits' is proposed to be changed to a levy at 2 per cent on value of 'gross assets'. The computation of the value of 'gross assets' is prescribed in section 97 of the Code. Further, no MAT credits are proposed to be carried forward for set-off in future.

MAT, being an asset-based tax, will severely increase tax costs of asset heavy companies or those businesses with long gestation where companies generate no or insignificant profits in the initial years.

MAT, being an asset-based tax, will severely increase tax costs of asset heavy companies or those businesses with long gestation and insignificant profits in the initial years.

Tax Treaty override

In another unique and far reaching proposal, section 258 of the Code seeks to provide that the provisions of the Tax Treaty or the Code, whichever is later in time, would prevail. Further, section 282(2)(j) of the Code provides that Tax Treaties entered into by India under section 90 of IT Act shall continue in force. Till date, India has signed Tax Treaties with more than 75 countries. Since, the Code would be enacted later, the provisions of the Code would override the provisions of all Tax Treaties that have been entered into by India much before the introduction of the Code. This apparently does not seem to be the intent.

This proposal is a paradigm shift from the provisions of the IT Act which provided that the more beneficial regime could be taken advantage of by the tax payer. It is possible that the Government may come out with a suitable clarification to put to rest the uncertainty. Unless it is suitably clarified, it could add fuel to the ongoing litigation anyway faced by many foreign shipping companies on availability of Tax Treaty benefits.

Residency rules for foreign companies

In yet another sweeping change, the residency rules for foreign companies are sought to be amended as per which foreign companies would be treated as resident in India even if they are partly (as against wholly) controlled and managed in India at any time during the year. This amendment is likely to discourage

foreign companies from having offices / meetings in India as that may potentially trigger their tax residence in India, which, in turn, could result in their global profits being taxed in India.

Advance pricing agreements

On the positive side, the Code has proposed to introduce the concept of advance pricing arrangement which will help determine upfront the arm's length price of international transactions between related parties. This is a welcome step as it would bring more certainty and clarity to foreign companies doing business with India.

To sum up, the Code seems to be a brave attempt at simplification and rationalisation of India's nearly five-decade-old income-tax law. Having said that, the proposed changes certainly require a careful consideration by all major infrastructure sectors, viz. ports and shipping, oil and gas, power, roads etc. A proactive representation before the Government will be absolutely imperative to ensure a smooth transition and acclimatisation of the businesses into the Code. **MG**



Girish Mistry and Nikhil Rohera are executive director and associate director, respectively, of PricewaterhouseCoopers Pvt. Ltd. They can be contacted at girish.mistry@in.pwc.com and nikhil.rohera@in.pwc.com

Techno Triumph

FMSI, India's largest employer of cruise personnel in India, engages advanced IT solutions to ensure greater operational proficiency and scale of operations.

by **Shinibali Mitra Saigal**

In the last few decades, the cruise industry has emerged as one of the fastest-growing segments of the global tourism industry. Even with the global economic meltdown, the fortunes of the cruise industry seem to be growing at a rock steady pace. Carnival Corporation is one of the world's largest cruise operators with 11 leading brands and a fleet of more than 90 ships. Fleet Maritime Services (India) Pvt. Ltd. (FMSI) is the HR outsourcing subsidiary of the company. FMSI taps into huge skilled and trained resource pool in India and South Asia and recruits personnel for Carnival Corporation's cruise ships across the world. Currently FMSI manages over 9,000 crew members in more than 30 cruise ships and is said to be the largest employer of cruise ship personnel in India. Recruitment apart, the company also manages other human resource functions such as IT-driven training solutions and payroll administration in some of Carnival's brands.

FMSI, though technologically savvy, decided to bring in greater operational efficiency, scale of operations and thus retain the competitive edge. It partnered with IT firm SYSTIME Solutions to achieve the same.

