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Indo-ASEAN FTA

Kerala Gets a Raw Deal

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S Velumani

Chairman, Ennore Port

All Fired Up

Lalith Beriwal

Director, A L Logistics Pvt. Ltd.

CHANGING FACE OF INDIAN SUPPLY CHAINS

Quantum leap in cost efficiencies is in store for Indian supply chains as the government and the industry are working towards improving logistics infrastructure in the process of taking forward the Indian growth story.

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Chains of change



The maritime community is fervently discussing the future of the industry as the recessionary effect is presumably going down, but not fully out. After revenues have taken a plunge due to dull or nil business, one cannot stop smiling that change is indeed inevitable – except from a vending machine!

As the dynamics of change sweep the world whether one likes it or not, resilience and not resistance is the obviously wise defence option, especially for maritime players who

need to work for a common objective. The Caribbean Shipping Association, which has been facing problems, especially with the implementation of the Economic Partnership Agreement (EPA) with the European Union, sends a message to the world – opportunities for tomorrow grow from the challenges from today.

It is encouraging to see shipowners, port and terminal operators, shipping agents and stevedoring companies come together and resolve to find solutions for common problems and to increase capacity, maximise efficiency, and reduce costs in a socially acceptable way.

Maritime Gateway comes up with features that talk of the change happening in various sectors, with special focus on logistics supply chains. The cover story is an attempt to trace the transition of the traditional business organisations in this sector from their conventional ethics towards more globalised corporatised entities in the face of growing competition.

Then, there is the change calling hard for a more organised rail logistics network in the absence of which, trade movement is becoming more onerous. The present issue brings these issues to the fore for the logistics community to talk and walk solutions since a proactive change can well have far-reaching implications for the entire trade community.

However, the change that the government hopes will forge barter and better ties between India and ASEAN could in fact work against the very ethos of our nation. A hard-hitting analysis of the free trade agreement and its implications on Indian states in our focus section is a must read.

As change goes on as a chain reaction, let's observe the dynamics and move on.

Warm Regards,

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Infrastructure Development Time to Clear Constraints

A competitive integrated infrastructure is the need of the hour and the government needs to bring in a conducive regulatory framework to ensure transparency and accelerated growth in economy.

India has had a consistent economic growth over the last decade. Despite the current global economic crisis, the country is still holding ground and gearing up to clock a growth rate of 6.7 per cent this fiscal. Well, we have our strong economic fundamentals in place and FDI inflows are showing a remarkable improvement into the trillion dollar economy this year.

Also, sectoral growth is showing a marked improvement despite odds.

Yet, there are impediments coming in the way of accelerated growth. In the context of integrated infrastructure development, the country needs investments worth US\$ 500 million. But lack of a political will – in the right place at the right time – is one stark reality. We are being forced to put up with ineffective infrastructure policies. What we need is a new regulatory architecture for building India's infrastructure. Regulation in the form of facilitation would not only increase private sector

investments in Indian infrastructure but also enable more efficient management of the infrastructure assets. It can be viewed in terms of regulatory autonomy, empowerment, accountability, and transparency.

In the maritime sector too, despite ports gearing up to meet the growing demands of trade, lack of a political will has been coming in the way of port development and upgradation. Though major ports have been crying hoarse about operating beyond their capacity, very little has changed in terms of expansion. For instance, India cannot support 6,000 TEU containerships, which make up 25 per cent of today's shipping volume.

As ocean-borne transportation goes full steam in the years to come, the cargo traffic in the country is expected to increase from 800 million tonnes to 1,000 million tonnes. To clear the existing constraints and move upwards, the sector needs investments to the tune of US\$ 30 billion. But again, lack of an integrated infrastructure has been hampering the growth of the maritime sector. For instance, land acquisition, deepening of channels, lack of autonomy for major ports are issues being talked about consistently, in forum after forum.

Coming to logistics, the problems are no different, only more glaring. Lack of efficient integrated logistics infrastructure and services have been leading to losses. There are high administrative and transportation costs. Poor road accessibility is obviously hampering the last-mile connectivity. And then there are problems relating to land acquisition and poor policy framework. As for rail gauges, there is inadequate capacity. To top it, regulatory inefficiencies and redtapism are affecting the transportation sector. So, there is not a single end-to-end solutions provider in sight.

Given the state of things, there is a need for more port connectivity projects and even rural connectivity, scaling up of maritime infrastructure through PPP initiatives, privatisation initiatives across all sectors all eventually leading to integrated growth. Finally, to build such competitive integrated infrastructure, the government could come up with a conducive infrastructure regulatory framework mechanism that can ensure accountability and transparency. **MG**

Vishal Kalantri is the director of Balaji Infra Projects Ltd and Dighi Port Ltd in Maharashtra.

“There is a need for more port connectivity projects and even rural connectivity, scaling up of maritime infrastructure through PPP initiatives and privatisation initiatives across all sectors.”



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Port scenario

Volumes go up in major ports

According to Indian Ports Association, all the major ports together handled cargo throughput of 530.35 million tonnes in 2008-09, which is 2.13 per cent more than the previous year.

The port traffic scenario in the 12 major ports in India is looking up. According to IPA data, traffic rose by 2.39 per cent in the first half of this fiscal touching 267.97 million tonnes (mt) compared with 261.72 mt in the corresponding period last year.

The rise in handling of iron ore, POL and thermal coal has led to the growth during the current fiscal ending September 30. However,

handling of finished fertiliser, raw fertiliser and coking coal declined, the IPA data suggests.

The port of Chennai showed turnaround from deficit handling till June 2009 to turn positive at end of the first half. Kandla continues to top the list with a volume of 39.34 mt in the first half followed by Visakhapatnam with 33.04 mt. Chennai overtook JNPT as the third biggest port with a volume of 30.47 mt for the first half of the current fiscal.

Investment in ports: As per industry estimates, it is expected that in the next 5 to 7 years, India will invest US\$18 billion in its ports and over US\$ 4 billion in its shipbuilding industry.

India is likely to invest US\$18 billion in ports and over US\$4 billion in its shipbuilding industry in the next five-to-seven years, shipping industry players said at a meet held in Mumbai.

Shipping Corporation of India's Chairman and Managing Director, S Hajara, who spoke at the meet, said shipping should be brought under the infrastructure ambit. He called for a relaxation in the present cabotage law to allow shipping into the infrastructure sector.

Cabotage is the transport of goods or passengers between two points in the

Highlights

Thermal coal traffic increased by
16.38 per cent to 23.03 mt (19.78 mt)

POL increased by
2.40 per cent to 86.16 mt (84.14 mt)

Iron ore increased by
4.79 per cent to 42.01 mt (40.09 mt)

PPP Port Projects under NMDP

- Construction of a Rs 5.91-billion deep draft iron ore berth at Paradip port, awarded to the consortium of the Noble Group, MMTC Limited and Gammon Infrastructure Ltd.
- A Rs 4.79-billion deep draft coal berth at Paradip port, awarded to Essar Shipping Ports and Logistics Ltd.
- Mechanised iron ore facilities at New Mangalore Port (Rs 2.77 billion), awarded to Sical Logistics Ltd.
- Development of berth No.7 for handling bulk cargo at Mormugao Port (Rs 2.52 billion), to the Adani Group, Mundra Port and Special Economic Zone Ltd.
- Mechanisation of berth Nos. 2 and 8 at Haldia Dock Complex (Rs 1.5 billion), awarded to ABG Infralogistics Ltd.

same country. Originally starting with shipping, cabotage now also covers aviation, railways and road transport. It is described as trade or navigation in coastal waters, or, the exclusive right of a country to operate the air traffic within its territory.

The national tonnage should be encouraged so as to increase exports, Hajara said, adding that there should be support from the government in making funds available at low interest rates in order to encourage the Indian shipbuilding industry. Presently, international players are given loans at lower interest rates in their countries whereas for Indian firms, the rates are between 8-13 per cent. There is a need to provide incentives to Indian shipbuilders, he added.

H1 Traffic

(in '000 tonnes)

Ports	April-Sept		Variation %
	2009*	2008	
Kolkata Dock System	6010	4803	25.13
Haldia Dock Complex	17191	22075	-22.12
Total: Kolkata	23201	26878	-13.68
Paradip	26743	21564	24.02
Visakhapatnam	33046	33135	-0.27
Ennore	5393	5759	-6.36
Chennai	30472	29244	4.20
Tuticorin	11706	11112	5.35
Kochi	7529	7692	-2.12
New Mangalore	17737	18425	-3.73
Mormugao	16654	13518	23.20
Mumbai	26498	26196	1.15
JNPT	29660	30345	-2.26
Kandla	39340	37859	3.91
Total	267979	261727	2.36

*Tentative

Source: Indian Ports Association

Beyond borders

Lanka offers India project

Sri Lanka has submitted a proposal to India on renovating and rehabilitating parts of the strategically important Kankasanthurai (KKS) harbour in Jaffna in the north of the country.

The Sri Lankan Ports Authority (SPLA) recently submitted a list of “what the Lankan government expects at KKS port” to the Indian high commission officials. SPLA chairperson P Wickrama attended the meeting. The port is located at the northern tip of the island nation in Jaffna, a high security zone.

The Lankan army captured it from the separatist Liberation Tigers of Tamil Eelam in 1995 and the armed forces continue to have a heavy presence there. The breakwater at the KKS port – currently only used by the Lankan navy and government ships – was severely damaged during the tsunami. But the government had postponed the repair because of the security situation.

A stake in KKS is strategically important to India because of the port’s proximity to its southern coast. India is also involved in the development of Trincomalee harbour in eastern Sri Lanka. On the other hand, China is building the much touted Hambantota port on the southern tip of Sri Lanka in president Mahinda Rajapaksa’s home district.

Port financing

3i to invest in another port

3i Group Plc, the London-based private-equity investor that has a US\$1.2 billion infrastructure fund for India, is looking to make its third investment in a port as the nation’s freight traffic exceeds capacity.

3i currently has already invested a combined US\$ 211 million in Krishnapatnam Port and Mundra Port & Special Economic Zone Ltd. “We like the space,” said Anil Ahuja, managing director of 3i’s India business and co-head of 3i Asia. “India is amazingly short on port capacity.”

3i invested US\$ 50 million in Mundra in November 2007. The port had a 46 per cent growth in revenue in the year ended March 31 and a profit margin of 36 per cent. In February this year, 3i Group invested US\$ 161 million in Krishnapatnam. The port, being built on a 12-kilometre (7.4 mile) quay in Andhra Pradesh, will be among India’s largest, Ahuja said. “The growth is quite steady and is almost predictable,” he said. “We’ve done two ports and our experience in both has been very good.”

Port abroad

Mundra Port in talks with Vietnam



Gujarat-based Mundra Port and Special Economic Zone Ltd. is holding talks with the Vietnamese government to set up a port in that country. According to Rajeeva Sinha, director of Mundra Port, talks are in progress with Vietnam. “Things are still, however, in the initial stage but we are hopeful of setting up the port,” he said. Sinha declined to divulge details but said that “if things materialise, then Mundra Port will be the first such Indian company to set up a port abroad.”

On the company’s plans to set up ports on the east coast of India, Sinha said, the company plans to set up at least one port in the region in the next three-four years which will basically cater to iron ore and coal bulk. Mundra was in talks with the governments of Orissa, Andhra Pradesh and Tamil Nadu for setting up ports without giving a specific time frame for the project. -PTI

Recession in Pipavav

LNG terminal delayed

APM Terminals-owned Gujarat Pipavav Port faces delay in setting up an LNG Terminal at the port. The port signed a contract with Swan Energy to establish the LNG terminal at the port and has even set aside a considerable amount of land for this project. “The plan is delayed by about a year,” said Prakash Tulsiani, managing director, Gujarat Pipavav Port. “The delay is primarily on account of the economic downturn.” The terminal is now expected to be ready by 2013, instead of earlier deadline of 2012.

Swan Energy is investing in the terminal and Pipavav Port would be earning from various charges, including marine and handling fees. The company has not disclosed the investment required for the terminal.

Cochin Port

Bid on for bunker terminal

Six companies have shown interest in setting up a first-of its kind bunkering terminal, proposed on Puthuvyppee island at Cochin Port. The terminal that would cater to international ships passing through Indian waters, is likely to be ready by 2011. However, the port authorities have not disclosed the names of the bidders.

The terminal will have an initial capacity of one million tonnes and it would be eventually increased to three million tonnes. The project will be awarded on a design, build, finance, operate and transfer basis for a concession period of 30 years.

Already, the port has bunker fuel supplies being made by the country's three biggest oil refiners – Indian Oil Corporation Ltd., Hindustan Petroleum Corporation Ltd. and Bharat Petroleum Corporation Ltd. And the new terminal aims to service international ships that ply the Indian Ocean but do not use Indian ports for refuelling, thanks to high taxes and duties.

Every day, around 1,000 ships pass through Indian waters to and from Southeast Asia, Far East Asia and Far East from Suez Canal. Once the terminal is ready, they need not enter Indian waters as barges will supply fuel to wherever the ships are anchored.

Vizag Seaport

Gammon India ups stake

Gammon Infrastructure Projects Ltd. has bought 22.88 million equity shares of Rs 10 each of Vizag Seaport Pvt. Ltd. from International Port Services, the investment arm of Portia Management Services of the UK. VSPL owns two bulk cargo-handling berths at the Visakhapatnam port.

The company did not provide financial details of the transaction in a statement to the Bombay Stock Exchange. Vizag Seaport, that owns two bulk cargo berths at the Visakhapatnam Port, has now become a 73.76-per cent unit of Gammon Infra making VSPL a subsidiary of the company with effect from October 1.

Gammon has two other port assets. The Indira Container Terminal at Mumbai Port, where it has 50 per cent equity stake to set up two offshore container berths besides managing the existing Ballard pier station container terminal is the first asset. The second is the Blue Water Iron Ore Terminal, where it has 31 per cent equity stake to set up a dedicated iron ore berth at Paradip Port in Orissa.

Container congestion

Kolkata to impose fee

Kolkata Port plans to impose a congestion fee of US\$ 250 (nearly Rs 12,000) on container ships from October 15 in view of space constraint hitting trade. According to the port authorities, berthing permission to container ships has been restricted till October 18 to give room for backlog vessels waiting to enter the port.

The Kolkata and Haldia dock customers are being informed of the renewed fee structure. It may be noted that more than 5,000 import and 2,000 export containers have been waiting to be cleared for more than a week. For a container ship that would take only two days to turn around, it now takes nearly six days to leave the port.

As the issue gets attention, experts moot dredging of the entrance channel, widening of the approach roads and increase in storage space at the port as a viable option lest trade should get diverted to Singapore and Colombo.



Wind power

TN ports to install farms

Chennai and Tuticorin ports are planning to set up captive wind farms at a cost of Rs 82 crore. According to Chennai Port authorities, the wind farm is likely to come up in around 12 acres of land at Veppilian Kulam in Tirunelveli district and the port has already invited tenders. The project is estimated to cost Rs 40.73 crore. The port could save nearly Rs 8 crore on power each year by using wind power. The production cost could be Rs 2 per kWh and savings Rs 4 per kWh.

Tuticorin Port too has issued a tender for its project worth Rs 42 crore and six firms are learnt to have participated in the pre-bids. The port requires 5 mw of power every year and hopes the project will go onstream by 2010-end.



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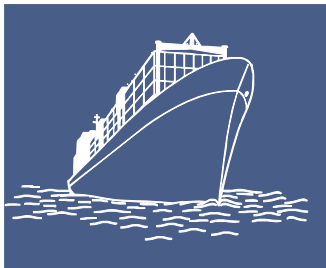
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Foreign equity

SCI to raise funds to buy vessels

SCI's order book worth US\$ 1.6 billion includes a plan to acquire 70 vessels including bulk carriers, crude tankers and container vessels. But second-hand ships being substantially cheaper than new ones, the company is weighing the option of acquiring those which are 3-5 years old.

State-run Shipping Corp. of India (SCI) is looking to raise nearly US\$ 300 million via debt by the end of this fiscal to buy vessels, said its finance director. The funds will be used for vessel acquisitions, B K Mandal said. He opined that banks are more willing to lend to shipping firms now compared to last year. The company has recently taken physical delivery of its medium range product tanker vessel – M V Swarna Kalash of 47,878 DWT capacity.

It has earmarked a Rs 2,300-crore capex for the current financial year. "We have to contract more loans. We are looking to tie up loans with foreign banks for about US\$ 300 million," Mandal said. The company has an orderbook of 32 vessels worth US\$ 1.6 billion, its chairman and managing director S Hajara told shareholders at the firm's annual general meeting. The company plans to buy some second-hand vessels instead of new ones as rates have fallen steeply.

SCI, whose debt is 0.4 times its equity, expects 2009-10 earnings to be bleak. "Results would not be good as charter rates are at a very low level and will



continue to remain at low levels for some time," Hajara added. Shares of SCI ended up 0.96 per cent at Rs 141.50 in a Mumbai market that closed 1.63 per cent higher.

Regarding the sustainability of VLCCs, the SCI says prevailing rates are sustainable. Since winter is about to set in, the SCI hopes an increase in the northbound movement of freight rates for all the different segments of tankers in the coming three or four months. As for dry bulk, there is some relief since a lot of dry bulk areas are supposed to be delivered over the next one-and-a-half to two years. There is a likely pressure on freight rates and charter hire for dry bulk, SCI adds. -Agencies

Halal trade

MISC service calls Pipavav

Port Pipavav has tied up with Malaysian International Shipping Corporation (MISC Berhad) for bringing in reefer cargo through their ships to Port Pipavav. MISC Berhad, a subsidiary of Petronas, Malaysia, is a leading international shipping line of Malaysia and currently berths ships at Nhava Sheva in Mumbai. Port Pipavav will be its second port destination in India. Port Pipavav will now have MISC Berhad's Halal Express Service (He1), a leading reefer carrier operating from the Far East to India.

"Through this exclusive and independent service of MISC, shippers in the Gujarat region, including the seafood exporters in Delhi, Ludhiana and Jaipur, will get a direct and fast service to China and other Southeast Asian ports," said PrakashTulsiani, MD, Port Pipavav. "We are keen to make Port Pipavav an attractive port for Northwest India's ex-im cargo movement. This service will take us one step closer to achieving our goal."

The Halal Express Service was first launched in November 2006. Following the encouraging response from the trade, the service has been upgraded with bigger vessels since April this year. Six vessels with a capacity of 4250 TEU each have been deployed for the weekly service in the following route: Shanghai – Ningbo – Shekou – Jakarta – Singapore – Tanjung Pelapas – PortKelang – Karachi – Jebel Ali – Bandar Abbas – Pipavav – Nhava Sheva – Colombo –Port Kelang – Singapore – Shanghai.