Before the tie-up, FMSI did most of the screening and recruitment of candidates manually. Moreover, it did not have a standardised process to meet the specialised and varied

nature of personnel needs of various cruise brands it was serving. SYSTIME helped it create a range of novel business IT solutions that could address these specific needs. Among other things, the IT firm designed a web-based career portal www.cruisecareers.in where candidates could get to know details

about opportunities available. This helped FMSI create a bank. SYSTIME also built a customised Online Test Management System to help screen the candidates as well as create a web-based payroll processing system, which helped to cut down costs significantly.

In an interview with *Maritime Gateway*, Prasad Hariharan, human resources manager at FMSI, talks about the challenges of recruiting personnel for cruise ships and how IT has helped bring about a change.

Q As a leading HR company in India providing trained personnel for cruise ship operations worldwide, what are the different kinds of recruitment services that your company provides? Can you name the cruise brands that receive the services?



Cruising ahead: The career portal for cruise personnel designed by SYSTIME.





Photo: Schenker

Tech trend: Tap human resources and improve efficiency.



“Human Resources require the ‘human’ touch but to focus of functions, one should be able to automate processes, which can be more efficiently delivered through technology.”

a crew complement ranging from 500 to 1,300 per ship.

FMSI has a full-fledged training centre in Mumbai. We are also associated with training institutes in Hyderabad and Goa where crew are trained before they are inducted on board cruise ships.

Q How did your tie-up with SYSTIME help you in improving your services?

Our mission statement is “We will deliver quality, competitive and timely solutions for shipboard recruitment, training, payroll management and support services through innovative technology, while creating opportunities for career growth and development for our employees”. Providing quality services through effective use of technology forms one of our pillars.

Human Resources require the “human” touch but in order to focus on functions, which require the human intervention, one should be able to automate processes, which can be more efficiently delivered through the use of technology. For example, one can never replace a personal interview with automation but technology can assist in other assessments leading to the personal interview.

SYSTIME has developed an “Online Test Management System” (OTMS)



FMSI provides HR related services to five brands of Carnival Corporation, the largest cruise operator in the world. The five brands associated with FMSI are P&O Cruises, Princess Cruises, Ocean Village, P&O Cruises Australia and Cunard. FMSI recruits seafarers for all departments: hotel, deck and technical. Since the services are provided to cruise ships, the major volume for recruitment is in the hotel department ranging from senior chefs, hotel managers, housekeeping supervisors to waiters, room attendants and general cleaners.

Q What was the idea behind establishing an HR company dedicated solely for recruiting shipping personnel?

Recruitment is only one of the functions of FMSI. The company also provides training, travel, payroll and logistical support to their clients. Cruise ships are labour-intensive: the ships that FMSI serves carry between 1,200 to 3,500 passengers and have

for us, which we use to test the candidate's knowledge through an Internet-based test. This application negates the need for candidates to travel to our office and the candidate can take the test at his preferred location.

We use a document management system, which greatly reduces reliance on paper documents. We process payroll for our multinational work force using a SYSTIME product. We use another Internet-based application for managing the pre-employment medical examination process and documentation.

Q Currently FMSI is said to have hired in excess of 9,000 crew on more than 30 cruise ships. How did IT help you in making hiring process simpler?

Being part of the hospitality industry, cruise ships are labor-intensive. With ships getting bigger and bigger, each ship is many times bigger than a typical 5-star hotel. Hiring challenges come with the variety of jobs and competencies required for the various positions coupled with the demanding volume. As mentioned earlier, effective use of IT technology in assessments and storage of documents reduces the turnaround time in recruitment and provides better service to the business as well as to the candidates.

Q Could you elaborate on how FMSI has utilised IT to make processes such as payroll administration and training simpler?

Payroll on ships provides unique challenges due to the differing contractual terms of the seafarers. The complexity increases as different nationalities are paid in different currencies (USD, GBP, AUD etc). FMSI uses a SYSTIME product to process payroll for the company's shipboard employees. The application has been delivering the goods and has consistently passed audit scrutiny.

You cannot remove the "human" from the human resources but IT can bring about efficiencies to the various processes thus reducing the errors and providing better service to all stakeholders.



Prasad Hariharan

Resource Manager, FMSI

We intend to expand our scope of e-learning courses. Computer-based courses enable the trainee to set the pace of the learning and allow the courses to be taken off-site. This greatly reduces classroom space requirements, thus bringing down the cost-of-ownership of the application.

Q How did the website help in recruitment. And could you explain the simpler screening process.

Cruisescareers.in was one of the first projects completed by SYSTIME. We have greater visibility and reach with the website. We advertise shipboard vacancies on this site and also invite applications through emails and SMS alerts to the candidates who have already registered for the service.

Online Test Management System or OTMS has a question bank segregated under various topics. Each question has been assigned a "degree of difficulty". The candidate is provided with a random selection of questions depending upon pre-set criteria for the position applied. The questions are a mix of objective, subjective as well as image based.

The attempted questions are automatically corrected by the application and a summary provided to the interviewer for the next assessment.

Q How important is it for HR companies to be completely IT-driven and utilise IT solutions to make recruitment simpler? And what are innovations that FMSI is looking at?

Like I mentioned earlier, you cannot remove the "human" from the human resources but IT can bring about efficiencies to the various processes thus reducing the errors and providing better service to all stakeholders.

FMSI is looking at introducing IT in training. Another project rolling out in the near future is the one, which allows the storage and retrieval of uniform sizes of our geographically dispersed workforce. This application will provide our suppliers with the most up-to-date uniform requirements and greatly reduce the lead-time required for an order. A portal for all employees is also on the anvil.

Q Has the economic downturn affected recruitments in any way and how do you attract the best talent in the business?

Like all other industries, the cruise ship industry too has had its share of the effects of the economic downturn. From a recruitment perspective, the current economic condition has reduced attrition. I suppose employees are risk-averse in these times.

In businesses with large work forces, it is important to build a brand as well as offer growth to your employees. The brand helps in attracting talent initially but organisations can only retain talent by investing in the potential of their employees. Most of the incumbents at senior levels in our organisation are "home-grown". **ME**

18° 57' 53" N, 72° 49' 33" E
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1

What are international maritime signal flags?

They represent an internationally, worldwide-accepted, system of representing individual alphabet letters in signals to, or from, ships. The international maritime signal flags are component of INTERCO (International Code of Signals) and are a popular choice today.

Wave of Signals

Strung end to end and hung bow to stern, nautical flags convey messages and a code of meanings. On ceremonial occasions, they are used to 'dress' ships!

2

When are they used?

The flags are used by ships while at sea. A ship can use the flags to spellout messages, and, if used in combinations, the flags have special meanings (see the flags).

3

How are they used?

The signalling system was drafted in 1855 and published in 1857, and was gradually adopted by most seafaring countries. It was revised in 1932. Generally, the flags are used as signals through several methods:

- Each flag stands out for an alphabetic message
- Individual flags have specific meanings
- One or more flags can form a code

	A Alpha = Diver below (when stationary); I am undergoing a speed trial.		N November = no (negative)
	B Bravo = I am taking on or discharging explosives.		O Oscar = man overboard.
	C Charlie = (affirmative)		P Papa = the Blue Peter. All aboard, vessel is about to proceed. At sea: your lights are out or burning badly.
	D Delta = keep clear of me, I am manoeuvring with difficulty.		Q Quebec = my vessel is healthy and I request free pratique.
	E Echo = I am altering my course to starboard.		R Romeo = the way is off my ship. You may feel you way past me.
	F Foxtrot = I am disabled, communicate with me.		S Sierra = my engines are going full speed astern.
	G Golf = I require a pilot.		T Tango = do not pass ahead of me.
	H Hotel = I have a pilot on board.		U Uniform = you are standing into danger.
	I India = I am altering my course to port.		V Victor = I require assistance (not distress).
	J Juliet = I am going to send a message by semaphore.		W Whiskey = I require medical assistance.
	K Kilo = you should stop your vessel instantly.		X Xray = stop carrying out your intentions and watch for my signals.
	L Lima = you should stop, I have something important to communicate.		Y Yankee = I am dragging my anchor.
	M Mike = I have a doctor on board.		Z Zulu = I require a tug. When made by fishing vessels, it means: I am