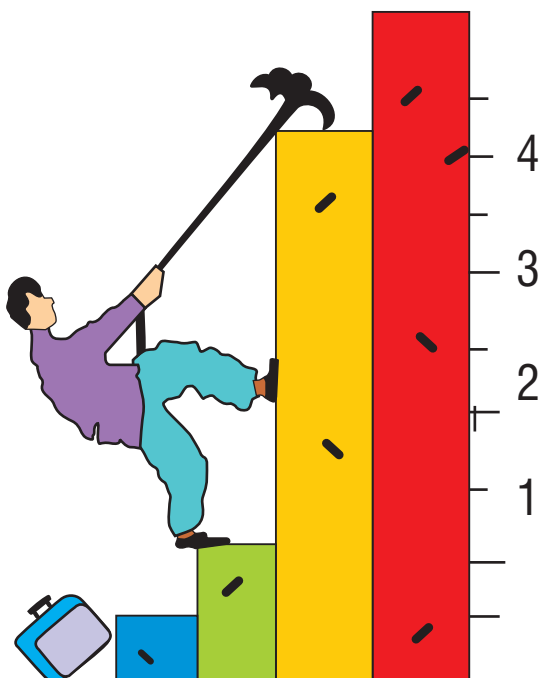
Pie to shareholder

GRSE pays dividend

Chairman and managing director of Garden Reach and Shipbuilders & Engineers Ltd. (GRSE), Rear Admiral (Retd) K C Sekhar presented a cheque for Rs 24.77 crore to Defence Minister A K Antony in New Delhi recently towards dividend to the Government of India for the financial year 2008-09. R K Singh, secretary of Defence Production and other senior officials of the Ministry of Defence were also present.

This is the third year in succession that GRSE, the Defence PSU has paid the same amount towards dividend which amounts to 20 per cent of the share capital. GRSE expects to achieve a value of production of Rs 850 crore in financial year 2009-10 as against Rs 673 crore achieved in 2008-09.

To facilitate construction of larger warships, GRSE has initiated a Rs 530-crore modernisation programme in its main unit, which is expected to be completed by July 2011. Post modernisation, GRSE will have one each of large dry dock and large inclined berth, which are 180 metre long. These will be supported by modern integrated paint cell, modular hall, allied workshops and a 250-tonne goliath crane. The modern infrastructure facilities will enable the shipyard to undertake construction of large ships with modular concept of construction. With this modernisation, GRSE will be able to build large vessels like the LPDs and frigates in shorter time frame.



East-West routes

MSC hikes rates

Mediterranean Shipping Co. (MSC) has recently announced a rate restoration programme on the trade lane from India to Europe and Africa, effective October 12.



- For the trade lanes from India to North Europe, the UK, West Mediterranean, East Mediterranean and Black Sea ports, a rate restoration of US\$ 150/TEU.
- For the trade lanes from India to East Africa, Mozambique, South Africa and the Indian Ocean Islands, a rate restoration of US\$ 200/TEU.

As on September 7, MSC was operating 391 container vessels with an intake capacity of 1,486,337 TEU.

Rates for westbound freight will be increased, effective November 16. MSC will increase rates on westbound cargo from the US to Asia for all commodities including exempt but not including reefer cargo. The increase will be US\$ 200 per 40-foot equivalent unit and US\$ 150 per 20-foot equivalent unit.

The same increase applies to cargo whether it is from the US West Coast, originating from intermodal points and moving through or via US West Coast ports, originating from the East Coast or Gulf ports, or from intermodal points and moving through or via US East Coast or Gulf ports. Under the same conditions, reefer cargo rates will increase US\$ 250 per FEU and US\$ 190 per TEU.

Safe operation

MOL launches campaign

Mitsui OSK Lines Ltd. announced the month-long safety campaign for all its operated vessels, effective October 1, 2009. During the drive, the company will concentrate on exchange of opinion between onshore and seagoing personnel regarding MOL's approaches to safe operation, and measures to prevent the spread of the new influenza epidemic. The exercise is aimed at increasing mutual awareness of safe operation at sea and on land to further reinforce MOL Group's safe operation structure.

Vintage shipyard

Swan Hunter in India

The dismantled Swan Hunter, the vintage shipyard of UK that Bharati had bought in 2007, has finally arrived at Dhabol. Swan Hunter is 149-years-old and was the birthplace of many a ships like aircraft carriers and commercial vessels.

In April 2007, India's second-largest private shipbuilder Bharati Shipyard bought Swan Hunter, located on the north bank of River Tyne. The purchase is historic in the sense that an Indian company was buying a British asset, which was one of the best shipbuilders in the world. Since the equipment of Swan Hunter is still in excellent condition, Bharati started shipping Swan Hunters' cranes and floating drydock from April this year.



It will be commissioned by the end of next year and will give Bharati the ability to make ships that can carry up to 250,000 dead weight tonnage (DWT). But it is learnt that the management of Bharati will restrict to handle only 1,00,000 DWT for now as the demand for this is much higher.



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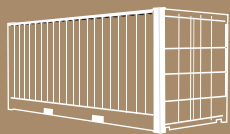
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Zooming ahead

3-P logistics to touch US\$ 90 mn

Third party logistics business in India is likely to touch US\$ 90 million mark by 2012 as more and more domestic companies want to enhance their efficiency, a study by industry body Assocham said.

With globalisation, the demand of third party logistics business is increasing among Indian firms that want to increase their efficiency, the chamber said.

At present, logistics outsourcing market in India is estimated at US\$ 58 million as around 55 per cent of the local firms are logistic outsourcing services like supply chain management and warehousing, which used to be between 10 and 15 per cent about a decade ago.

"One of the contributing factors for this is value-added tax which is expected to drive Indian industry towards using more third party logistics services," Assocham secretary general DS Rawat said.

Logistics outsourcing involves the use of an external organisation to execute logistic activities that have traditionally been performed within an organisation itself.

It helps firms cut conventional logistics cost, he said. "This indicates that logistic industry is on the verge of a growth curve in next two years as manufacturing, retail and real estate sectors, which currently are under severe stress, will return to their buoyancy for striking expansion of logistics," it added.

Meanwhile, CRISIL too believes that third party logistics (3PL) service providers will offer phenomenal advantages to the logistics industry. The major benefits would arise from reduction in inventory, lower infrastructure space and reduction in transportation cost, the research wing of the rating agency says having carried out a cost benchmarking across sectors to highlight the same. CRISIL Research expects the revenues of the 3PL segment to grow strongly (27 per cent CAGR) over the next five years from an estimated Rs 48 billion in 2008-09 to around Rs 162 billion in 2013-14. - Agencies.

Overseas tie-up

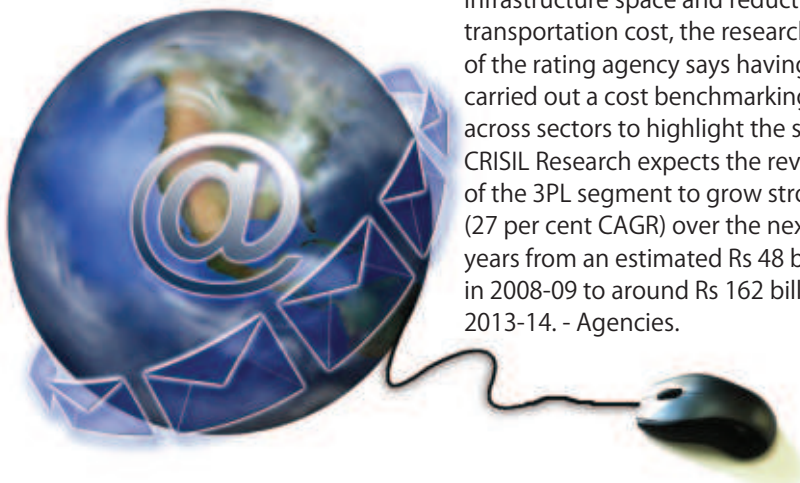
Adani Agrifresh starts pear imports



After having firmly established itself in the domestic fruit segment, Adani Agrifresh is all set for its foray into the imported fruit segment in India. The company has already tied up with major fruit exporters of USA, China, Australia, New Zealand and Chile. Its first container of China Ya pears has already landed in Mumbai Port.

Adani Agrifresh Ltd. is engaged in procurement and selling of fresh produce in India. It has made an investment of over US\$ 40 million to create controlled atmosphere storage facilities with modern colour and size sorting machines in the apple producing region of North India. The company is the largest player in the domestic apple segment with a sale of over a million cartons through a strong dealer network across India. It also exports grapes and pomegranates to various countries.

The company plans to become the largest fruit importer in the country in the next three years with focus on apples and pears. The fruits will be imported through all the major ports in India.



Spot benefits

MoU to boost electronic farm markets

In a first of its kind MoU with a private player, NCDEX Spot Exchange Limited (NSPOT), a wholly owned subsidiary of National Commodity & Derivatives Exchange Limited (NCDEX), has entered into an agreement with Shree Shubham Logistics Limited (SSLL), a subsidiary of Kalpataru Power Transmission Limited. The arrangement between SSLL and NSPOT is aimed at promoting spot markets for the benefits of agricultural commodity value chain participants – farmers, traders and processors etc.

Aditya Bafna, executive director, SSLL, said SSLL will provide warehousing and logistics support, testing and certifications, arranging finance against the stock lying with them as well as its delivery from SSLL and other NSPOT accredited warehouse/delivery centers.



First FTWZ

Arshiya ropes in L&T

Arshiya International Ltd. (Arshiya), a global supply chain and logistics infrastructure solutions company, has recently signed off with engineering & construction giant L&T, for building the first phase of its upcoming Free Trade Warehousing Zone (FTWZ) in Panvel-Sai Village near Mumbai.

The contract with L&T covers complete civil works for pre-engineering building warehouses, with 'A' class specifications and amenities, Container Yard (CY) & supporting infrastructure. As per the contract with L&T, the first phase of CY and supporting infrastructure will be operational by February 2010 and the first three warehouses, measuring approximately 350,000 sq ft (with 13 metre high state-of-the-art G+7 racking systems) in the warehousing zone to be operational by March 2010. The master planning, detailed design and engineering of this FTWZ was done by STUP Consultants.

Supply chain hub

Safexpress adds new park

India's popular supply chain solutions company, Safexpress has added another logistics park to its existing four parks. The current one was commissioned near Gurgaon and covers an area of 1,55,000 sq ft. This ultra-modern logistics park will be providing its clients with cutting edge transshipment and 3PL services.

Speaking on this occasion Vineet Kanaujia, GM – Marketing, Safexpress said, "Our new logistics park is strategically located near Gurgaon. This park will act as a gateway to the national capital, connecting it with the northern and the western regions."

Highlighting the importance of the Safexpress Logistics Park in NCR, Kanaujia said, "Our logistics park is situated just off NH-8 and NH-71B, and is well connected to the northern and the western regions of our country. The park will be operational throughout the year. Due to our non-stop operations, we provide the fastest transit time of 1.8 days for deliveries all across the country."

Damco portfolio

New dashboard launched

Damco announces the introduction of the Supply Chain Carbon Dashboard, a graphical representation that allows customers to keep track of their carbon footprint throughout their supply chain. The dashboard is an addition to Damco's portfolio of supply chain development services that already includes the Supply Chain Health Check and the Supply Chain Carbon Check, proven solutions that have supported customers globally in their quest of identifying cost-efficiencies and reducing the environmental impact of supply chains.

According to Erling Johns Nielsen, head of Damco's supply chain development team, the dashboard enables customers to report their carbon emissions periodically, thereby helping in executing their carbon strategy. "By displaying carbon emissions on a detailed level, for example by transport mode or by product, the Carbon Dashboard immediately allows you to identify 'carbon hotspots' in your supply chain. This will help you reduce carbon footprint, in response to the growing focus on climate change, while at the same time generating genuine cost savings opportunities," says Nielsen.



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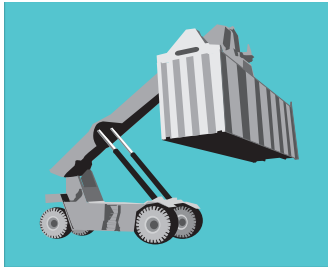
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NEWS

Business accelerates

Indian auto sales go up

India's auto sales rose 17.1 per cent in September from a year earlier to 212,975 vehicles, as holiday buying, easier credit and rising consumer confidence fueled growth in India's auto sector.

Sales of passenger cars rose 20.6 per cent, to 129,683 units, while the recovery in commercial vehicle sales gathered pace, with growth of 6.5 per cent, to 45,451 units, the Society of Indian Automobile Manufacturers said.

This marks the eighth month of recovery for Indian car sales, which began to turn in February thanks to government stimulus measures and resilient domestic demand. So far this fiscal year, from April through September, car sales are up 14.7 per cent over last year, beating industry expectations.

Global automakers like Ford, General Motors and Nissan have been pushing into India's small but fast-growing

auto market, hoping to secure a foothold for future growth and a new base for low-cost manufacturing.

"September was another good month for auto sales due to increasing finance availability, improved consumer sentiments and new product launches," Macquarie analyst Sanjay Doshi wrote in a research note. "We expect sales to remain robust during the ongoing festive season."

Exports also grew as rising car exports masked a steep fall in commercial vehicle shipments. Passenger vehicle exports rose 21.6 per cent, to 38,992 units, while commercial vehicle exports fell 24.3 per cent, to 3,839 units.

Market leader Maruti Suzuki posted domestic sales growth of 17.3 per cent

in September, while exports surged 85.4 per cent, driven by overseas demand for the popular A-Star Compact.

Tata Motors, India's largest commercial vehicle maker, reported 5.8 per cent growth in total volumes, but suffered from a 36 per cent drop in exports of goods carriers, to 962 units.

Market recovery

Cotton exports may rebound

Cotton exports may rebound to 1.4 million tonnes (MT) in the 2009-10 season as a recovery in the global market is expected to boost demand for the fibre, the International Cotton Advisory Committee (ICAC) has said. "Exports from India could rebound to 1.4 MT," ICAC said in a statement.

India's cotton season runs from October to September. The current signs of recovery in the global market is likely to boost demand and cotton exports may touch the level (1.44 MT) achieved in 2007-08 season, industry experts said. ICAC said that global trade in cotton is seen to be up by 5 per cent at 6.9 MT even as the world production is forecast to be down by 1 per cent at 23.1 MT in 2009-10 season.

Cotton consumption is forecast to recover in the top three consuming countries, China, India and Pakistan, after a decline in the last season. China is forecast to import 1.6 MT, about 8 per cent more than last season. Pakistan, Turkey, Bangladesh, Indonesia, Thailand, and Vietnam are expected to import more. -PTI



Electronic hardware

Middle East exports go up

Electronic hardware exports to the Middle East registered a growth of 107 per cent during 2008-09 over the previous year. In value terms, export of electronics hardware increased to US\$ 6,790 million in 2008-09 from US\$ 3,279 million, according to Kamal Vachani, regional director of Electronics and Computer Software Export Promotion Council (ESC) for the Middle East. The share of electronics hardware exports from India to Middle East has increased from 12.53 per cent to 14.81 per cent making Middle East countries the third top destination for India's electronics hardware export during the year 2008-09.

It is estimated that electronics goods export to Middle East countries in 2008-09 is valued at US\$ 1,006 million, up from US\$ 411 million estimated in 2007-08 registering a growth of 145 per cent. Export of software and related services has also registered an excellent growth of 161 per cent. Export of software and services increased from US\$ 569 million estimated in 2007-08 to US\$ 1,486 million estimated in 2008-09, said Kamal Vachani.

Asia-Europe trade

Milestone reached

Monthly volumes on the westbound Asia-Europe trade have surpassed the 1 million TEU mark for the second time this year, according to the European Liner Affairs Association (ELAA). The ELAA said in August its members transported 1.08 million TEU in August on the Asia to Europe trade, up from 992,700 TEU a month earlier. However, August volumes were still down 11 per cent year-on-year.

On the eastbound trade ELAA members moved 470,000 TEU, up 10 per cent on year-on-year. While this year Asia to Europe monthly volumes have only surpassed the 1 million TEU mark twice by the end of August, last year they had passed the 1 million TEU mark seven times. The ELAA said: "The volume of containers shipped in August has exceeded January 2009 figure and an increase of 461,000 TEU against the February 2009 volumes of 618,000 TEU – the low point in the first half of 2009, but which was affected by Chinese New Year holidays." For the Asia-Europe trade the decline varies by region, with Asia-north Europe 10 per cent down, Asia-west Mediterranean/north Africa 8.6 per cent down. Actual volumes for August 2009 are above the average for the first half of 2009."

Falling exports

India's growth hampered

There is a dire need to revive the country's export sector as falling exports not only hamper India's growth directly, but also affect a large population dependent on labour-intensive export units, Credit Analysis & Research Ltd. (CARE) said in its Eco Alert report.

Exports have shown a declining trend since October 2008, accompanied by downturn in import mainly due to lower oil import bill. Trade balance deficit, as a result narrowed to US\$ 25.98 billion during Q1 FY 10 compared to US\$ 314 billion during Q1 FY 09. Despite net invisibles surplus of US\$ 20.2 billion, India's current account deficit stood at US\$ 5.8 billion for Q1 FY 10, the report said.

India's export continued to taper for the eleventh consecutive month. However, there has been some arrest in the contraction. The year-on-year contraction in the export for August 2009 was reported at 19.4 per cent, (US\$ 14.28 billion), lower than 28.4 per cent in July. The contraction is mainly attributed to continued sluggishness in global demand accompanied by lower commodity prices compared to the same time last year when the prices were at their peak.

Heavy rains

Rubber output dips

India's natural rubber production fell by over 9 per cent to 73,000 tonnes last month as heavy rains affected the tapping process, the state-run Rubber Board said. Similarly, the production of the rubber variety so far this year declined to 347,000 tonnes, compared with 396,000 tonnes a year earlier.

"Natural rubber output dipped to 73,000 tonnes last month from 80,000 tonnes a year before mainly because of heavy rains," a senior official with the Rubber Board said. Drought till August and heavy rains in September jeopardised the tapping process of natural rubber, pulling down its production so far this financial year, he said.

Export also dipped to 400 tonnes in September from 2,300 tonnes in the year-ago period. The country exported only 1,350 tonnes so far this financial year, compared with 31,000 tonnes a year before as domestic prices exceeded global rates. "Domestic prices have been ruling above global rates, prompting bulk consumers such as tyre makers to import more, making export a less profitable option," the official said.

The Earning Ennore

Private sector participation in operations and infrastructure activities at seaports has resulted in a radical change in the organisational model of ports, converting from service port model to landlord port model, where port authority retains the port infrastructure and regulatory functions, whereas the port services are provided by private operators. Ennore Port is one such port and the only corporate port owned by the government. Originally conceived as a satellite port to Chennai Port to handle thermal coal to meet the requirements of Tamil Nadu Electricity Board (TNEB), the port has come a long way since then and is all set to become Asia's energy port. Ennore Port has attracted private investments to the tune of Rs 1,200 crore for building coal, iron ore and marine liquid terminals.

Meanwhile, the construction of the car terminal is going at a steady pace and exports are likely to begin in August 2010. The Port Chairman **S Velumani** has signed an agreement with Nissan India, the car maker which will use the terminal to ship out 180,000 cars. Built at a cost of Rs 110 crore, the car terminal will have a 175,000 sq metre parking yard, the chairman says as he shares his port initiatives with **Ramprasad.**

Ennore Port is primarily into coal imports and iron ore exports. How has the business been and what are your expansion plans?

A: Ennore Port was commissioned in 2001 to handle coal imports. Only customer at that point of time was Tamil Nadu Electricity Board (TNEB). Berths with a capacity to handle 12 million tonnes were set up for them. Currently they are bringing about 9.7 million tonnes. We do not have full-fledged permanent facility



S Velumani, Chairman - Ennore Port

to handle iron ore exports. We have set up temporary conveyor and barge loading jetty. Last year, we did about 1.2 million tonnes because of several constraints.