Fuming FUNNELS

The smoke-emitting chimneys on ships come in many shapes, sizes and colours and provide the perfect space to brand ships. Normally referred to as funnels, they are a collection of multiple exhaust pipes assembled in a stack. Hence, they are also called smokestacks. These narrow and conical tubes not only let out the waste gases, but also provide a decorative angle for the ship. For this reason, shipbuilders take great care in designing funnels in the most attractive manner. Usually, the shipping lines' logos – bright and colourful – adorn these funnels for easy differentiation and recognition.

Cesar Neves is a seafarer from Brazil and a photographer by hobby. His interest is in capturing angles of ships and water craft. His collection can be found at <http://www.flickr.com/photos/diarioportuario/>



Photos Courtesy: Cesar Neves

ASSOCHAM Conference

Port expansion subject to approvals

The Ministry of Shipping, hereafter, will not be able to accord speedy approvals for seaports expansion activities following serious objections raised by the Ministry of Environment & Forests. Disclosing this while inaugurating ASSOCHAM Conference on Ports and Shipping in New Delhi recently, Secretary Shipping A P V N Sarma announced that the ministry has agreed for 10 per cent divestment of government equity in Cochin shipyards.

"The Department of Economic Affairs (DEA) has recommended for 10 per cent disinvestment in Cochin shipyards which was received by the Ministry only recently and has agreed for it," Sarma said, without specifying any timeframe for it.

Responding to a query raised by former Dy. Managing Director Tata Steel, K C Mehra who heads Shipping & Logistics Division in ASSOCHAM on the Shipping Trade Practices Act amendment, Sarma answered, "for many years it could not be possible, but now amendments to this Act would be introduced in the forthcoming Winter Session of Parliament to make shipping trade practices transparent, and industry and investment-friendly."

Sarma informed that ports expansion drive henceforth would be subject to clearance from the Ministry of Environment & Forests in the wake of imminent damage to sea beaches. Cautious approach therefore needs to be adopted before such permissions are granted by government, he added.

He, however, added that by 2012, the UPA government would make efforts to increase capacities of all airports for cargo handling to an extent of US\$ 1.5 billion. Referring to creation of terminals within seaports, Sarma indicated that in fiscal 2009-10, 20 new terminals would be added of which three to four have already been done.



Shipping Secretary (centre), flanked by delegates at the Assocham Conference on Ports & Shipping in New Delhi.

He regretted that due to unfriendly taxation policies and excessive enquiries from the Central Vigilance Commission and Comptroller Auditor General of India, Shipping Ministry has not been able to register foreign flags. As a result 90 per cent of India's exim cargo is shifted to foreign flag destinations.

He hoped that the Finance Ministry would put in place friendly taxation policies for shipping sector to enable it register foreign flags so that cargo transportation cost is on par with established standards prevalent in developed economies.

Emphasis on PPP projects

Sarma also informed that due to legal constraints, PSU ports have been able to expand. And so, there would be more emphasis on public-private-partnership projects carried through the BOT and BOOT route. He hoped the new model concession agreement, along with the new request for qualification norms, will attract potential investors for developing port infrastructure.

Among others who spoke on the occasion included Yogendra Sharma, CEO, Adani Rail Logistics who highlighted the elaborate service profile of Mundra Port for handling multi commodity, D S Rawat, ASSOCHAM secretary general, S N Maharana, chief manager (Operations) Jawaharlal Nehru Port Trust, Capt P K Kaul, ED (Business Development & CRM), CONCOR and Rinkesh Roy, director (Traffic), Ministry of Railways.

DB Schenker Event

Customers come together



DB Schenker India, the leading integrated logistics services provider, organised Customer Event 2009 for the South India region in Chennai recently. Exim fraternity from Andhra Pradesh, Tamil Nadu and Kerala took part in it.

Dr Thomas C Lieb, CEO and Chairman of the Board of Management, Schenker AG, briefly traced the history of the company in his welcome speech. He applauded Christian Nebel, MD of DB Schenker India, and his team for their work.

Steve Dearnley, CEO, Schenker Asia-Pacific, explained how Schenker developed the India market. Nebel narrated the company's journey from 9 offices to 31 and 150 employees to more than 1,300 and a turnover of Rs 10 billion in 2009. K Sankar, Director of Region South India, thanked the gathering. A cultural programme followed next.



Christian Nebel (left), managing director of Schenker India, exchanges a lighter moment with Steve Dearnley, CEO of Schenker Asia Pacific. (Inset) Thomas C Lieb, CEO and chairman of Schenker AG addressing the audience during Schenker's customers' meet in Chennai.

Thrill of sailing

TNSA inducts adventure boats



Admiral Sureesh Mehta, being helped by children Naveen and Nitya, during the induction ceremony of new boats into TNSA.

The Tamil Nadu Sailing Association (TNSA) has bought eight boats of the 29er class and 50 of the Optimist class, all from Australia, for its growing number of young sailors.

At a function at the Port Trust Centenary Building in Chennai recently, Chief of Naval Staff Admiral Sureesh Mehta, who is also the president of the Yachting Association of India, officially inducted the new boats.

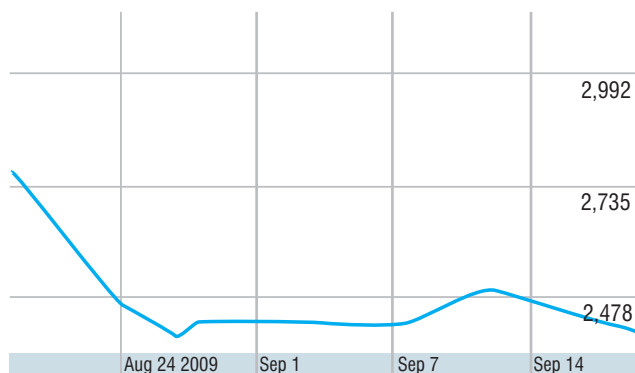
Designed by Australian Julian Bethwaite, the 29er is made for youth. It has a single trapeze and an asymmetric spinnaker that helps the boat reach incredible speeds making it capable of going faster than the wind either upwind or downwind. With a fleet of 10 29ers in its pool, TNSA has the highest number of the new class boats in the country.

Crude oil price moment



From August 16, 2009 to September 16, 2009

Baltic Dry Index



August 17, 2009: 2,774 **September 17, 2009:** 2,390
Percentage fall between August 17 and September 17, 2009: 13.84%

Source: Lloyd's List

One year time charter rates (US\$ per day)

Tankers	Aug Low	Aug High	2009 Low	2009 High
VLCC (modern)	32,500	32,500	32,500	55,000
Suezmax (modern)	25,000	25,000	25,000	40,000
Aframax (modern)	17,000	17,000	17,000	29,000
LR2 105,000	17,500	17,500	17,500	30,000
LR1 80,000	16,500	17,000	16,000	26,500
MR 47,000	11,750	12,750	11,750	20,500
Dry Bulk	July Low	July High	2009 Low	2009 High
CCapesize 150,000 dwt	28,000	33,000	18,000	36,000
Capesize 170,000 dwt	33,000	43,000	21,500	45,000
Panamax 75,000 dwt	19,000	20,000	11,000	24,000
Handysize 53,000 dwt	14,500	16,500	10,000	18,000