Now expansions are going on. One thousand two hundred-megawatt (600x600) North Chennai power station plant is coming up. Another power project with 1,500 (3x500) MW capacity is coming up as NTPC-TNEB joint venture. TNEB is planning another power plant towards north of the port. Their indication is that



by 2012-12 they will bring in 35 million tonnes of coal. To meet all the future demands, we are planning third coal berth. Right now, we are into the second phase of expansion of the port. We are putting up a 12-million tonne iron ore terminal. A coal terminal with the capacity of handling 8 million tonnes per annum for non-TNEB users is also coming up.

How is the liquid terminal doing?

A: It takes some time to pick up. Unless a big consumer comes, business has to grow gradually. Indian Oil Petronas is planning LPG imports. Similarly HPCL is developing its terminal.

You have been planning a new car terminal. What is the status?

A: Nissan car factory is coming in Oragadam. They have plans to export cars to European market. We signed an

MoU with them. Production will commence from July 2010. Nissan's plan is to export about 1, 80,000 cars. We will be constructing a berth and a stockyard. Other automobile manufacturers also can use this facility.

Ennore Port will be a full-pledged multi-cargo port. Keeping that in view, we have planned a container terminal. This will be 1,000 metres long. We will be providing 16 metres draft. And, the berths will be designed in the latest generation container vessels. Major advantage is that we have sufficient land to develop that kind of infrastructure. We are planning a straight 21-km long expressway linking to NH5. The trucks need not enter city. We will be meeting the land acquisition cost, which is about 78 crore.

Do you see competition from the nearby ports?

A: Yes, but this is the era of competition. We have been competing with Chennai Port. There is a proposal to develop a shipyard-cum-port just north of Ennore Port. That is a competition coming up. If you further go up north, Krishnapatnam is another port with which we'll be competing. But each port will have its inherent advantages and disadvantages. Finally, it depends on the performance of port operator.

What are the modern facilities at the port?

A: We handle nearly 10 million tonnes of coal. But you do not see a speck of dust. There is no manual handling and it is completely mechanised. Ennore Port was the first port to get subjected to environmental appraisal process. Right from the planning stage, we ensured that pollution will be abated. You can see lot of vegetation around and birds nesting here. Both land and marine environment are protected.

What are your goals?

A: First is to become a multi-cargo port and next, to handle 50 million tonnes of cargo per annum. **MG**

Projects for commissioning during 2010

Bulk handling facilities	Capacity, quay length	Alongside depth
Coal terminal (for non-TNEB coal) (Developed & operated by: Chettinad International Coal Terminal Pvt Ltd)	8 mmtpa; 325 m	15 m BCD
Iron ore terminal (Developed & operated by: Sical Iron Ore Terminal Ltd)	12 mmtpa; 347 m	15 m (phase I), 18 m (phase II)
Automobile & general cargo		
General cargo berth	200,000 cars plus 0.5 mmtpa general cargo & heavy lift; 250 m	12 m
World-class container terminal (from 2012-13)	18 mmtpa; 1000 m	16 m
Future Projects		
1. Coal berth No. 3 (to handle coal for	15mtpa	
2. TNEB Container terminal (phase II)	18 mmtpa (1.5 million TEUs)	
3. SPM facility for crude handling,	10 mmtpa	

CHANGING FACE OF INDIAN SUPPLY CHAINS

The Indian supply chain industry comes of age with small family-run businesses giving way to professional-run corporate enterprises. This refreshing change is indeed a welcome sign for the growth story as induced professionalism can go a long way in building efficiencies and reducing costs. While a lot more needs to be done to streamline the supply chains, the gigantic task of building infrastructure has already begun. Its only a matter of time before India can take the centre stage as Asia's trading hub.

by **Jagadeesh Napa**



The only thing constant in this universe is change. Everything else is variable. The changes in the business

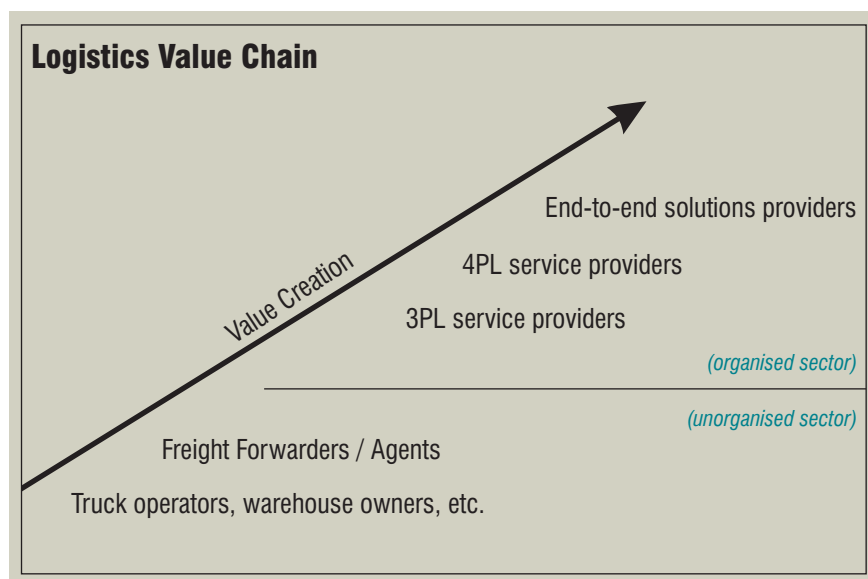
environment tend to influence the way business is done. So is the case with today's supply chains in India.

Globalisation has brought tides of opportunities to this once lacklustre industry. It has made possible to have supply chains operating across continents. Indian logistics industry that has traditionally been a fragmented one and dominated by small family-run enterprises has leveraged on the liberalisation to change and expand. It is shedding out its traditional image to stand up to current demands. Thanks to the government's initiatives, Indian supply chains and the logistics industry are poised to witness some big changes in the near future in the form of infrastructure build-up which will boost India's global trade as well as reduce logistics costs.

Interestingly, logistics is one of those few industries that is least affected by the ongoing recession. It holds a huge business potential with domestic and multinational firms making a beeline to take advantage of this sunrise sector.

The evolution

Before going any further, it would be prudent to understand the macroeconomic scenario at the national as well as the global levels and the changes that have influenced in the last few decades in shaping up today's supply chains. At the global level, US became the cynosure of international trade after the Second World War and trade between the US and Europe went to the peak since then. Some countries from Southeast Asia such as Japan and Hong Kong also contributed significantly to the international trade. This increase in



trade also opened doors for innovations in transportation of goods and logistics services. New concepts and business models evolved over a period of time. Speed of delivery, safety & security, just-in-time and lean concepts were some of the new concepts introduced during this period and they evolved to form a new discipline called supply chain management. It encompasses not only the manufacturer and the customer, but also the suppliers and distribution network, as all of them collectively form the supply chain.

Management of supply chains became much more important than the product itself as these are the processes where the organisations can reduce costs dramatically and improve their bottom lines. Mid-seventies saw the dawn of Asian countries with China liberalising its economy. The rise of Asian countries like Korea and China changed the supply chain dynamics as these economies proved to be cost-efficient. China came out strong in the eighties with its cost arbitrage, stable currency and a host of other factors. This forced the American and European companies to close plants in their homelands and establish manufacturing bases in China. As a result, raw material and

finished goods began criss-crossing the continents, making supply chains truly global. The use of technology in improving efficiencies in the supply chains also began to rise during this period. All concepts and the technologies, related to supply chains and logistics that evolved in the US and Europe, were later introduced in China as well. For instance, the JIT and other lean concepts were maintained throughout the evolution. Western innovations like the concepts of 3PL and 4PL were also introduced in the Asian countries.

Coming to India, traditionally, many Indian companies have been handling their logistics operations by themselves and have full-fledged logistics set-up. Only a few of their requirements were outsourced –transportation being the major one. Therefore, the presence of large number of organised end-to-end logistics solutions providers made no business sense back then and hence, this market remained mostly unorganised.

But the waves of globalisation, started in the early 90s, increased the presence of international logistics services providers in the Indian market. They brought with them the technological edge and finesse in

customer service. These gradual changes have had considerable impact on the Indian companies resulting in pulling up their socks and gearing up for the competition.

Koreans were among the first ones to enter this mostly unexplored market after liberalisation. Samsung, LG, Daewoo and Hyundai had set up their bases here in the early 90s. American automobile manufacturers like GM and Ford followed suit and then came the Toyotas from Japan. Their entry changed the landscape of supply chain management forever in India. These global giants imported huge amounts of material and parts to produce goods in India and moved the finished products to all parts of the country again in huge numbers. They stressed on speed and cost, forcing the Indian firms to adapt to this new era. According to Derek Miller, an industry expert and a top executive at a leading retail chain, it is a mixture of speed, cost and service which lead to efficiency improvement in supply chains.

The foreign brands also brought with them some big names in logistics services domain from the West. Companies like DB Schenker and DHL among others took advantage of the fast growing market and began to consolidate their positions in India. This led to the waking up of the Indian logistics players and gearing up to face the competition. Like anywhere else in the world, the emphasis on speed of delivery and cost-efficient operations drove this market and technology began to play a major role in this process.

Indian players are mostly small family-run businesses with limited capacities. With the foreign supply chain players gaining ground, the Indian counterparts began to undergo a metamorphosis in their approach. Having understood that technology is going to play crucial



“We live in a very competitive business environment and in that, cost does not play second fiddle to service, they need to be looked at as equal partners.”

role in movement of goods, they started embracing technology and made it their USP. Family-run companies began to transform into corporate enterprises run by professional managements. They expanded further, brought in more assets and most importantly changed their approach towards their customers. Cost-oriented approach that was followed for years was replaced with service-oriented approach; yet, they gave due importance to cost-efficiencies. As Miller says, “we live in a very competitive business environment

and in that, cost does not play second fiddle to service, they need to be looked at as equal partners.”

Meanwhile, the foreign firms too had their part to learn from domestic conditions. They began investing in the Indian market and tied up with local players to understand the market better. Though they brought in new concepts to Indian landscape, they were customised to adapt to the Indian scenario wherever necessary. For instance, DHL, world leader in express logistics had to partner with Blue Dart, an Indian company in the same domain to understand the

Family-run business	Professional-run business
Significant board control with family	Board control spread across the directors
Decision making lies with the family and is centralised	Decision making is decentralised
Slow to adapt to emerging business challenges	Ease of adaption and scope for quick action
Insufficient transparency over ownership and corporate structures	Highly transparent
Tend towards higher levels of debt	Emphasis on maintaining healthy debt-equity ratios

market and customise their offerings. Yogesh Dingra, COO, Blue Dart Express Limited feels that, to be successful in India, one has to adapt to local conditions, business intricacies, complex regulatory framework and purchasing habits. “Partnering with local players and working with them in tandem is a time-tested route to success,” he says. Therefore, it is apt to say that both foreign and Indian players influenced each other in this transforming market. Foreign players influenced the Indian players to reach up to the world standards and at the same time they took cues from the Indian companies to adapt to the local market conditions.

Current scenario

Though it has not been granted the official industry status yet, Indian logistics industry is today valued at US\$ 105 billion. A recent study by ASSOCHAM projects that it will grow at 17 per cent to US\$ 125 billion by 2010.

Such handsome growth even in the times of recession is possible due to the humungous internal consumption that is happening in the country. Indian economy is basically driven by internal consumption rather than external trade. The economy has been growing at an average of 6 per cent in the last ten years and can be attributed to internal consumption in a big way. “Domestic consumption today drives the Indian economy. The Indian market is no more limited to just the top metro cities, but is spread across to other tier II and tier III cities as well,” says Dingra. Changing demographics, growing urban population, increased quality of living, young and working population etc. are responsible for this immense growth. On the flipside, India’s growth in the form of exports and imports is miniscule. Our

contribution to the global trade is only 1.5 per cent – a major reason why the recession had less impact on India compared to the western countries. Our country is a growing economy and we can clock 4 to 5 per cent growth only through internal consumption. But, the question remained as to how India can grow even further, i.e. from the current level of 6.5 to 7 per cent to say that of 10 to 11 per cent.

That is where logistics and supply chain management comes into picture. Logistics operations form a major part of the export-import trade and India is known for its notoriously high logistics costs at 13 to 14 per cent of gross domestic product (GDP). That means, with current GDP at around US\$ 1 trillion, we are spending about US\$ 50 billion additionally as supply chain costs –

already started investing in the sector in a big way. Allocations to the sector are being raised from 4.6 per cent to 8 per cent of the GDP during the eleventh five year plan.

Road and rail are the two primary modes of transport used in India to ferry goods. But this is not entirely sufficient for the country to grow or to reduce the logistics costs. The use of other modes of the transport that are cost-efficient needs to be adopted. Coastal shipping is one such option with immense potential that can be explored. This mode is neglected in India with only 7 per cent of the total domestic cargo being moved by this mode. Of late, people are realising the associated benefits and the situation is changing slowly with more investments coming in to coastal shipping. Only a handful of coastal shipping operators

Evolution of global 3PL market

• Transportation / warehousing • Freight forwarders / brokers • Shipper's agents	First Generation (1970s – 1980s)
• Non asset-based companies • Asset-based companies increased service offerings	Second Generation (1980s – 1990s)
• Online freight marketplaces • Web-based 3PLs • Increasing supply chain integration • Community SCM (use of cloud computing)	Third Generation (2000 and beyond)

which is entirely a waste of money. If we can streamline these costs and put that money back in to the GDP, it’s a huge contribution to the growth story. Increase in further international will add up to a colossal figure which will be almost a quarter of South Africa’s GDP

To make all this possible, India needs to put in place proper logistics infrastructure at the ground level, clearing all the bottlenecks and making the best use of technology. Having realised the significance of logistics, Indian government has

are present in India like SCI, Seaways Shipping and Shreyas Shipping. Caravel Logistics is latest kid on the block to enter this domain and some more firms are expected to follow suit. A cheaper alternative to road and rail, coastal shipping can save those precious dollars from being wasted.

Yet another important strategy initiated to boost logistics sector is the development of multi-modal logistics parks and free trade warehousing zones (FTWZ). While the logistics parks are aimed at

supporting domestic movement of cargo, FTWZs promote exim trade. India has pioneered the concept of FTWZ so as to improve efficiencies in the supply chain at lower costs. Though this concept is similar to the free trade zones in Singapore and Dubai, it will have a huge impact on the supply chain efficiencies. India being a major market for consumption, many of the world's manufacturers who sell products in India route them through either Singapore or Dubai as they are ideal transshipment hubs. The benefits associated with such FTZs are many. They are duty-free, offer lowest tariffs and cargo can be stored as long as required before shipping it to the final destination. In fact, the economy of Singapore is very much dependent on its FTZ.

Therefore, the development of FTWZ, which is a boon for the trading community, will see the dawn of a shift in supply chains. Instead of routing their cargo to Dubai and Singapore, manufacturers and traders can directly bring them to India through the FTWZs. For instance, Lenovo sells more laptops in India in a month than it sells in the entire year in Singapore. But if one needs to get a part replaced in the laptop, it has to be sent all the way to Singapore as Lenovo does not have a spare parts facility in India. This will change once the FTWZs commence operations. Therefore, it can be inferred that lots of companies will get opportunities to

Auto industry to boost 3PL market

Automobile and auto components industries have been the largest users of 3PL services in India. Of course, this is due to the presence of big multinational players in these industries who focus more on core competencies and outsource all the non-core activities to specialist firms. According to RNCOS, an industry research firm, automobile and auto component industries accounted for more than 50 per cent of the total 3PL industry revenue during 2008 and 3PL revenue from them was US\$ 900 million in 2008.

Though 3PL players in the overall automotive logistics market account for only 15 per cent, the 3PL market in this sector is going to witness explosive growth during 2009-2012, according to RNCOS. The growing domestic market and raising exports will be the major drivers for high demand for 3PL services. RNCOS predicts that 3PL service revenue from these industries will rise to 60 per cent of the total 3PL revenue in the next few years.

do business in this growing market as well as in the neighbouring countries. Raw material imported into the country can be conveniently stored in the FTWZ and sent to the manufacturing plants as and when required – adhering to the lean concepts. Their development will also spawn business opportunities for other related industries triggering the multiplier effect.

3PL: Growth in the offing

In spite of the presence of major global giants in India, the logistics industry is mostly unorganised and the major part of the revenues has been coming from this unorganised segment. The concept of third party logistics is picking up pace as Indian

manufacturers are slowly following their multinational counterparts and increasing their reliance on specialised third parties to carry on their supply chain activities. RNCOS, an industry research firm, says the 3PL market in India was more US\$ 1.5 billion in the calendar year 2008 as compared to US\$ 890 million in 2005. Though at a nascent stage, 3PL market is likely to pick up pace as more and more industries are going for 3PL services. Commenting on the speedy transformation, Miller says “starting down the path of supply chain upgrading later than other countries, Indian supply chains have an opportunity of quickly developing into world leading supply chains by skipping evolutionary steps along the path and in cases actually catapulting themselves into a world leading position. The future looks bright for rapid supply chain improvement in India.” Eventually, the commencement of operations at FTWZs in India will further boost the need for 3PL services. Auto and IT hardware industries are the largest users of 3PL services in India today, while FMCG, pharma and retail are the sunrise sectors. RNCOS estimates the 3PL market to earn revenues close to US\$ 4 billion by 2012.

Way forward

With the changing supply chain dynamics and developments in store, India is on the verge of witnessing a quantum leap in its growth story. While a plethora of changes that happened in the last two decades brought a makeover in the logistics industry in terms of the approach and service delivery, the pressing need for sustained economic growth still exists. As the industry is getting ready to undergo yet another change in the form of infrastructure development, the day is not far for India to join the league of world-class supply chains and take the centre stage as Asia's trading hub. 

“The concept of third party logistics is picking up pace as Indian manufacturers are slowly following their multinational counterparts and increasing their reliance on specialised third parties to carry on their supply chain activities.”

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Roll-A-Rail

As ports build capacities and newer ports start functioning, rail transport capacities call for an overhaul to provide seamless cargo movement in and out of ports, hinterland connectivity, technological upgradation and modernisation for higher operating efficiency and cost-effectiveness.

by **Radhika Rani G**

Railways indeed are a vital link in trade and supply chain. Since ports are the gateways of exim trade, their success primarily depends on a participatory role played by the railways. The issue assumes significance in the present day as Indian ports build capacities that call for efficient rail connectivity and transformation of the railways from bulk transporter to a multi-modal one.

The traffic transportation directorate of the Railway Board has been working out ways to improve rail connectivity to the hinterland.

“Speedy execution of dedicated freight

corridors, emphasis on the right investment, port connectivity and overall updation of technology at railway stations and the rolling stock are the major initiatives we have been mooted to augment capacity,” says Rinkesh Roy, director of traffic transportation.

ASSOCHAM, the interface between the government and the trade, states that the Indian Railways, despite an improvement in financial position, is facing infrastructure problems. These issues are eventually coming in the way of economic growth, it adds.

However, the Railways contends that it is focussing on issues such as outdated technology, capacity constraints and growing competition from road. Connected to nearly 16 ports in India, the Railways, despite inherent problems, has posted a freight loading growth of 5.6 per cent so far this fiscal, says Rinkesh Roy.

Yet, the government could do well by clearing all the proposals for private participation pending with the railway ministry on a priority basis, says industrialist Sajjan Jindal, the president of ASSOCHAM.

“Modernisation of railway stations should be taken on priority basis. Also, the speedy execution of



the dedicated freight corridor needs to be undertaken,” he adds.

Port connectivity

Industry observers point out that the Railways, with the opening of container segment to private players, should come out with better schemes and facilities to capture high-rated consumer goods which are currently moving by road. For this, each major port could have a minimum four-lane road connectivity and double line rail connectivity to the hinterland.