Source: www.fearnresearch.com

Ships sold for demolition

The month of August recorded a total of 1,322,000 DWT sold for demolition worldwide. Out of this, 400,000 DWT were bulk carriers and 922,000 DWT were tankers. Some of those are listed as below. The surplus tonnage in the market is still causing concerns as the demand from china for iron ore has fell. Introduction of newbuildings are slow, and old vessels have outlived their lives are fast finding their way to Asian shipbreaking yards. The disposal activity is also picking up speed with the 2010 deadline to dispose of older ships and single-hull tankers fast approaching.

Vessel name	Size	Ldt	Built	Buyer	Price (US\$ per dwt)
MT Kolossi	248,000	29,249	1988	Bangladeshi	370
CV MOL Miracle	2,996 TEU	15,205	1991	Chinese	303
MT Palenque	37,806	8,379	1987	Pakistani	310
RF Sun Unity	9,756	5,874	1984	Turks	175
BC Laila Queen	22,040	4,790	1977	Bangladeshi	280
MT Voo Shee II	104,882	18,773	1986	Bangladeshi	310
MT New Ambition	88,761	15,946	1987	Bangladeshi	335
CV Hari Bhum	1,779 TEU	10,830	1984	Indian	295
MV Suez Express	24,500	8,805	1981	Indian	305
MT Chem Aries	11,290	4,444	1987	Indian	515
MT Omer	11,290	4,444	1986	Indian	515
MT A Elephant	263,800	31,675	1987	Bangladesh	345
BC Viborg	28,879	9,880	1971	India	270
Tween Suez Express	24,425	8,805	1981	India	305
BC Yannis	24,105	7,979	1984	China	282
Chem Bow Asir	22,847	7,909	1982	India	720
Tween Iran Broojerdi	17,850	7,638	1978	Pakistan/ India	307
Tween Thor Mariner	17,279	6,732	1983	Bangladesh	298
Tween Perla 2	17,199	4,406	1979	India	303
Tween Iran Mahallati	16,905	7,638	1978	Pakistan/ India	307
Tween Iran Baghaei	16,905	7,638	1978	Pakistan/ India	307
RoRo Leona 1	16,487	7,433	1979	Bangladesh	240
Reefer Merino Express	12,711	9,072	1978	India	255
BC Prinkipo	10,501	4,287	1982	India	510
MT Clovely	248 034	29 264	1989	Bangladesh	374
BC Fitzroy River	75 105	18 500	1983	Bangladesh	295
LPG Hekabe	43 386	15 100	1977	Bangladesh	330
MT Ocean Colomar	39 729	8 500	1987	Bangladesh	385
MT Ocean Capemar	37 615	8 500	1987	Bangladesh	385
Chem Stolt Sincerity	31 943	10 184	1976	India	
BC Achilleas	29 999	7 165	1986	Bangladesh	385
BC Mediterranean Carrier	25 707	8 160	1962	India	300
BC Makran	23 490	7 980	1979	Pakistan	315
Tween Boularibank	22 900	11 277	1984	Bangladesh	320
Reefer Santiago	9 539	5 530	1978	India	300
Tween Hummer	8 750	3 231	1980	India	275
Reefer Tokyo Bay	8 078	4 399	1978	India	290
Chem Kyodo Yarrow	7 850	3 583	1982	As is Fujairah	295
Tween Fatezh	7 805	3 605	1981	Bangladesh	300
RoRo Kapitan	4 605	5 530	1978	India	300
Pastushenko					
RoRo Japal Ali 2	2 553	6 069	1971	India	240

Source: Fearnresearch

Great Offshore Limited

Closing Price on September 16, 2009

BSE: Rs.565.00

NSE: Rs.563.95

Commissioned in 1983, Great Offshore is India's prominent integrated offshore oilfield services provider offering a broad spectrum of services to upstream oil and gas producers to carry out offshore exploration and production (E&P) activities. From drilling services to marine and air logistics, from marine construction to port/terminal services and beyond Great Offshore meets a wide gamut of the offshore requirements of an E&P operator.