Also, the Railways could invest in new and modern technology, especially IT, for running fast trains thereby improving efficiency. Construction of high-speed railway corridors in high density routes too can address the problem, they add.

As greenfield ports evolve, a change is likely in the nature of cargo movement. The need for exchange yards could be ruled out as locomotives can go right up to the dockyard. Ports could themselves act as mines paving the way for continuous supplies and not spurts of cargo movement. Also, ports could offer ample room for piling stock.

Project financing

As ports alter the nature of their functioning, a dire need for the Railways to adapt to the changes is being advocated. Efforts are being made to rope in the private sector to play an important role in mobilising resources, bringing adequate technology and

ensuring high efficiency. It may be noted that as per the Budget 2009-10, the railway ministry plans to increase the investment through Public Private Partnership (PPP) from Rs 80,00,000 to Rs 3,40,00,000.

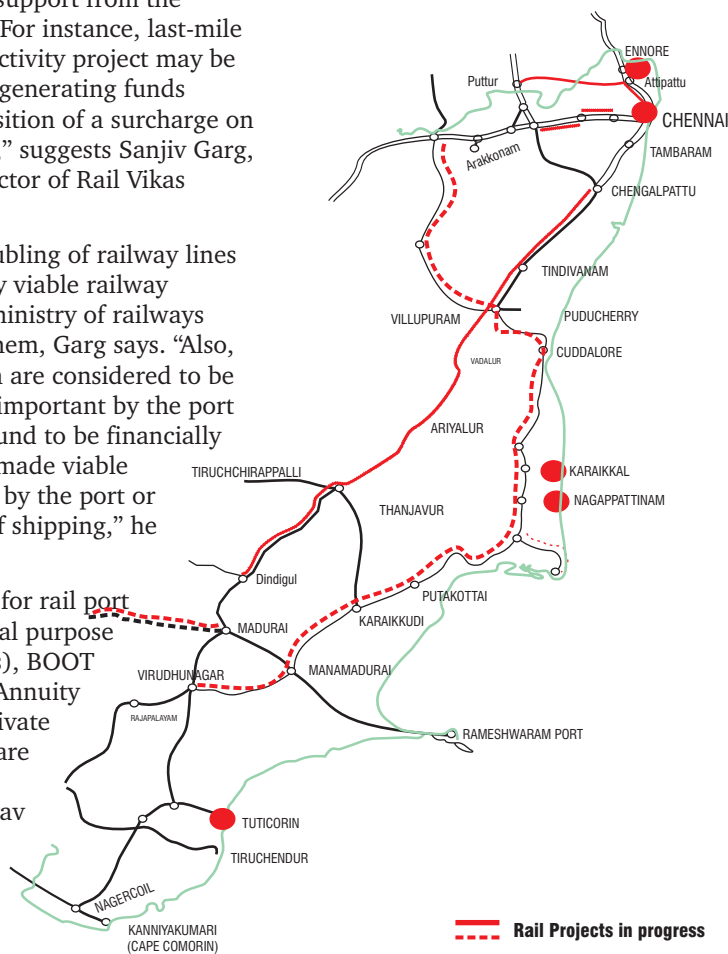
Regarding port connectivity projects, experts opine that projects located in port areas should be financed by port authorities through their reserves or by budgetary support from the government. “For instance, last-mile railway connectivity project may be completed by generating funds through imposition of a surcharge on cargo at ports,” suggests Sanjiv Garg, executive director of Rail Vikas Nigam Ltd.

Regarding doubling of railway lines and financially viable railway projects, the ministry of railways should fund them, Garg says. “Also, projects which are considered to be operationally important by the port but are not found to be financially viable can be made viable through grant by the port or the ministry of shipping,” he adds.

As for models for rail port projects, special purpose vehicles (SPVs), BOOT models, BOT Annuity Routes and private port railways are being mooted. Already, Pipavav Railway Company Limited has

been plying on the Western Railway since 2000, Kutch Railway Company Ltd. in the same zone since 2004 and Hassan Mangalore Railway Development Company in South Western Railway since 2003.

Ports in Tamil Nadu



DRFC on track

The ambitious project of a dedicated rail freight corridor involving 3,300 kilometres of railway track was put back on the tracks by the Union cabinet recently when it approved a Rs 17,700-crore conditional loan from Japan to help build it.

The project is expected to decongest existing railway lines, catalyse industrial investments of around US\$ 50 billion (Rs 2.4 trillion) and create new jobs along the rail route.

Since the DRFC corridor is a long-term project with a gestation period of nearly 10-15 years and the time involved for it to go on-stream is really long, experts feel there is no immediate impact on trade. As for the cabinet approval for the project, one can say that a number of processes were in fact going through project development stage, says Manish Tripathi, senior manager at IL&FS. "The major issues that can pose a challenge to the project are: land acquisition, proper alignment, project gestation and other allied issues," he opines.

Freight Loading

Year	Freight Loading	% Growth
2001-02	492.50	4.01
2002-03	518.74	5.33
2003-04	557.39	7.45
2004-05	602.78	8.14
2005-06	667.20	10.69
2006-07	728.77	9.23
2007-08	794.21	8.98
2008-09	833.31	4.92
2009-10*	882	5.6

Commodity Share 08-09

Commodity	Loading In Mt	% Share Of Loading
Coal	369.41	44.33
Iron Ore	130.52	15.66
Iron & Steel	27.16	3.3
Rmstp	10.89	1.34
Cement	85.92	10.3
Fertilizer	41.35	4.96
Foodgrain	34.18	4.10
Container	28.84	3.46
Pol	38.83	4.65
Others	66.21	7.9

proposed track, the government has already issued the first notification and has even received some representations by the aggrieved parties. But most of the issues relate to the quantum of compensation, the officials say. "We expect to have 70 per cent of the land with us in about a year's time," they add.

Funding avenues

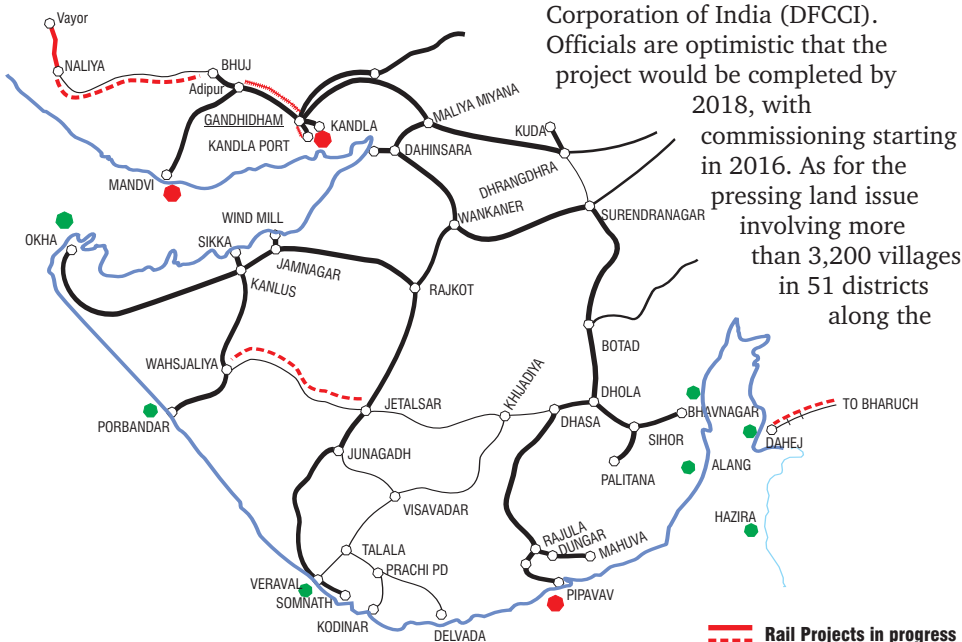
The financial assistance from Japan will start with funding a rail line that will run on the western arm of the corridor between Rewari in Haryana and Vadodara in Gujarat. "The Japanese Overseas Development Assistance is approving a soft loan with an interest of only 0.2 per cent per annum with a long repayment period of over 30 years and a moratorium of 10 years," Information and Broadcasting Minister Ambika Soni informed journalists after the cabinet meeting.

It may be interesting to note that the loan comes with certain conditions – all the prime contractors must be Japanese firms, with nearly one-third of the total contracts going to Japanese companies.

While the cost of the project has increased to Rs 60,000 crore, which is more than double the cabinet-approved project cost of Rs 28,000 crore, the World Bank is likely to lend Rs 10,000 crore for the eastern corridor by July 2010 and the Asian Development Bank another Rs 7,000 crore by December 2010. The additional loan from JICA for the western corridor is likely to materialise in March 2011. "Once the funding is made, international bids will be invited for works that, however, will not be bunched but staggered," say DRFCI officials. The railways too will contribute to the funding.

As the Railways focus on infrastructure and expansion to garner higher freight volumes, they are right on track towards the goal of being a world-class railway. They have promises to keep and miles to go before they reach. **MG**

Ports in Gujarat



However, the project is moving with reasonable speed, says an official from Dedicated Freight Corridor Corporation of India (DFCCI). Officials are optimistic that the project would be completed by 2018, with commissioning starting in 2016. As for the pressing land issue involving more than 3,200 villages in 51 districts along the



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Call for Coal Cars

The logistics bottlenecks in transporting coal to assorted customers' base need to be addressed by Coal India in consultation with the Indian Railways if the public sector coal-producing major has to work towards long-term production plans, reports **Maritime Gateway**.

Public sector coal producing behemoth, Coal India Limited (CIL) plans to enhance its production output to higher volumes during the coming years, in response to projected growing requirements from power and steel producers and other users. However, the planned expansion of the production output followed by dispatch is feared to be hindered owing to the logistics constraints the company faces in terms of railway wagon availability and supporting railway infrastructure. Being a bulk commodity, coal is essentially transported through railways by Coal India.

"Ambitious plan for ramping of production output by CIL would hold less substance if it is not supported by proper dispatch mechanism", opines Shyam Sunder Beriwal, chairman of Shyam Steel Industry, a major secondary steel producer and customer of Coal India Limited. According to Beriwal, "inadequate availability of coal, primarily owing to logistics and other factors, despite assured coal linkages by CIL, has at times affected our production and expansion plan." Similar views are endorsed by Bikash Roychowdhury, chief executive officer, Adhunik Corporation Limited, another major secondary steel producer and Coal India's customer.

CIL has drawn up an ambitious target to produce 520.5 million



tonnes of coal by the end of the Eleventh Plan period (2011-2012). This is primarily on account of burgeoning projected demand from the power sector during the Eleventh Plan (2007-2012), estimated at 70,000 MW, bulk of which would be generated through thermal power utilities. CIL's enhanced production output plan is also based on projected growing requirement from steel producers based on country's GDP growth projections.

However, the production plan to boost output remains to be hindered owing to logistics constraints. CIL produced 405 million tonnes of coal during 2008-09 as compared to 380 million tonnes during 2007-08, up from 300 million tonnes in 2003-04.

Logistics constraints

Bulk of coal produced by Coal India is transported through railways, which accounts for 60 per cent of the share. Other modes of transportation include roadways, water barge movements and conveyors. Owing to the volumes, the bulk nature of the commodity, coal is mainly transported by CIL through railways at par with the convention of global coal producers. But because of the acute pressure on railway infrastructure, coal supply to customers is affected quite often these days.

The dimension of the pressure on the railway infrastructure for coal dispatch can be gauged from figures provided by Coal India. According to

CIL, the company had made a highest ever wagon loading by rail system at 22,900 four wheeled wagons (FWW's) per day during the year 2008-09, surpassing the previous highest of 22,417 FWW during the previous year. Wagon demand has been firm owing to higher volumes of coal requirements from power and steel producers, even during the recession witnessed by the economy.

The trend of growing demand for wagons for dispatching coal has been witnessed by CIL during previous years as well. This can be noticeably gauged from the share of railways among various modes of transportation in hauling coal, dispatched by Coal India Limited (CIL). Out of 300.87 (million tonnes) mt of coal produced by CIL, the railways hauled 172.78 mt in 2003-04 compared to 167.82 mt in 2002-03. Coal transportation included slurry and other rejects.

The quantity drawn by road transport, however, was 42.35 mt in 2003-04 compared to 36.49 mt in 2002-2003. As a consequence of higher dispatches made through the railways, wagon loading has continued to maintain its upward trend touching a figure of 19,753 wagons per day in 2003-04 crossing previous highest figure of 19,282 wagons per day recorded in 2002-03. In relation to the target of 20,262 wagons/day, actual loading had a marginal shortfall of 2.5 per cent.

As per CIL, wagon loading targets by all of its subsidiaries had been at 97.50 per cent in the year 2003-04. However, for certain subsidiaries of CIL comprising Northern Coal Fields (NCL), Mahanadi Coal Fields (MCL) and North Eastern Coal Fields (NEC) the loading targets have been at 124.60, 108.20 and 144.10 percent respectively. This explains the maximum utilisation of railway wagon capacity at these coal fields. The trend has continued up to the current year.

The offtake

COAL INDIA LTD. (Million Tonnes) (Provisional)

Sector	Target Offtake	Actual Offtake	Supply percentage against Target (%)
Power	327.10	320.54	97.82
Steel	13.43	10.98	81.8
Loco	0	0	0
Cement	8.78	9.06	103.1
Fertiliser	2.54	2.48	97.6
Others	41.53	48.62	117.1
Colly.Cons.	0.74	0.74	100
Total	404.97	401.41	99.12

NOTE: The difference between the actual coal offtake and the targeted offtake during the period 2008-09 indicates the shortfall in coal offtake by CIL customers, the reason for which is attributed to logistics constraints.

As per a senior CIL official, "Though we have made steady progress in enhancing our production output over the years, the cases of tardy offtake remain." It highlights deficiency of railway infrastructure, which bars CIL to dispatch coal optimally. As per CIL, despite best efforts to augment coal offtake, the coal stocks have increased by 2.40 million tonnes during the year, reaching a level of 48.00 million tonnes during March 2009. The power sector had coal stock of 11.30 million tonnes during April 2009 – showing a marginal improvement over 2008, which was 10.91 million tonnes. Low offtake can be attributed to have resulted in dwindling coal stocks at country's thermal power plants which have resulted in wide spread power cuts in recent past.



The Railways' role

According to CIL officials, the Railways give preference to CIL in the allotment of wagons for coal dispatch to the power and steel sector. However, there is a shortfall in wagon availability from the railways. This is compounded by serious congestion owing to bottlenecks in the rail lines between the loading and unloading points. The line occupancy ratio is more than 120 per cent on Eastern, South Eastern and East Coast Railway routes, which is the prime area of coal loading for Coal India, a fact endorsed by senior railway ministry officials.

According to K L Bhowmick Chief (Port Operations) TM International Logistics Limited, operator of coal berth at Haldia Port, and senior officials from South Eastern Railway, the high line occupancy ratio in these routes is mainly owing to freight movement of coal traffic for secondary steel producers and sponge iron units which have high concentration in this area. The movement for coal cargo is also high for power plants located in the belt. Officials from South Eastern Railway inform that there has been a high growth of sponge iron units in recent years across its routes.

The shortage of wagons has forced the coal producing major to utilise wagon capacity at its maximum. This resulted in substantial pressure on railway infrastructure, leaving little room for the railways to share any spare capacity.

The shortage of BOX 'N' wagons is yet another problem due to which the Railways is often forced to provide covered BCN/A and BCX wagons (which are mainly used to transport food grains and cement) to CIL. But, since loading and unloading of coal into these wagons has to be done manually, a lot of precious time is wasted in the process.

There are only 62,979 units of BOX 'N' wagons available with the railways, which as per coal consumers is grossly inadequate. However, railway officials argue that the problem is more because of detention of wagons at the terminals. According to Rinkesh Roy, director traffic & transport, Ministry of Railways, "there are issues with Coal India for extended detentions of wagons at their terminals. Besides, there are issues like presence of organised coal mafia in all of the mines of CIL leading to anomalies in loading of wagons, hindered dispatch or tardy offtake." – A fact, which is shared even by steel producers and coal consumers. This is a critical issue, which needs to be addressed by CIL. This will result in improved turn round of wagons, thereby improving the wagon availability to CIL.

Coal happens to occupy largest share of cargo for railways, holding a share of 45 percent followed by iron ore at 15 percent among other cargoes. It is also a highest revenue earner. The Indian railways hauled 336.83 million tonnes of coal during the year 2007-08 up from 271.40 million tonnes during 2004-05 and in turn providing revenue of Rs 17,567.20 crore to the railways. This indicates the amount of pressure on coal transportation infrastructure (BOX 'N') wagons of the railways.



“Coal India, which produces 85 per cent of coal in India, should strive to come up with better evacuation plans.”

Therefore, any tinkering with the wagon capacity has to be done with utter caution so it does not hurt the revenue base.

Keeping in mind the customers like Coal India and iron ore transporters, the Railways has recently adopted the CC+ 8 tonnes formula of loading an excess 8 tonnes of coal or iron ore to the BOX 'N' wagons on the existing wagon carrying capacity of 24 tonnes.

Other initiatives for carrying enhanced cargo traffic, wagon leasing schemes and terminal development have been taken up by the Railways. However, both Coal India and the Railways should take a long-term perspective to handle their future growth needs. Coal India, which produces 85 per cent of coal in India, should strive to come up with better evacuation plans. Similarly,

the Railways should plan for developing the necessary infrastructure to meet the future demands.

According to P N Shukla, director (Operations & Business Development) Dedicated Freight Corridor Corporation of India, "The answer to logistics constraints faced by CIL for transporting coal to its host of customers can be greatly addressed by construction of the eastern corridor. This will benefit its large customer base comprising the power and steel producing utilities in eastern, western and northern India on the main golden quadrilateral link of the railways. However, the bottlenecks in the arterial link that connect the corridor have to be first cleared."

The Railways have undertaken initiatives to decongest the main arterial route through making advancements in signalling and telecommunications, increasing the speed of freight trains, increasing axle load and doubling lines etc. The measures, however, may fall short owing to projected colossal coal demand in the years to come. This will call for holistic infrastructure enhancement by the railways for hauling coal traffic. **MG**

All Fired Up

AL Logistics Pvt. Ltd. has been servicing the needs of shipping companies in the East Coast of India since setting up shop in 2003. Maersk, Evergreen Marine Corp., Shipping Corporation of India, Safmarine India Pvt. Ltd., Lloyd Trestino and Stolt Nielsen are its esteemed clients. A subsidiary of the Greenways Group, based in Kolkata, AL operates a container freight station in Debhog and Haldia catering to the logistics requirements of exporters and importers. The CFS at Haldia, located on National Highway No. 41 and about 2.5 km from Haldia Port, has been transporting containers to and from the port at a steady pace. Having the latest cargo-handling infrastructure and equipment is giving a great boost to the company. "Yet, there is a long way to go," says **Lalit Beriwala**, director, AL Logistics, in an interview with **Maritime Gateway**.

How has the business been over the last few months?

A: We have seen volumes building up. Things look better now. We hope that the uptrend continues. Imports have fared much better than exports in Kolkata and Haldia. May be the capital projects which were stalled for a couple of months have resumed. In fact, month after month, Kolkata Port is doing the highest ever volumes in imports.

What were the challenges that you faced in operating CFS?

A: It was not a smooth sailing for us. We started in 2003 and we were the first CFS operator in Eastern India. We took some time to present to the trade the benefits of using a CFS and to convince them to use our facility. It was tough. Now, I think people have experienced how CFS, as an extended arm of port, can add value to the operations. We are better off than what we were before. But still, a long way to go.

Can you elaborate?

A: In due course of time we would like to offer a full package of services to our customers. They just need to give us the requirements and we will handle 3PL, 4PL logistics for them.

Any expansion plans?

A: After Haldia, our group has set up a CFS in Tuticorin. We are closely monitoring the opportunities and would want to expand our presence in other places by setting up more facilities.

Logistics models are changing. How do you foresee the business model evolving?

A: Logistics business is still in its infancy in India. Organised logistics segment is hardly

5 per cent. So there is a lot of work to be done. I see bright business potential for any logistics player who can set up any kind of infrastructure.



Competition is building up in logistics business. What are the survival strategies?

A: This is an area where one needs to constantly upgrade oneself. One needs to offer something more to a customer in a cost-effective manner to retain the customer. That is possible when you know more than others.

What is the level of technology penetration in the logistics sector?

A: Of late, a lot. In fact, the Ministry of Finance and the Ministry of Commerce are on an overdrive to set up the EDI and PCS modules where the data exchange can take place among all the stakeholders. We see lot of automation coming into logistics. Our CFS in Chennai is the first CFS to install the RFID for yard management. Each container is tagged. We will be extending the same to other CFSs of ours also. **MG**

PORT SCAN



Karaikal

Call of the Sea

Since viability through connectivity can be a great asset to a port, Karaikal Port wishes to bank on its strategic location as it gears up to set a trend as the new-generation port on the Tamil Nadu coastline. That the port is ready to receive Panamax vessels after handling numerous Handymaxes and Super Handymax bulk vessels is a case in point.

by **Radhika Rani G**

The name has a clink-clank. But *Karai* and *Kal* have a plausible meaning – a canon made of lime mixture or even a fish pass, as recorded in the *Imperial Gazetteer*. Karaikal, along with Mahe, Yanam and Pondicherry, forms part of the erstwhile

French colony Pondicherry or the present day state of Puducherry. Nestled between Nagappattinam and Tiruvarur districts, the ravine land buzzes with the clink of industrial activity around. And now, an all-weather, deepwater port is

underway to be the gateway to central Tamil Nadu.

Operated by Karaikal Port Private Ltd. (KPPL), a wholly owned subsidiary of Marg Ltd., the port is being developed on a Build-Own-Transfer (BOT) basis for 30 years following an agreement with the Government of Puducherry in January 2006. Though Marg has been flourishing in infrastructure projects, construction and development of IT parks, real estate development and business process outsourcing for more than a decade, it sees construction of the greenfield port as its pet project, more so as the group aims at socio-economic development. "The project will act as an agent of change and will bring inclusive growth to coastal Tamil Nadu and Puducherry," hopes G R K Reddy, chairman and managing director of Marg Ltd.

Steps and stages

The lagoon type harbour is connected to sea by an entrance / access channel protected by short breakwaters. The first-phase having been completed, as the management says, in a record time of 18 months, work on the second phase is likely to be completed by 2011 and the third phase by 2015.

As part of phase I, water depth of 12.5 m with a capacity of 5 million metric tonnes per annum has been achieved to handle vessels up to 50,000 DWT. The second phase works involve increasing the draft to 16.5 m with an additional capacity of 15 mmtpa to handle 120,000 DWT and adding mechanised coal handling system. Phase III works will aim at a capacity of around 46 mmtpa. Already, dredging is



Karaikal Port Pvt. Ltd, has entered into an MoU with Pembinaan Redzai Sah Bhd, a Malaysian company, for development and management work.

underway to add three more berths to the existing two. The port will eventually have nine berths, say officials. The Puducherry government has given 600 acres for the port project.

While the phase I of the project required investments worth Rs 416 crore, the next two phases are likely to involve Rs 1,500 crore each.

Operationally ready with 2.4 lakh sq m of back-up space and 10,000 sq m of covered warehouse, the port went on stream on April 15 this year. It welcomed its first vessel M V Beluga Fanfare – a heavy lift multipurpose dry cargo vessel – to unload two Liebherr Harbour mobile cranes with a lifting capacity of 104 tonnes each. "It has been a momentous 24-month journey. Two berths, each 213-metre-long, have been constructed, 9 km of channel dredged, 7 lakh tonnes of

stones moved to build breakwater and the railway corridor work is nearly over," G R K Reddy shares his elation.

Bulk	Break Bulk	Liquid Bulk	Containers
Coal, Fertilisers, Sugar, Agricultural products	Bagged cement, Iron scrap, Timber, Granite, Steel plates and Pipes, Project cargo	Edible oil, Petroleum, Oil and Lubricants	All types of containers

Port profile

Location: Vanjore village, Karaikal taluk, Puducherry. Embedded between Nagapattinam and Tiruvarur districts of Tamil Nadu

Topography: Flat terrain with no hills or forest cover

Nearest ports: Chennai Port - 280 km up north, Ennore Port - 260 km up north, Tuticorin Port - 360 km down south

Primary hinterland (within 200 km radius): Nagapattinam, Thanjavur, Cuddalore, Perambalur, Ariyalur, Pudukottai, Trichy and Karur districts

Secondary hinterland (200-400km): Coimbatore, Namakkal, Dindigul, Erode and Salem. Here too, the port offers shorter distances to customers along with better connectivity and accessibility. The professional management of the port will provide the added incentive for businesses to patronise the Karaikal Port.

Progress in Phases

Phase 1

- Taken up during 2006-2008 and completed with an investment of Rs 450 crore
- Construction of two berths (coal and general cargo) to handle cargo of 5.2 mmtpa
- Build capacity to berth vessels up to 50,000 DWT
- Increasing the draft from the present depth of 9.5 m to 14.5 m

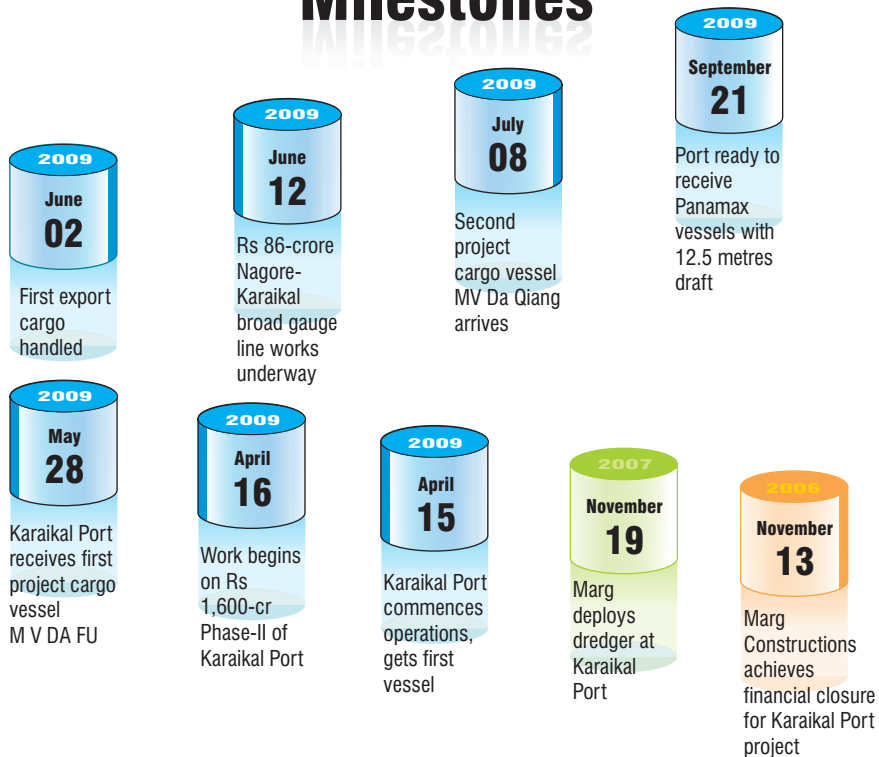
Phase 2

- Being taken up during 2009-2011, to handle cargo of additional 15.3 mmtpa with vessels up to 1,20,000 DWT with an investment of Rs 1,600 crore
- Construction of three additional berths for – coal, for OSV/PSV vessels, liquid/general cargo
- Increase water depth to 16.5 metres
- Breakwater extension, channel and turning circle widening
- Mechanisation of coal berths
- Development of additional stockyards/storage facilities
- Construction of buildings and other civil works
- Construction of railway sidings & internal roads
- Development of utilities & services

Phase 3

- To be taken up during 2012-2015, to handle cargo of total 46.9 MTPA with total nine berths.

Milestones



Later, the port handled another cargo consignment from Germany to Nagarjuna Oil Corporation project site near Cuddalore. The project cargo consisting of 17 pieces of multiple dimensions, was offloaded on to the port and reloaded on the barges to the oil company. And the number of vessels has only been going up.

Cargo profile

The major cargo for the port comprises coal, cement, textiles, textile machinery, project cargo (machineries and equipment) and containers. The port, say officials, will also provide bunkering and ship-repairing facilities. Currently, all types of dry cargo, in bulk and break bulk form, as well as containers are being handled.

The port is all set to acquire liquid bulk cargo handling capabilities and is in the process of developing infrastructure. The commissioning of a fully-dedicated container terminal will add comprehensive cargo handling facilities.

Hub for hinterland

Officials vouch for the port's accessibility to the hinterland. Nagapattinam, Thanjavur, Cuddalore, Perambalur, Ariyalur, Pudukottai, Trichy and Karur districts

that lie in the primary hinterland within 200 km can have a clear advantage, they say.

The secondary hinterland lying within 200 to 400 km from the port comprises Coimbatore, Namakkal, Dindigul, Erode and Salem districts. "Here too, the port offers shorter distances to customers along with better connectivity and accessibility. It will provide the added incentive for businesses to patronise the Karaikal Port," the officials claim.

As for the tertiary hinterland beyond 400 km, the port hopes to attract business based on specific needs of the customers. "The efficiency of operations at the port along with transparent single window processes for cargo and vessel clearances will clearly outweigh any distance advantages offered by competitive ports," they affirm.

Connecting places

The port management is upbeat about Karaikal's strategic location along important rail and road routes and hopes to cash in on this advantage.

Road: Connected by major roads to NH-67 at Nagapattinam, about 10



Karaikal Port aims to have 620,000 square metre of covered and uncovered storage space within the premises.

The distance advantage

Karaikal's Road Connectivity: (in km)

Destination	Karaikal	Chennai	Tuticorin
Thanjavur	88	342	318
Nagapattinam	10	350	398
Cuddalore	115	210	523
Ariyalur / Perambalur	127	281	323
Tiruchchirappalli	143	340	275
Pudukkottai	155	385	232
Pondicherry	141	147	471
Mettur	303	351	443
Thiruvavur	41	340	365
Karur	210	390	280
Salem	306	341	365
Erode	286	401	339
Tirupur	304	452	311
Dindigul	233	421	231
Coimbatore	349	490	353

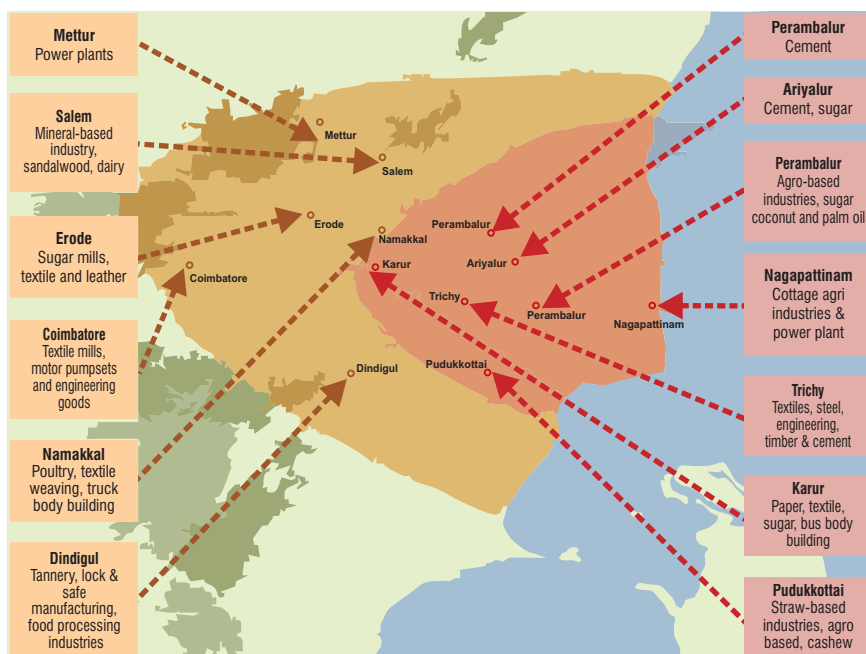
Karaikal's Rail Connectivity

Station Name	Karaikal	Chennai	Tuticorin
Trichy	135	340	319
Kallakudi Palanganthan	180	295	364
Pudukkottai	188	393	305
Veeraragiyam	202	407	308
Ariyalur	205	271	389
Karur	211	416	299
Karaikudi	224	430	268
Dindigul	229	435	225
Ichangadu	236	239	420
Coimbatore	239	495	462
Palayam	240	446	269
Erode	276	397	364
Salem	339	335	427
Mechery Road	366	355	454
Madukarai	379	500	467
Malco - Mettur	379	368	467
Walayar	393	514	481
Mettupalayam	407	528	495

km from port, Karaikal opens itself to central Tamil Nadu at Trichy. The NH-45 which passes through Trichy connects Karaikal to northern hinterland right up to Chennai. Also, NH-45A passes through Cuddalore. "Currently, construction of a by-pass at Chidambaram is underway which will help ease movement on this route," say officials.

The NH-67 starting from Nagapattinam traverses central Tamil Nadu connecting major industrial areas such as Tiruchchirappalli, Karur

Industries in the catchment area



“The company is developing an SEZ on 312 acres of land in Kancheepuram near Mahabalipuram through its wholly-owned subsidiary New Chennai Township Pvt. Ltd. Another SEZ at Tirupati is in the offing.”

and Coimbatore as well as onward linkages to other industrial areas such as Salem, Erode and Mettur.

Rail: As part of rail connectivity to the hinterland, work is underway on the 11-km stretch of Nagore-Karaikal broad gauge line that aims to handle a bulk of the port's container and cargo traffic. The line, with seven major bridges, 40 minor bridges and 12 level-crossing gates of which 6 will be manned, is being laid at a cost of Rs 86 crore. It passes through the boundary of the port and the railway sidings along it.

Work is currently on full swing at the satellite railway siding site at Nagore railway station. The satellite sidings are located at a distance of 3.6 Km from the port.

With the commissioning of the satellite sidings, Karaikal Port will be equipped to evacuate cargo by rail in October, 2009, the officials say. "The rail link between Karaikal-Nagore is being developed by Southern Railway and this link will connect the port with the cement, steel, power-loom, chemical, aluminum and textile industries in Ariyalur, Trichy and Salem districts and upcoming industrial nodes around Mayiladuthurai enabling heavy freight movement in the near future," they inform.

As it races against time to go full steam, Karaikal Port gets busy in meeting targets day after day. Before long, it could surprise itself with the milestones reached and the growing click and clack of adulation and the rush of activity. **MG**

Interview

The Growth Driver

Karaikal Port scores over other ports in Tamil Nadu owing to its deep draft of 18 metre, strategic location between Chennai and Tuticorin and hinterland connectivity. The



port offers great convenience and cost benefits to users, beams **G R K Reddy**, chairman & managing director of MARG Ltd. A postgraduate in commerce and a honorary from Kellogs USA, GRK as he is fondly called, began his career in 1985 before moving to the construction industry and promoting the MARG Group in 1994.

A leading Infrastructure development company in India, MARG Ltd is the flagship company of MARG Group that develops ports, airports, SEZs, roads, IT parks, commercial & residential real estate. A strong believer in inclusive growth, he has been working for the protection of communities around the group's projects. "Support from the government will help upcoming ports in catalysing the development of the catchment area," he affirms passionately as he talks about the port with **Ramprasad**. Excerpts from the interview.

You started commercial operations recently. What would be the focus at the port in the initial few years?

The focus would be to service customers in the hinterland who have been using Chennai or Tuticorin ports. Since Karaikal Port is nearest to them, users can save logistics costs. Another focus area is efficiency in terms of operations. Also, we will try to show what a modern port can deliver to the customer.

What are the unique features you have to attract customers?

While using a port, a customer looks at the distance and tries to determine the nearest landing or export point. Next is whether the port is offering the best service – does it have the necessary depth, material handling equipment, key length of the berths and connectivity network. If these are not available at the nearest port, he chooses the next best. So we are trying to offer the best of services and facilities. We are making the data on operations available real-time to the customer. It helps him to organise the raw material for just-in-time cargo. Thereby, the customer can plan better production and reduce his inventory costs. These are the chain of things which can happen to the customer through Karaikal Port.

What cargo is being handled and what would be the cargo mix in future?

At the moment we have cement and sugar companies in our hinterland. We have project companies like BHEL. Companies in the Cauvery delta contribute to fertiliser imports. So, we are looking at raw sugar, coal, and project cargo imports and cement exports. In a radius of 150-200 km, we have India's second largest cement manufacturing facilities.

As we go forward we will handle edible oil imports. Chennai Petroleum unit is using 0.4 million of the installed capacity of 1.2 million tonnes. This is because of the current use of jetty which can receive 14,000 parcels. Now they are planning to acquire a vessel which can handle 40-50 thousand tonnes. Broadly, these are the products that we are looking at. Tamil Nadu is a state which is in short of power.

To meet the requirement, government needs 5-6 thousand MW of additional capacity. Today, ports in Tamil Nadu have congestion issues. So, Karaikal Port will be one of the ideal situations to set up power plants. We have a good industrial hinterland where you have lot of skilled manpower available. Central Tamil Nadu is one of the most peaceful places. Further, more

industries will come up once the port begins its operations.

What is the kind of infrastructure and equipment you have at the port?

To handle stevedoring activities we have Liberhann cranes with high discharge rates. We handled 25,000 tonnes in one day. We will be having wagon loaders. Technology will be implemented in linking weigh bridges, using RFID for trucks and capturing the crane moves.

Within the port you can have world-class facilities. But the main problem seems to be outside the port like securing rail wagons and evacuating cargo. How do you deal with it?

In Karaikal region, the density of railway lines is very high but the usage is very low. We will have a merry-go-round concept of rail connectivity between the north and south. We are carefully preparing the master plan after studying the existing and future road network and

are trying to locate future factories accordingly. We are also talking to railway authorities to take up the land near railway stations to keep our stocks.

What is the financial outlay for the port?

In terms of financial planning, Phase one is about Rs 440 crore, out of which Rs 302 crore is debt. The second phase is about Rs 1,500 crore, for which financial closure is done.

How did MARG come into port development?

We started MARG in 1991. I was in investment banking earlier. So we started financial services company and moved into construction in 1994. During 1997-98, we did lot of work for windmill companies on a turn-key basis. When we analysed the future growth prospects, we found real estate and ports to be the growth areas. So, we moved into both.

We built three IT parks. We have four divisions. One is EPC through which we take up internal work and also work for external clients. Second is industrial real estate, which still has a long way to go. Third is commercial and residential infrastructure and fourth is marine infrastructure. We are building a new Chennai city in 1,500 acres which has an SEZ and a non-SEZ area land. We made a master plan which will eventually bring in half-a-million population. Even for Karaikal Port we made a master plan for 160 sq km. Today, we have population of 1.5 lakh. The port being a growth driver, it will go up to half-a-million. Same is the case at Bijapur where we are building an airport. At MARG, regional development is the key to take the growth forward in a proper manner. We can sustain very well with regional development and give value addition to the customer.