Bharathi Shipyard Ltd. and ABG Shipyard Ltd. have both expressed their intent to acquire Great Offshore and the bidding war is going on from May 2009. Both the shipyards are eyeing for management control in Great Offshore which will be a great strategic fit to both the shipyards as this can provide a steady cash flow round the year. According to SEBI guidelines, one must acquire 26 per cent stake and be the largest shareholder to have management control.

Bharthi acquired another 3.01 per cent in Great Offshore as on September 16th through bulk deals at an average price of Rs 558.81 per share, thus raising its stake to 22.48 per cent. ABG has made an offer to acquire 32 per cent and till now has managed to acquire around nine per cent.

Subsequent to the latest acquisition, Bharathi has revised its bid offer to Rs.560 per share, which is Rs 40 more than ABG's last offer price of Rs 520. ABG's revised counter bid may be expected any time in the next 14 days.

Analysis provided by R Damodar Sai, Expert Advisers, Hyderabad

Projection of Great Offshore Ltd. from September 16 to October 15, 2009

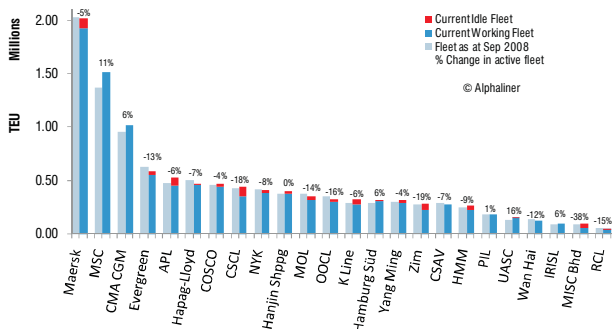
With intense bidding war going on, the share price is further expected to rise in the coming days and it may touch Rs.602 during this period. Traders can expect profit bookings at higher levels. If Bharathi manages to acquire the 26 per cent stake during this period, the resistance levels can be felt at Rs.626. There are also chances for the share price to fall drastically once this mark is achieved and the stock may witness free fall to the levels of Rs.450 to Rs.475. A broader outlook suggests that all the world's markets are in bullish mode and it is suggested that short positions may not be taken without confirmed reasons.



Top carriers' active fleet dropped 4% over past year

A study Alphaliner shows that the combined active fleet operated by the top 24 carriers has declined by 4% over the last 12 months from 10.86 million TEU last September to 10.43 million TEU this September. The market started began to fall since October 2008. If the current idle fleet of the same carriers are included, the total operated fleet is 11.10 Mteu – reflecting the fact that 6.1% of the carriers' fleet is currently idle.

The idle figure would have been higher if not for measures undertaken by carriers to trim tonnage through a combination of return of chartered vessels, delaying delivery of new vessels as well as the disposal and scrapping of old ships.

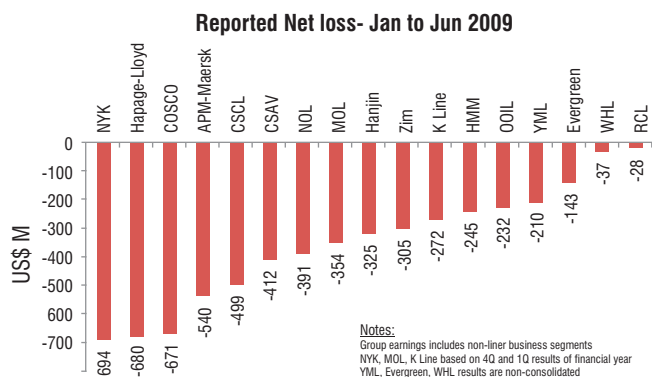


Source: www.alphaliner.com

Carriers' sea of red ink, still caught in capacity trap

Shipping liner companies' losses have reached more than US\$ 6 billion in the first half of 2009. As many as 17 major shipping companies that have published results for this period have reported losses and a majority of these losses are from the container liner operations.