As a port developer what are the issues that you think need the attention of the government?

The government should come out of the confusion with regards to its preference towards major ports and non-major ports. There is no comprehensive plan or approach from the government to deal with issues of environmental clearance, plant and quarantine for agri-core products, the railways and national state highways. The government should also come up with an aggressive policy to treat port development in an integrated manner and not in isolation. Skill development should happen around the port, which eventually will lead to inclusive growth. **MG**



Coal & Oil Co. placed its vessel M V Rainbow berthed at the port in September. It discharged 48622 MT of thermal coal and left in two days.

Being a country with a majority Muslim population, strategic location and good trade facilities and infrastructures, Malaysia has, not surprisingly, emerged in stature as a key centre for halal products and services. It has put in place the necessary infrastructures and support base and to leverage on its advantages to become a premier hub for halal products. It has done well to capitalise on its strengths and advantages to position itself as a centre for investment, business, trading and distribution for halal goods and services, and has gained global recognition as an important hub for all things halal.

The country has grown from strength to strength from servicing merely the domestic market to catering to a wider marketplace not only comprising the Muslim diaspora but also other consumers worldwide. In the ASEAN region, Malaysia is the undisputed leader in halal trade and industry, and has gained global recognition for its efforts to facilitate the development of halal industry and trade. These include works in areas such as accreditation, certification, R&D, and dedicated halal shipping service.

Thanks to the sustained efforts of the government and strong public-private sector cooperation to promote halal industry in Malaysia, the country has been recognised as a business and trading centre for halal items of some significance. This is evidenced by the growing volumes and value of the production and trade of halal products in Malaysia.

Underlining Malaysia's seriousness to strengthen its position as a leading halal industry centre, the government has set a target in the Third Industrial Master Plan (IMP3) for Malaysia to become a global halal hub. Evident of the strong institutional support by the



Malaysia has quietly built a commanding leadership as a halal hub of choice for manufacturers, traders and consumers alike. Efforts in the halal field have led to the development of innovative halal solutions for a broad range of businesses.

by **Nazery Khalid**

government to develop and promote halal industry in Malaysia, several federal agencies have been mobilised to undertake this task. Chief of them are the agencies under the Ministry of Trade and Industries (MITI), namely Malaysian Industrial Development Authority (MIDA), Malaysian External Trade Development Corporation (MATRADE) and Small and Medium

Enterprises Corporation (SMEC – formerly known as SMIDEC).

Blessed with ample natural resources, favourable weather and strategic location in a dynamic economic region and major shipping routes, Malaysia has taken advantage of its features and characteristics to build its name as an international halal centre. It is at the forefront on

producing various products based on Sharia principles for the domestic and international markets, and providing halal-related services. Malaysia is widely recognised as a leader in Islamic banking and finance, and has pioneered the introduction of many Sharia financing products and structures. In addition, it also buys products and procures services from abroad to meet the demand and needs of its majority Muslim population, hence acting as a catalyst for the trading of halal goods and services.

The halal trade is not just confined to halal foods. There is a broad spectrum of activities based on Sharia principles that make up the halal industry in Malaysia (See Box).

Following are the initiatives undertaken by the government ministries and agencies to promote halal industry:

- Hosting of Malaysian International Halal Showcase (MIHAS), coming into its sixth edition in 2009, by MITI. Organised by MATRADE, MIHAS has emerged as the world's premiere halal event which provides a platform for the sourcing and trading of halal goods and services to producers and consumers around the world.
- Launching of MATRADE-MIHAS Incoming Buying Mission Program. Through this initiative, more than 500 buyers from around the world are brought to Malaysia to converge at the

exhibition to establish business networking with local businesses and agencies involved in the halal industry. Through MIHAS, MATRADE has successfully promoted Malaysia as a key venue for halal exhibition and trading platform for halal goods and services.

- Development of entrepreneurial skills and marketing potential of the Malaysian halal business community through the initiative of Ministry of Entrepreneur and Cooperative Development (MECD).
- Financing for SMEs in the halal industry by SMEC. The funds are given through grants for the development and promotion of halal products through SMEC's Halal Development and Promotions Grant. As of March 31, 2009, SMEC had approved RM 15.05 million to finance SMEs involved in halal industry.
- Organisation of various seminars, workshops and training programs to develop halal industry by federal and state government agencies, sometimes in cooperation with state government agencies.
- Participation of the ministry and agency officials in seminars and forums on halal industry worldwide, and organisation of road shows and trade promotion worldwide by government agencies to showcase Malaysia's halal industry.

Malaysia's advantages as an international halal hub

Malaysia has created a commanding position as a leader in the halal industry. Following are the factors/advantages that led Malaysia to emerge as an international halal hub:

- A country with majority Muslim population and surrounded by sizeable Muslim population*

Malaysia has a population of 27 million people, of which 60 per

Components of the halal industry in Malaysia

Activity	Products / Services
Food production and manufacturing	Fruits, vegetables, herbs, organic products, chocolates, drinks, drink mixes, beverages, palm olein, cooking oil, flour-based products (i.e. cereals, noodles, bakery items, biscuits), packaged foods (i.e. snacks, nuggets, burger patties, fish sticks), spice mixes, spice blends, seasoning, flavoring, ketchup, dough, butter
Feed milling	Animal feed
Livestock rearing / dairy production	Meat, poultry, eggs, milk, milk powder, yogurt, ice cream
Aquaculture / Fish farming	Freshwater fish, prawns, eels
Pharmaceuticals	Medicines, vitamins, supplements
Personal care and cosmetics products	Toiletries, toothpaste, mouthwash, grooming products, lotions, make-up, perfume
Textile	Apparels, clothes
Life sciences	Advanced biotech, wellness, medical products and services
Financial services	Financing structures, products and financial services such as banking, stockbroking, takaful (insurance) and asset / fund management based on Islamic Sharia principles
Tourism and hospitality	Halal-concept hotels and hospitality services, halal eateries
Logistics service	Transportation / warehousing / distribution services, supply chain management, cold chain services for halal products
Accreditation / certification	Issuance of halal certification / approval and halal logo
Human resource development	Training, workshops, audit programs
Events	Exhibitions, conferences, seminars, forums
R&D	R&D to ensure products and services are Sharia compliant

cent are Muslims. This provides a reasonably large critical mass for halal products. Serving this national base provides the springboard for Malaysia to cater to a significantly larger regional market in ASEAN and subsequently to the global Muslim population of 1.5 billion.

ii) *Rich in natural resources*

Malaysia is a country blessed with favourable weather condition and fertile soil which facilitates farming activities all year round and enables it to produce a stunning range of agricultural produce. It is one of the world's top producers of palm oil, and produces cocoa, vegetables and tropical fruits which provide raw materials for downstream processing and food manufacturing. Malaysia is also a prominent player in the livestock industry, and is self-sufficient in the production of poultry which provides a major raw material for food production. Being a nation with a long coastline, Malaysia is also rich in marine resources, with its total fishery production consisting of mainly marine catchments. Its wealth of natural resources provides it with ready materials for the production of halal foods.

iii) *Strong commitment by the government to increase food production*

The government has always stressed the importance of increasing agricultural production for the country, as evidenced by its liberal policy of allowing the duty-free import of raw materials used in food manufacturing. Although blessed with an abundant of natural resources, Malaysia still has to import raw materials to facilitate the production of halal products. To meet its growing needs for food and to reduce its reliance on imported

food, the government has launched several high-impact national projects to enhance food production as identified in the Ninth Malaysia Plan. These projects include designating an Aquaculture Industrial Zone, setting the target of creating 10,000 agro-based entrepreneurs, and launching the New Agriculture Integrated Development which consists of a National Feedlot Center, a Permanent Food Park and a Contract Farm.

iv) *Located along strategic shipping lanes*

Malaysia enjoys a tremendous advantage as a trading hub for being located along some of world's most important and busiest sea lanes. The location of Peninsular Malaysia along the Straits of Malacca, a key trade waterway connecting East and West trade, puts its major ports of Port Klang and Port of Tanjung Pelepas in a fantastic position to establish extensive connectivity with major shipping lines and the global halal market and to tap into growing transshipment trade in the region. Penang Port is located within the Indonesia-Malaysia-Thailand Growth Triangle, while Bintulu Port is strategically positioned within the Brunei-Indonesia-Malaysia-Philippines East Asia Growth Area.

Taking advantage of Malaysia's excellent location, the national shipping company, MISC Bhd, has launched a dedicated liner service carrying halal goods in 2006. Branded the Global Halal Express (GHX), the service links the Southeast Asia with the Far East and South Asia and the lucrative Middle East market. GHX is the world's first shipping service of its kind that exclusively caters to halal trade.

v) *Excellent trade facilitation and distribution facilities*

Tax incentive to promote halal in Malaysia

Underscoring the strong support of the Malaysian government to promote the growth of halal industry in the country, it offers attractive tax incentives to for halal food producers to set up base there. Under these incentives, businesses that have obtained halal certification are eligible for Investment Tax Allowance of 100 per cent of qualifying capital expenditure within a period of five years. The allowance can be offset against 100 per cent of the statutory income in the year of assessment. In addition to this attractive incentive, Malaysia offers a double deduction (for purposes of income tax computation) of expenses incurred by companies in obtaining halal certification. This incentive, fully backed by the Inland Revenue Board, is offered to enhance the competitiveness of Malaysian companies in the global halal products market.



MISC – At the forefront of halal logistics

Further evidence of the national carrier's support towards the nation's aspiration to become a global halal hub is the effort by MISC Integrated Logistics Sdn Bhd, (MILS) the liner's subsidiary providing one-stop logistics services, to offer a world standard halal logistics management solutions. This service is offered from the state-of-the-art Regional Logistics Hub (RLH) at Pulau Indah in Port Klang which features specialised facilities including halal cold chain and chilled storage centre. These facilities and the strategic location of the RLH and its Free Commercial Zone status put MILS in a great position to attract halal producers to use its services and to make Malaysia their base. The offering of such a specialised service and amenities will help in providing halal players with an untainted supply chain. RLH provides halal industry players with the opportunity to capitalise on MILS' extensive supply chain by gaining cost saving, reduced lead times and wider distribution of their products to their markets.

Malaysia has world-class ports in Port Klang and PTP which have modern facilities to efficiently serve large ships and handle large throughput volumes. These ports have extensive connectivity with other ports worldwide and are well-connected with various modes of transport such as road, rail and air. These ports attract the presence of many logistics players providing a wide range of services including halal supply chain management, and a host of ancillary services supporting maritime trade. Malaysia also features excellent highways, rail services and airports, and adequate trade distribution facilities such as warehouses and distribution centres. Also in place are very good value-added services to support trade such as financial institutions, electronic data interchange (EDI), and industrial growth and trade promotional agencies which form an extensive network of trade facilitators that has helped Malaysia to become one of the world's top 20 trading nations.

vi) *Pro-business, investment and trade policies*

The Malaysian government is very supportive of business, investment and trade activities by introducing a host of incentives to attract investors and promote the country as a choice location for businesses, industries and traders. It is acutely aware of the need for a trade-dependent and developing country like Malaysia to always enhance its competitiveness by way of adopting a set of policies which are friendly towards investors, businesses and industries. In national economic blueprints such as the Industrial Master Plans and Malaysia Plans, the Government places great



“Malaysia abides by global best practices in quality control and works hard at attaining world-class quality control in manufacturing.”

emphasis on attracting investors and promoting the country as a regional business and trading hub. Investors and companies enjoy various incentives in terms of tax breaks, profit repatriation, liberal equity ownership, non-restrictive employment policies and many other attractions.

The government has also established a high-level national body called PEMUDAH to make the process of conducting business in Malaysia more easy and efficient. Most recently, in a move that underscores the pragmatism of the government to adopt to international business practices, it has liberalised various key economic sectors such as finance and transport and has abolished the 30 per cent Bumiputra equity ownership ruling for listing on the Malaysian stock exchange. Such a move to de-regularise and liberalise the economy underlines the seriousness of the government to enhance Malaysia's attraction as a business and investment destination, amid growing competition from other nations

and regions and in the face of the challenging global economic situation.

vii) *Productive workforce*

Malaysia has a relatively young, skilled, hardworking, largely English-speaking and relatively cheap workforce. These are features which are highly coveted by multinational companies keen to gain advantage by setting up base in countries with low cost of production. The combination of local and foreign workforce – the latter estimated at 2 million – provides Malaysia with a significant advantage over more expensive locations in attracting investments and trade. The government pays keen attention to develop the workforce by adopting liberal policies to attract foreign workers, setting up various training facilities, institutes and centres. It also provides incentives for companies to employ expatriates with specialised skills and to attract and nurture skilled workers.

viii) *High level of quality control*

Focussing on quality and safety in the production of goods, especially foodstuff, has

become a priority in the manufacturing sector. Malaysia is fully committed to abide by international best practices in quality control and works hard at attaining world-class quality control in its manufacturing sector. Evidences of this commitment include the high-level involvement of the Ministry of Health in administering the system certification of the Hazard Analysis and Critical Control Point (HACCP). The ministry grants and maintains certification through surveillance audits, and HACCP consultants are on hand to provide professional services related to the certification.

The ministry also places great emphasis to laboratory facilities in the country in recognition of their pivotal role in ensuring the safety and high quality of foods produced locally. The efforts include continuous upgrading of laboratories in the ministry and the Department of Chemistry with advanced equipment and facilities. SIRIM QAS International Bhd – Malaysia's leading certification, inspection and testing body – awards the coveted and internationally recognized MS ISO 9001:2000 Certification of Quality Systems. Further evidence of Malaysia's uncompromising stand in ensuring a high standard of food production is the requirement for manufacturers to comply with the Food Act (1983) and Food Regulations (1985), two national legislations which regulate food production in the country.

ix) *Establishment of halal hubs*

Over the years, several states in Malaysia have developed halal parks as part of their integrated development plans to encourage investments, generate business activities and boost economic



Halal parks create business opportunities, generate employment, catalyse the infrastructure development and boost the growth and prosperity of the country.

growth. These parks are specially designated areas that host halal industry players in one place that offer all the amenities and support they need to operate their business. The establishment of halal parks and the promotion of halal activities contribute to the development of socio-economic well-being of the people residing in the area and beyond. Halal parks create business opportunities, generate employment, catalyse the infrastructure growth and boost the growth and prosperity of the host areas in particular and the nation in general.

x) *Strong focus on R&D in the agriculture industry*

The Malaysian government is committed to enhance the level of R&D in food production in the country. Testimony to this is the establishment of several agencies to conduct R&D in various areas such as agriculture, biotechnology, palm oil, forestry, fisheries, cocoa and rubber.

xi) *Strong commitment by the Federal and state governments to*

support and promote Malaysia as a halal hub

The tremendous growth of the halal industry in Malaysia and its emergence as a halal hub of international repute can be largely attributed to the tireless effort of the Malaysian Government to support and promote the industry. The Malaysia halal industry owes its success to the many Government initiatives that have played a key role in ensuring that its development is undertaken in an orderly and coordinated manner.

A key initiative by the government is to set up a solid institutional framework to support the halal industry. At the forefront of the halal industry development is the Halal Industry Development Corporation (HDC), Malaysia's sole halal developmental authority on halal initiatives and halal-related matters. It also acts as an approving authority for products and services seeking halal

accreditation. HDC has been instrumental in helping the halal industry in the country to grow to the size that it is today and in realising Malaysia's ambition to become a global halal hub. It has helped develop strategies to unify all halal industry players to create a critical mass of a nationwide 'halal economy' and community made up of small- and medium-scale enterprises (SMEs).

xii) *Development of value-added halal related services*

There are several government agencies set up to provide value-added services to halal-related businesses. Key among these services is halal accreditation for products and services provided by HDC. It certifies all halal food products under the MS1500:2004, Halal

Food Certification standard introduced by the Malaysian government which incorporates the Good Manufacturing Practice (GMP) and hygienic sanitary requirements. In addition to this, HDC also issues halal accreditation to hotel and eateries which comply with the stipulated standards required of halal premises. There are also various government agencies involved in the process of inspecting and certifying halal products including Standards and Industrial Research Institute of Malaysia (SIRIM) and Ministry of Health. These agencies work together to grant halal status to products, services and industrial parks / hubs and facilitate the implementation of accreditations such as HACCP and ISO.

Towards attaining global halal hub status

The Malaysian government is fully committed to make Malaysia into a global halal hub and has done well to enhance the country's reputation and attraction as a halal centre of prominence. The factors that have helped Malaysia to successfully emerge as a leading player in the halal industry in many aspects can be exploited further to turn it into a global halal hub. In attaining this status, Malaysia hopes to serve as the gateway for players in the halal industry worldwide converge, do business, source products, exchange ideas, conduct R&D, get accreditation and certification, and trade with one another. **ME**



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Technical assistance

Lemang to benefit from PetroChina expertise

Indonesia's Hexindo and Singapore listed Ramba Energy have inked a technical assistance agreement with PetroChina to explore and develop the gas resources in Indonesia's onshore Lemang block.

PetroChina operates the nearby Jabung project, which is exporting about 135 million cubic feet per day of gas via existing pipelines to Singapore. Jabung is producing gas via two plants, one of which is near Lemang block. The first exploration well is likely to be drilled before the end of the year, followed by two more wells and seismic acquisition in 2010.

Premium exhibition

Agility wins contract

Agility Fairs & Events has secured a multimillion dollar contract to manage the on-site logistics for ITMA, the International Exhibition of Textile Machinery, the world's largest and most established textile machinery exhibition, to be held in Barcelona in 2011. "This is a landmark win for Agility to handle the on-site logistics management for the world's most prestigious textile machinery event. ITMA will be held at the new Fira de Barcelona Gran Via venue from September 22-29, 2011," Agility said.

SE Asia solutions

TNT launches service

TNT has launched a dedicated service set to provide improved solutions for the service logistics sector in Southeast Asia. The enhanced service called Storapart enables customers to optimise inventory holding and transportation for critical spare parts around the region.

The aligned service offering is designed to capture more growth in the service logistics market which stands at € 2.3 bn in the Asia-Pacific market and around € 410 mn in Southeast Asia alone, a press release said. "By using TNT, customers can leverage on our extensive, secure networks and distribution infrastructure within India and also in Europe and Asia just through one point of contact," TNT's director of Sales and Marketing, Sanjiv Kathuria, said.

TNT has completed its intensive studies of India and will be launching a high-growth strategy early next year.

Marlink innovation

New Polarcus seismic fleet

Global satellite communications provider Marlink has recently signed a new three-year contract with UAE-based maritime geophysical company, Polarcus DMCC. The new agreement includes delivery and installation of Marlink's Sealink C-band VSAT services onboard four Polarcus innovative 3D seismic vessels being built at Dubai Drydocks World in the United Arab Emirates.



Customised to meet the specific requirements of the new Polarcus vessels, the Sealink VSAT system includes dual C-Band antennas with automatic switchover, dedicated duplex bandwidth through a single channel per carrier satellite link. Gunnar Andre Valle, regional director for Marlink in the Middle East, India and Africa hoped the new technology will find takers in the regional market.

Peak season

MOL surcharge up

Mitsui OSK Lines said it will apply a peak-season bill of lading surcharge for all shipments from Europe and the Mediterranean to Asia for all equipment types. The surcharge, effective from November 1, 2009 and extended till December 31, 2009, will be US\$100 per TEU.

Going green

STX to build eco ships

STX Europe, a global shipbuilder announced that it has signed a contract with Deep Sea Supply to design and build an environmentally friendly Platform Supply Vessel (PSV). The PSV 09 CD design is optimised for eco-drive in all weather conditions, and also to reduce water resistance and improve fuel consumption. The ship will be designed by STX Europe in Ålesund, Norway in the first quarter of 2012.



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Indo-ASEAN FTA

Kerala Gets a Raw Deal

The recently signed free trade agreement with ASEAN trade bloc has attracted more criticism than laurels. Indian government seems to have neglected some of its agri-based industries in FTA. By not including them in the sensitive list, there is a risk of forcing these industries into the history.

by *Susenjit Guha*

If one gets taken in by the much touted success and the 'negative list' of the 489 very sensitive products in the Indo-ASEAN Free Trade Agreement (FTA), one would be ignoring the great amount of damage done to the state of Kerala. In a state where 80 per cent of the agricultural produce is exported, Kerala has received a raw deal. With nearly 32 million people, the state is perhaps paying for its Marxist-ruled government that has all along opposed the pro-liberal policies of the UPA government tooth and nail.

Not only is it a great blow to centre-state relationship as Kerala was not consulted before going ahead with the FTA with ASEAN, the trade gain that is being bandied about makes India a loser once again.

Assurances of the UPA government that tea, coffee, pepper, crude palm oil and refined palm oil are on the highly sensitive list – that would be subjected to partial duty cuts in 2019 – sounds hollow as the ground realities are different. Coconut farmers in the state are affected by the 7.5 per cent tariff on refined palm oil and zero per cent on crude palm oil. There is enough room for manoeuvring under the FTA as tariffs can be jacked up to 45 per cent for refined and 37.5 per cent on crude

palm oil if imports threaten in future. To stave off any damage from an import surge, the WTO has pegged the tariff protection rate at 300 per cent for palm oil. And it was India that lobbied hard with WTO to get this high figure mandated. In a flash of a deal, it has now chosen to ignore the lobbying part.

The government's claim that tea and coffee with a reduced tariff from 100 to 45 per cent and pepper from 70 to 50 per cent would be protected is beyond logic as comparative

“With nearly 32 million people, the state is perhaps paying for its Marxist rule that has all along opposed the pro-liberal policies of the UPA government tooth and nail.”



Courtesy: Nick Maldonis

productivity with the ASEAN is far low. While Kerala produces 380 kilos of pepper each hectare, Vietnam and Indonesia are miles ahead at 1.2 tonnes and 3 tonnes respectively. Even coffee productivity is low at 765 kg per hectare while in Vietnam, it is 1.7 tonnes per hectare. High costs can make inroads for cheap coffee from Vietnam while pepper imports will affect local produce. And



Courtesy: Jacob



with the FTA in place, Kerala's rubber industry may be part of history.

"A free trade agreement with the ASEAN is an international political commitment and is also part of the 'Look-East' policy," Prime Minister Manmohan Singh told cabinet colleagues. Integration with ASEAN has become imperative as India could not be seen missing the bus as the FTA would open the floodgates for Indian businessmen. Shades of the N-deal keeping our sovereignty intact speeded up so that India can integrate. And now, the Nobel peace laureate Barack Obama will perhaps

pursue with renewed vigour to make India destroy the stockpiles of weapons. India seems to be losing out on all fronts and it is not only trade deals like the FTA with ASEAN. Balochistan and the Indian hand – thanks to Sharm Al Sheikh – are being frequently brought up by Pakistanis whenever there is a terror attack inside their country.

On the face of it, the scenario of ASEAN's 600 million people and India's more than a billion looks lucrative enough for deals like these only if we emerge real gainers. But have we really won or just

maintained our record of losses? India has to integrate with the global economy, but at what cost? Countries like Japan and many other nations are re-thinking strategies to loosen up total reliance on a running-amuck-free market that can have disastrous economic and social consequences while India chooses to go ahead full throttle.

But the Central government's arguments of increased productivity and integration looks fine on the face of it, but according to Thomas Verghese, noted agricultural scientist and chairman of Kerala State Spices Board, "There are huge differences in productivity, labour costs and inputs in the participating countries which cannot be easily bridged." And Kerala had been at the receiving end earlier when cheap Sri Lankan coconuts under South Asia Free Trade Agreement (SAFTA) depressed prices in 2006. If high wages at US\$ 6 per day for farmers in Kerala is irksome, then what does the central government have in mind for the 4 million of them that are dependent on coconut cultivation? FTA with ASEAN could see cheap coconut oil from Philippines flooding the Indian market in the coming years when the India-ASEAN FTA becomes operational in 2010.

It is not only agricultural produce that would face disaster in Kerala, but the fisheries sector that is the livelihood of 2 million in the state would also be affected. Cheap imports from Thailand would flood the market with 177 species of fish while fishermen would be forced to look for livelihood through other means. Already fishermen in Kerala are suffering due to over-fishing by foreign vessels and dipping prices.

And before going through the FTA with ASEAN, both the agricultural and the fisheries sector were not at all taken into confidence by the central government. India could face threats from Thailand and Vietnam, known for their high seafood exports.

“FTA with ASEAN could see cheap coconut oil from Philippines flooding the Indian market in the coming years when the India-ASEAN FTA becomes operational in 2010.”

The main rankling point is the negative list that contains major cash crops as they would remain for a few years. And it is not known whether the items would be able to compete in the next few years when tariffs get paired down. According to Verghese, the central government has done nothing to support price fluctuations after the shift from staples to cash crops. Compared to the 2,200 items that make up the total sensitive list of the 10 ASEAN nations, India's list contains only a fourth of the figure. India has not inked the deal with a particular nation, but a bloc and the figure of 2,200 should not be broken down, but taken cumulatively. India looks a loser as cheap imports will flood markets while ASEAN would be able to safeguard theirs.

Case for the FTA, signed by Union Commerce Minister Anand Sharma on August 13, 2008 in Thailand, is the more-than-fivefold jump in Indo-ASEAN trade from 2000 to 2008. Bilateral trade is expected to reach US\$ 50 billion on the crest of the deal. It is India's first pact with a trade bloc that enjoys a combined GDP of more than US\$ 2 trillion. Duties are also expected to be eliminated in a phased manner on machineries, textile, chemical and electronic goods. Indian exporters are also expected to have greater access. But in the same period 2000 to 2008 when trade soared, Indian

imports from ASEAN also jumped five-fold from US\$ 3.5 billion to US\$ 14.5 billion contributing to our present 15% per cent trade deficit. How will this gap be bridged if exports to ASEAN doesn't leapfrog which is again highly unlikely? Despite the lower tariffs in ASEAN, India could not push up exports to that region and was unable to match import prices. Will we be able to match imports with increased exports? Not likely.

Another possible case for the deal is the lucrative services export prospect in which India ranks among the first ten. After the US, ASEAN imports total nearly US\$ 150 billion. According to a report by Arjun Sengupta, the shining portion of India we see – that includes those employed in the services sector – represents barely 24 per cent of the population while those that would be affected directly by the FTA, the farmers, fall in the 76 per cent. If one hears the drumbeat of pro-poor policies and proposed firewalls against farmer suicides in future from the UPA government, one should take it with a pinch of salt.

While 80 per cent of the items imported from ASEAN consisting of 10 nations – Thailand, Myanmar, Indonesia, Malaysia, Philippines, Singapore, Laos, Vietnam, Cambodia and Brunei – with a collective population of 56 million will see a waiver of import duty, India with 1.07 billion will have to settle for much less.

And the major blowback would be felt by Kerala, dependent on the very items threatened by the FTA with ASEAN. As the backbone of the state's economy goes under the hammer in the name of global integration, more than half a million farmers and fishermen would be hard pressed for a livelihood in the years ahead. **ME**



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



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In what looked like protecting its customer and the orders therein, it turned out to be a fierce battle with the arch rival in gaining the management control of the customer. Yes, Bharati Shipyard Limited (BSL) is having a face-off with its competitor ABG Shipyard Limited (ABG) to takeover Great Offshore Limited. This is the first time in the history of India Inc. that a vendor has announced to take over its client whose revenues, profits and market capitalisation far exceed those of the vendor.

However, it is not new for shipbuilding companies in Europe to own shipping firms as they see strategic advantages, like diversification of risk, in the long run. But what makes this particular battle different from others is the wide difference between the offer prices announced by the warring shipbuilders. Now that BSL and ABG are expecting SEBI's approval for their open offers, the industry is waiting to see how things turn out once the approval is granted.

How equipped are they?

Both the shipbuilders are sitting on huge piles of orders. While BSL has an order book of Rs 5,000 crore, ABG has already sealed deals worth Rs 12,500 crore. ABG's turnover for the year 2008-09 stood at Rs 1,419.47 crore and profit after tax (PAT) at Rs 171.10 crore. The corresponding figures for BSL are Rs 1019.07 crore and Rs 133.32 crore. ABG leads Bharati in both turnover and net profits. But Bharati enjoys a less net profit to turnover margin indicating lesser interest payments and other expenditure. In fact, BSL's debt component of Rs 700 crore is far less compared to that of ABG's Rs 1,600 crore. Therefore, given their financial positions, both the companies are capable of raising funds required for the acquisition – either through debt or equity route. To this extent, BSL has announced to raise funds to an extent of Rs 250 crore through rights placement. ABG too has the approval

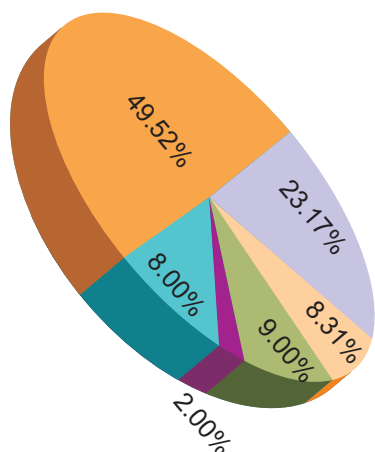
Who Wins The Golden Duck?

Two of the largest private shipyards in India are standing face-to-face with their weapons drawn out and ready to go for acquiring the controlling stake in a company that can propel them to new heights. As the battle for the golden duck continues, Maritime Gateway takes a look at how well they are equipped for the acquisition, the impact the acquisition will have on their cash flows and how the standoff will affect the targeted company.

by Jagadeesh Napa

Shareholding Pattern of Great Offshore Ltd. as on October 9, 2009

Bharati Shipyard Limited	-	23.17 %
ABG Shipyard Limited	-	8.31 %
Insurance companies and banks	-	9.00 %
Mutual Funds	-	2.00 %
FIs	-	8.00 %
Public	-	49.52 %



BSL to raise Swan Hunter from the ashes

It was in April 2007 that India's second-largest private shipbuilder Bharati Shipyard bought Swan Hunter, a vintage shipyard located on the North bank of River Tyne.

The purchase was historic – an Indian company buying a British asset, which was one of the best shipbuilders in the world.

Swan Hunter is 149 years old and was the birthplace of many a ships like aircraft carriers and commercial vessels. Having found the equipment of Swan Hunter was still in excellent condition, BSL started dismantling and shipping Swan Hunters' cranes and floating drydock from April this year and it has finally arrived at Dhabol in Gujarat.

It will be commissioned by the end of 2010 and will give BSL the ability to make ships that can carry up to 250,000 dead weight tonnage (DWT). But it is learnt that the BSL's management will restrict to 1,00,000 DWT for now as the demand for this is much higher.

“The winner will have steady cash flow, competitive edge as well as a ready captive client with growing business to keep the shipyards busy.”

from its shareholders to raise funds up to Rs 480 crore.

On the other hand, the status quo in the face-off remains. After the September 16 announcement of BSL's revised offer, no counter offer was made by ABG. Yet, it has not backed off either. Now that both the parties are awaiting SEBI's approval for proceeding any further and making a revised offer, this looks like a welcome pause in battle for both the parties. They are utilising this time in beefing up their reserves and tying up with partners to raise funds.

The benefits

Once acquired, winner will have both steady cash flows as well as the competitive edge. The biggest benefit will be diversifying the risk and consolidating the position through forward integration. Further, the winner will have a ready captive client with growing business to keep the shipyards busy.

Great Offshore provides a variety of services to upstream oil and gas companies in their exploration and production activities. It closely works with the likes of Oil and Natural Gas Corporation of India Ltd. (ONGC), L&T, SMOE, Iranian Offshore Engineering Construction Co., Mubarak Marine LLC and Hyundai Engineering. It has got a fleet of 41 offshore assets, many of which are leased out to its clients on long-term contracts. Such contracts are the major sources of revenue and bring in steady flow of cash on long-term basis. The fleet also includes 11 harbour tugs that are being operated at major and private ports across the country.

Whoever acquires Great Offshore – BSL or ABG – will benefit from the readymade cash flows. For the year ending March 31, 2009, Great Offshore registered a turnover of Rs 1,139.2 crore and a net profit of Rs 275.07 crore. The synergies are evident as the consolidated benefits of the combined entity will be far greater in the long run. Therefore, Great Offshore remains a luscious bounty waiting to be acquired.

Back to business

Meanwhile, Great Offshore, which was orphaned after the resignation of its erstwhile promoter Vijay Sheth from the helm of affairs, is trying to bring back normalcy in its operations. Board of directors of the company appointed Keki M Elavia as its new chairman. Though the stock price skyrocketed in the last few months, the acquisition war affected the operations of the company badly. Recently, Axis Bank walked out of the deal to fund the purchase of oil rig that is being built by BSL. The first oil rig to be built by an Indian shipyard was due for completion in April 2009 and was to be handed over to ONGC on a five-year contract. But inordinate delays from BSLs end have caused a lot uncertainty regarding the delivery. Industry experts feel that Axis Bank walked out due to the perceived risk of rig being unemployed after its construction. As the contract with ONGC stands cancelled, Great Offshore has to look out for a suitable client and arrange for a fresh contract to dispel the prevailing ambiguity. In the current market conditions, there are few chances for the company to find any takes.

Chronology

- May 06** P C Kapoor of BSL bought 14.89 per cent stake from Vijay Sheth, the promoter of Great Offshore at Rs 315 per share. These shares were earlier pledged with Kapoor by Sheth.
- May 30** Vijay Sheth resigned from his post as vice-chairman and managing director of Great Offshore
- June 03** BSL made public its intention to acquire an additional 20 per cent stake at Rs 344 per share. The offer was to open on 25 July and close on 13 August.
- June 23** ABG made an open offer to acquire 32.12 per cent stake in Great Offshore at Rs 375 per share. ABG has been buying shares of Great Offshore from open market since February 2009 and owned 2.13 per cent stake in the company when this offer was made. The offer was to open on 13 August and close on 1 September.
- BSL immediately acquired a majority of the personal stake held by Bharat Sheth family, promoters of Great Eastern Shipping. It bought 4.58 per cent stake from Bharat Shah family at Rs 403 per share on the same day ABG made the open offer. With this BSL owned 19.47 per cent in Great Offshore at an average cost of acquisition of Rs 335 per share.
- July 04** BSL announced its revised offer to buy another 20 per cent stake at Rs 405 per share.
- July 30** Kotak Mahindra Bank, on behalf of ABG, revised its offer price to Rs 450 per share. Meanwhile, ABG went on to buy 5.19 per cent stake through two block deals at an average price of Rs 449.99 per share from Sundaram BNP Paribas Asset Management Co. Ltd. and DSP BlackRock Investment Managers Pvt. Ltd.
- Aug 03** ABG acquired another 0.38 per cent stake at Rs 498.39.
- Aug 05** ABG revised its offer price to Rs 520 per share. As on this date, it owned 7.87 per cent stake in Great Offshore with an average cost of acquisition of Rs 399 per share.
- Aug 08** Asha Sheth from the promoter's family sold 0.65 per cent stake in Great Offshore to AAP Investments of New Delhi at Rs 554 per share. Subsequently, she sold her entire stake in the company to an undisclosed buyer.
- Sept 16** BSL acquired another 3.01 per cent in Great Offshore through bulk deals at an average price of Rs 558.81 per share. This takes BSL's stake in Great Offshore to 22.48 per cent. It is just 3.52 per cent short of the magic figure of 26 per cent to gain management control over Great Offshore. It raised its offer price to Rs 560 per share.



Though a spokesperson for Great Offshore stated that the rig will be ready by March 2010, experts say the delay in the construction could go further up till December 2010.

Great Offshore is also acting quickly to minimise the impact caused by the potential acquirers on the day-to-day affairs of the company. As part of boosting morale in its workforce, the company filed at least 60 caveats on both the shipbuilders in all the courts of Mumbai jurisdiction. Caveat is a precautionary measure wherein an advance intimation of caution is issued to restore normalcy in the daily course of business in case of litigation from the potential acquirers. If any of the shipyards seek legal recourse in the acquisition process, the daily business of Great Offshore should not be affected due to the hassles involved and the legal procedures involved therein should not negatively impact the functioning of the company.

In any case, the stand-off still continues. BSL is expecting SEBI's approval shortly and

BSL ups stake to 23.17 per cent

In a fresh move, BSL upped its stake in Great Offshore by another 0.69 per cent to 23.17 per cent on October 8th. Now it is only a mere 2.83 per cent away from the magic figure of 26 per cent which gives it a say in the management of the company. BSL bought this stake through its subsidiary Dhanshree Properties at Rs. 555 per share from two investors in separate deals on BSE. BSL had also made public, in a definitive statement, its intention to acquire the management control of Great Offshore to effect.

getting ready for another sweetened offer. ABG too is not far away from countering the bid. If one of these rivals intends to withdraw and sell their stake, they still go home happily with the premium earned on their stake.