Current freight rates are not even covering the operating costs and all major carriers are making losses at the EBITDA level (Earnings before Interest, Tax, Depreciation and Amortisation). Cash reserves have been eroded and this has terribly impacted their balance sheets. The situation has led almost all the major carriers to seek additional capital using whatever means available including share placements, rights issues, debt-to-equity conversion and asset sales.



Notes:
Group earnings includes non-liner business segments
NYK, MOL, K Line based on 4Q and 1Q results of financial year
YML, Evergreen, WHL results are non-consolidated

Source: www.alphaliner.com

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

OCTOBER 2009

05-08

SCM Logistics World 2009

At Raffles City Convention

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

www.terrapinn.com/2009/scmlog/

20-22

India Shipping Summit 2009

At Grant Hyatt, Mumbai

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

www.indiashippingsummit.com

20-31

3rd Asia Ship Industry Summit

At Shanghai, China

Experts, scientists, entrepreneurs and leaders at all levels will discuss the restructuring and revitalising of the ship industry in Asia. They will review and exchange experiences and solutions.

www.merisis-asia.com

26-28

Seatrade Middle East Maritime 2010

At Dubai

The exhibition and conference brings together the global ship owning community with international ship equipment, product and service suppliers, to network and do business.

www.seatrade-middleeast.com

NOVEMBER 2009



16-20

International Seminar on Dredging and Reclamation

At Grand Park City Hall Hotel, Singapore

The week-long seminar provides practical knowledge for future decision-makers and their advisors to improve their understanding of the complexities of dredging projects.

www.iadc-dredging.com

12-14

SMM India 2009

At Bombay Exhibition Centre, Mumbai

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

www.smm-india.com

19

India after GST: Logistics and Beyond

At Mumbai

It aims to equip service providers, manufacturers and investors with a deep and practical understanding of the subject allowing them to adjust their supply chains, service offerings and investment focus respectively in a timely manner.

www.supplychains.in

DECEMBER 2009

10-11

International Conference on Ship & Offshore Technology

At IIT Kharagpur, Kharagpur

'Developments in Ship Design & Construction' is the theme and the international maritime industry will discuss the latest developments in ship design and construction process.

www.iitkgp.ac.in/cep/conflist.htm



SEPT 24-26

INMEX India 2009

At Bombay Exhibition Centre, Mumbai

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

www.inmexindia.com

OCT 18-20

International Freight Week

At Abu Dhabi National Exhibition Centre

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

www.internationalfreightweek.com

OCT 28-30

5th Portech 2009

At Shanghai Marriott Hotel Hongqiao, China

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

www.portechasia.com

NOV 04

Bunker Asia 2009

At Raffles City Convention Centre, Singapore

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

www.bunkerworld.com

DEC 02-04

Offshore Communications World Asia 2009

At Singapore

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

www.terrapinn.com/2009/ofc/



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"THE MULTIMODAL LOGISTICS PROFESSIONALS"

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- ❖ National-wide network of container terminals to handle both exim and domestic cargo in containers. Exim terminals offer all services that a port provides.
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- ❖ Single window clearance.
- ❖ Coordination with customs, Gateway Ports, Railways, Road Hauliers, Freight Forwarders, Customs House Agents, and Shipping Lines.
- ❖ Computerisation and simple documentation procedures. Storage of laden and empty containers.
- ❖ Warehousing for Transit, Bonded, Air cargo, Hazardous Cargo.
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5. Tuticorin : 0461-2340116
6. Cochin : 0484-2667463
7. Irugur : 0422-2629180
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