Twenty percent of BSL's order book comprises Great Offshore's orders. That includes the oil rig and some offshore vessels. As Bharati is constructing the rig, it can gain more the acquisition. The rig can fetch more margins to BSL than to a third party. But if ABG gains upper hand and acquires Great Offshore, it can be a big blow to BSL. With the SEBI's nod still to come, everyday counts for these two rivals – the earlier the better. **MG**

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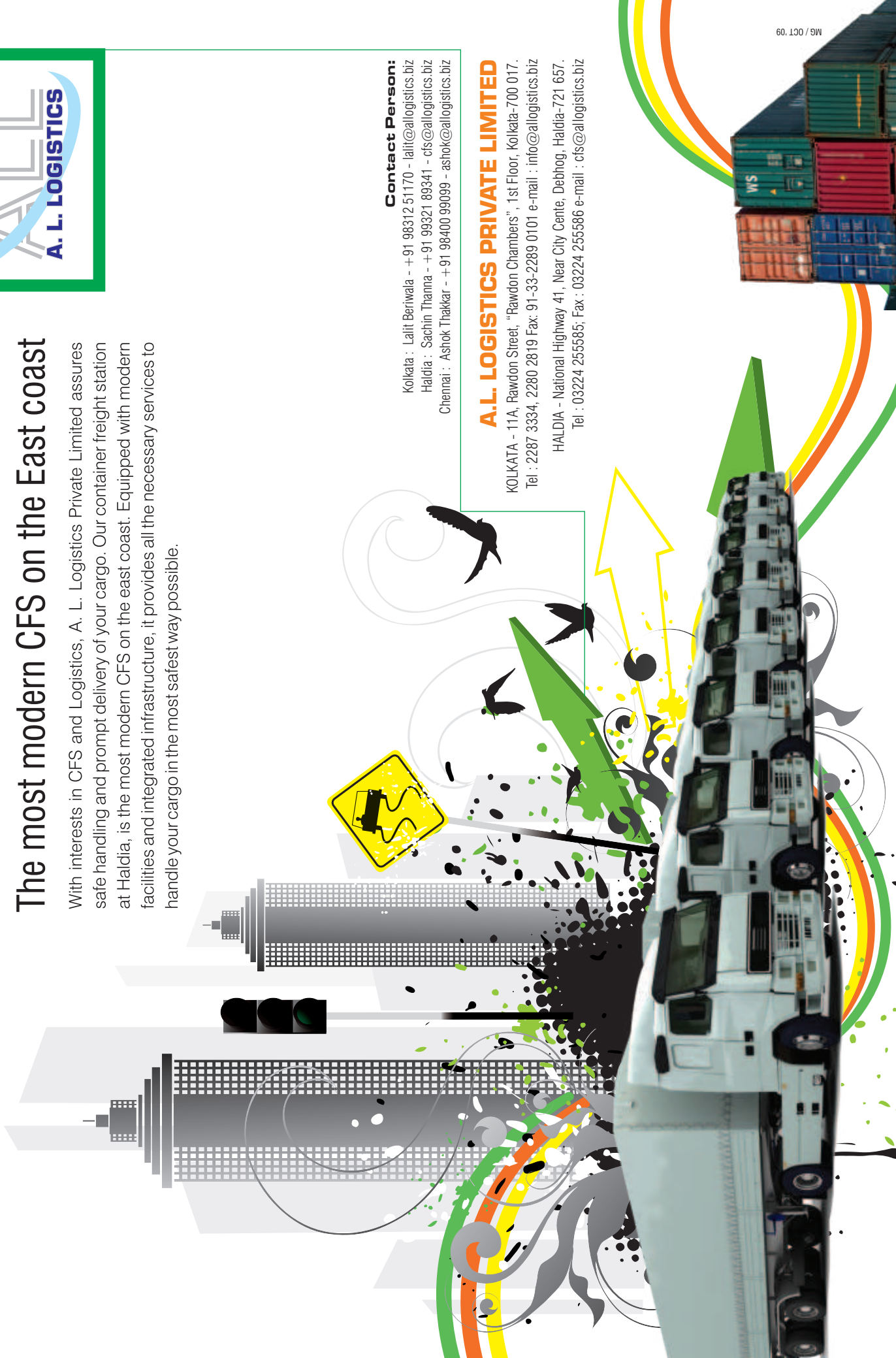
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Future Patterns



Recent technological advancements are pushing the shipping industry towards a better future. Here's a quick look at innovations made in ship propulsion and scrubber systems as part of creating sustainable technologies.

by **Raunek Kantharia**

The maritime industry is experiencing a wave of new shipping technology and design. As technology advances and uses for ships expand, the shipbuilding and design industry is also evolving and preparing itself for the future. In the process, there have been many new issues that have come to the fore and accelerated the design changes. These drivers of change include fuel costs, reduced crewing, speed, security issues, pollution regulations, stealth needs, human factors, safety, geopolitical changes, multi-mission requirements, and acoustic quietness. Among these, two prime issues – carbon foot prints and increased efficiency of ships – are the main drivers that have brought a major shift in the maritime research and development. This article describes two recent technical innovations that have created a stir in the maritime world by attending to the prime issues mentioned above.

M-hull technology

M-hull technology is a recent development in the field of ship propulsion and hull design system. As the name suggests, M-hull technology employs a specifically



By capturing the frothy bow wave, the vapour/fluid flow field passively dampens the visible and acoustic signature of the ship. The stern wake energy that moves away from the vessel is inhibited by the presence of millions of captured air bubbles under and trailing the ship. In the same way, noise from the vessels passage and its machinery is reduced.

designed 'M-shaped' hull to create an air cushion below the water craft for reducing the water drag. The M-shaped hull recaptures the bow wave (the wave that forms at the bow of the ship when it moves through the water) in order to use the bow wave energy to create an air cushion. This reduction in drag offers extremely efficient cruising speeds not normally associated with the conventional water crafts.

Why use M-shaped hulls?

All the conventional motor and sail powered displacement vessels

generate a bow wave as they move in water. This bow wave is followed by a trough and stem wave, generated due to the hull form and friction. For any displacement vessel, bow wave is a function of the speed of the ship, its draft, surface waves, water depth, and the shape of the bow. This means that a ship with a large draft and a blunt bow will produce a large wave, while ships that have a plane bottom surface will create smaller bow waves. The bow wave will also increase in amplitude with the ship's speed until propulsion power is insufficient to climb the wave.

The bow wave has a tendency to first move forward at the hull speed and then to lose speed and move at an angle away from the hull. When this happens, a sufficient amount of energy is generated which can threaten other nearby boats and even cause damage to the foundations of a land/water interface. Moreover, ships with heavy diesel engines generate stronger propeller wave action and noise pollution. All these problems are accentuated when boats or ships operate at lower speeds and make sharp turns in constrained areas. The rudder which is less effective in such

conditions generates more bow waves and noise pollution.

M-hull technology is, therefore, suited more for small displacement boats with stem-mounted internal combustions engines. These small boats are generally of two types – Displacement boats, which are efficient at low speeds but have a specific hull speed limit and planing boats, which are inefficient at low speeds but have superior power and planing surface to eradicate hull speed limits. Bow waves generated by these boats initially move at the boat speed but then the speed decreases due to friction. This leads to the generation of harmful bow waves which loses a significant amount of propulsion energy when converted into waves, causing major inefficiency. Boats with twin hull also generate damaging bow waves. However, they have an advantage over conventional mono-hull with their increasing stability and reduced frictional drag. Thus, there is a need of an alternate hull design which allows greater efficiency with higher speed. M-hull technology perfectly attends to this need.

Construction and working of M-hull technology

M-hull, the new breed of hull, has an ability to transcend the limitations of

a conventional hull form. The unique design of M-hull consists of three interrelated features that improve the ship's performance. They are the central displacement section, the planing hulls and the rigid skirts. The central displacement section with a deck extends laterally to support the vertical parallel skirts. The skirts form planing tunnels on opposite sides of the central displacement section in such a way that the skirts are able to recapture the bow wave into the planing tunnels. The recaptured bow wave spirals through the planing tunnels, trapping incoming air and forcing it aft. The ceiling of the planing tunnel are sloped downward to the approximate water line about mid-ship so that they help compress the aerated water to form an air cushion for lift and reduced friction drag.

The biggest advantage of M-hull technology is that the air cushion increases at higher boat speeds. This leads to two important phenomenon – increase in horsepower-to-steam ratio and improvement of boat's efficiency in both upwind and



The M-hull's geometry consists of three interrelated features that improve ship performance - the Central Displacement Section, the Planing Tunnels and the Rigid Skirts.

downwind with increase in speed up to 25 per cent. Moreover, by capturing the frothy bow wave, the fluid flow field passively dampens the visible and acoustic signature of the ship.

The first vessel to be made with M-hull technology is Stiletto, an 80 by 40 foot wave-piercing hull built entirely of carbon fibre. The vessel's specially designed M-hull channelises the energy that normally is produced as wake in a conventional craft, into the tunnels created by the M-shaped hull form, thus producing a hydrodynamic lift as the vessel makes way through the water. Capable of speeds up to 50 knots, the craft passively lifts itself out of the water about a foot as it speeds along reducing drag.

The stern wake energy that moves away from the vessel is captured by millions of air bubbles captured under the ship. This phenomenon drastically helps in reducing the noise from the passage and machinery.

Using M-hull technology has provided dominant advantages over conventional designs in terms of ride quality with speed, stability and range. Moreover, it has been proved that combining two or more M-hulls will allow large combat and transport ships to transcend the hull speed limit. If this holds true practically, then the future holds very bright prospects for this spectacular technology. [MG](#)

The knowhow

Advanced M-hull technology combines ship design elements for a new relationship between hull, air and water

- Wave piercing front end
- Multiple lifting surfaces
- Captured wave/air lift
- Automatic ride control
- Reduce viscous drag
- Dynamic stability
- Reduced pitch and roll
- Very shallow draft
- Increased payload fraction
- Shock Mitigation
- Wake signature reduction



New Wartsila Scrubber System

The continuous rise of sulphur oxide in the environment is creating numerous problems for the greener world. The shipping industry has also recently come into the lime light for its increasing contribution to the global carbon emission, affecting the environment. The maritime world, as a whole, is fighting hard to curb these problems by introducing and innovating solid measures to reduce its carbon foot prints. All the major maritime companies and equipment makers have readily embraced the issue confronting them and are leaving no stone unturned in fighting the problem.

Wartsila, a pioneer in making marine products, has been a substantial contributor from the start for creating environmentally compatible technologies. The company's new scrubber system has made a significant contribution in dealing with the recent issue of the sulphur oxide emissions into the atmosphere. Wartsila's new scrubbers offer a proven solution for markedly lowering sulphur oxide emissions. An after-treatment device for removing sulfur oxide from the exhaust gas, the Wartsila scrubber is the first ever marine scrubber to be awarded a certificate by Sulphur Emission Control Area (SECA). The certification is also an important



“SOx-scrubbing is being seen as an increasingly attractive way of minimising operational costs by using HFO in an environmentally friendly way.”

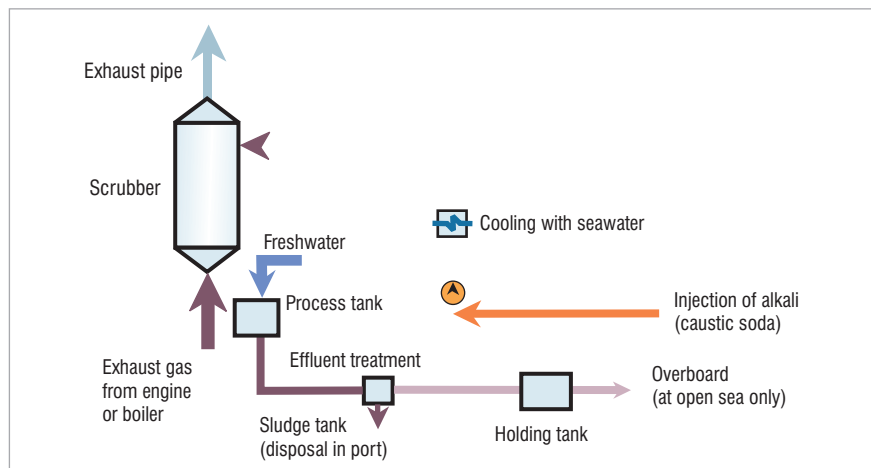
recognition of Wartsila's intensive and long-lasting development work in the field of maritime research.

Wartsila's scrubber is a closed loop fresh water scrubber that neutralises sodium oxide from the high and low sulphur oils using sodium hydroxide

(NaOH). This full-size scrubber test plan was first tried on board *MS Suula* for cleaning the exhaust gases from the ship's 4-cylinder in-line Wartsila 20 auxiliary diesel engine. Tanker *MS Suula* usually moves in SECA Baltic Sea area and thus was the right vessel for testing the plant.

Scrubbing the engine exhaust

Scrubbing of the engine's exhaust gas is done with either fresh water or sea water. Alkalinity is needed in the scrubbing water to neutralise acids and thereby achieve SO₂-reductions. A bit of alkalinity is already present in sea water; however, it can also be induced using alkaline chemicals. Since sea water is available in abundance when the ship is at sea, using it is an obvious choice. The main advantage of using seawater scrubber is that there is no need for additional chemicals. If the alkalinity of sea water is not enough,



chemicals such as hydroxide, borates, silicates, phosphates, ammonium, sulphides, and organic compounds are added to it. However, for high efficiency cleaning fresh water scrubber is more favourable.

The International Maritime Organization (IMO) limits the allowable sulphur content in marine fuels, but allows SOx after treatment. Wartsila's scrubber system, however, helps ships in discharging clean effluents or collecting them in a holding tank for scheduled, periodical discharge if an operation in zero discharge mode is requested.

We will take the help of a figure to understand the process of exhaust gas washing. As shown in the figure, the washing solution is pumped from the process tank through a system cooler to the scrubber. From the scrubber the washing solution

returns to the process tank by gravity. NaOH is fed into the system via a small feed pump. Topping up of water is needed to the extent that evaporated or discharged water exceeds the humidity in the exhaust gases. A small portion of the scrubbing water (bleed off) is taken and sent to the treatment unit. The treated effluent is discharged overboard or sent to a clean bilge water tank or suitable holding tank. The contaminants are transferred to the vessel's sludge tank. The exhaust gas plum of the scrubbers generally has high relative humidity. Wartsila's scrubber has a special feature to minimise the water loss to the atmosphere and thus the need for topping-up of water.

The certification by the SECA guarantees that Wartsila scrubber is capable of removing SO₂ with an

efficiency of almost 99 per cent throughout the load range and with both types of fuels. Since the most common fuels used in marine diesel engines are heavy fuel oils with sulphur contents typically of 1.5 to 3.5 per cent, scrubbing exhaust gases from these engines is an environmentally friendly and cost-effective alternative for reducing sulphur oxide emissions down to 0.1 per cent.

Also, with more stringent regulations related to environment looming in the future, SOx-scrubbing is being seen as an increasingly attractive way of minimising operational costs by using HFO in an environmentally friendly way. The interest of shipping companies for scrubbing technology is also steadily increasing, as government authorities work actively to develop new environment regulations everyday. **MG**



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Stuck in Silt

While the Haldia Dock Complex is facing troubles to contain the heavy siltation in its channel, the KoPT management is hard-pressed to find a feasible solution to the perennial problem.

by Jagadeesh Napa



Can Haldia dock resume its operations after this lean season? This is a 'sticky question' that is demanding an immediate answer. But alas, the answer seems nowhere to be found. Haldia Dock System is the famed gateway to east and northeast states in India as well as to the neighbouring landlocked countries like Nepal and Bhutan. Bangladesh, on the other hand uses this port as the gateway for trade with India. Haldia also serves the container trade as the transshipment point to Singapore.

The erosion of soil on the upstream waterbed has resulted in rapid siltation in the approach channel of the Haldia dock and reducing the draft in the navigation channel. Haldia has been the only port in this part of India to handle larger vessels and its draft fell from 9 metres to less than 7 metres as a result of siltation. This has rendered even Handymax vessels unusable at this port and Supramax seems to be the largest vessel size that can enter the channel in the present conditions. Silting of the channel and berths at Haldia is

not a new phenomenon and maintenance dredging is carried out round the year. But the severity of recent silting has left Haldia with no option but to close the port for bigger vessels.

Currently dredging is carried out only to arrest further fall in the draft and not to increase the draft. While the port management and the shipping ministry are searching for a feasible long-term solution, situation at Haldia is becoming worse by the day. As on October 04, 2009, there are about 30 to 35 ships with cargo loads waiting at the mouth of the Hooghly River to enter the port. However, the port management seems to consider this as a routine issue as they became used to such long waiting lines. Kolkata Port Trust (KoPT) deputy chairman A Majumdar told media that the damage to the port due to the siltation would be limited. While dredging is the immediate step to arrest the siltation, the port management has no clue as to how to solve this problem. There is also an option under consideration of using the alternative channel, but things are yet to shape in that direction.

Another issue concerning the port authorities is the quality of dredging. Dredging Corporation of India is soul body associated with the dredging operations for Haldia dock. Though DCI claims that all of its dredgers are either at Haldia or undergoing maintenance, it is ironic that none of the these dredgers were in operation when the union minister of state for shipping Mukul Roy visited the dock on October 4. The two dredgers that were operating in Haldia had broken down and literally none of them were in working condition.

There are also concerns that DCI has shifted most its efficient dredgers elsewhere and left the mediocre ones that operate at 50 per cent of their capacity. Further to this, these dredgers could operate only on the high tide and it meant only 12 hours

a day – another 50 per cent reduction in capacity. On the flipside, DCI counters that it has been doing the job it is assigned for and it has been removing the agreed amount of silt from the waters. DCI, however, feels that the problem lies elsewhere and not in dredging.

In any case, voices are steadily being raised over the dependence of KoPT entirely on DCI for its dredging requirements. They claim that the central government has been paying huge sums of money to DCI without properly checking the quality of its equipment and the quality of the work it is doing at Haldia. Another point of irony – KoPT has no option but to use the services of DCI, while



other ports have the privilege to choose private companies over DCI.

At the end of the day, it is the exporters and importers who are severely affected. With a long line of ships waiting to enter the port, long delays occur in the loading/unloading the cargo and the cost of storing cargo at the port has become

unbearable. Some importers are also exploring the options of using other ports like Visakhapatnam and Paradip to unload their cargo and from where it is transported through rail or road. Even in this case, availability of railway rakes to ferry the cargo is not easy and one has wait for days together to get wagons, which again would be a costly affair.

Ultimately, the trade is forced to shell out hefty amounts because of the increasing costs due to the delays in loading/unloading, routing cargo through other ports and carrying cargo by other means of transport. Obviously, neither the port management nor the central government will bear these costs. **MG**



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A respite being broken, a home away from home struggling for survival, a consequence of the global recession – are the phrases that suit best to describe the fate of the those hundreds of odd seafarer centres present at all the major ports in the world. A recent *Los Angeles Times*' article that highlighted the plight of the seafarer's centre at Long Beach – International Seafarers Center of Long Beach and Los Angeles – received wide publicity from world over. For decades, this nonprofit seafarers' centre, being run solely on donations, has been the house of comfort for the tired seamen after the long pan-pacific voyages. Today, this stands as the testimony of the colossal effect that the global recession has unleashed. The once constant stream of donations

necessary to run the centre are fast drying up and management is looking frantically at the fast drying sources of funds. Donations from shipowners, shipping lines and the maritime industry at large have been the major sources of cash inflows for such centres.

With the recession fielding high and shipping lines incurring huge losses in the last one year, the industry has gone into survival mode and are fast cutting out all those extra costs that they happily incurred in their good times. As a result, the seafarer centres, such as the one at long beach, are struggling for funds for their survival. Though the seafarer centre at long beach gained wide publicity in the media, others have been less fortunate to tell the story of their plight.

Every major sea port on the globe has a seafarer centre operating in the vicinity and caters to the needs of the visiting seafarers whose ships are docked at the port. Seafarers can use telephones and email to contact their families, purchase personal items, food, mail letters, send money home (usually through wire transfer) and of course relax till their next voyage begins. For instance, the one at the Long Beach offers broadband connections, telephone calling cards for as low as US\$ 5, foods like lip-smacking sausages and other fine delicacies. It runs with an annual budget of US\$ 300,000 per annum and the entire amount comes through donations. But the recession effect is clearly felt on this centre as it is struggling to garner US\$ 200,000 this year. Shipping lines

Save the Second Home



are leasing vessels than owning them to avoid costs and ships are manned through agencies.

Hence, no one feel that they are responsible for the efficient running of these centres. By catering to the seafarers' needs, these centres are in a way providing them relief and comfort as long as they stay there. In a way, these centres are acting as refreshing pit stops preparing the sailors mentally for the next voyage.

And it is a known fact that ships in the hands of active and vigilant sailors will not experience any maritime accidents that can be fatal to the ship, cargo, crew and the shipowner.

Therefore, in the larger interest of the safe shipping of the cargo, it is for the parties involved to come forward voluntarily and donate for the cause of the sailors. [MC](#)

Seafarers' centres all over the world are facing paucity of funds as their once perennial streams of donations are just trickling today. Touted as homes away from homes for the sailors, these centres are today beaming out SOS signals as they struggle to make both the ends meet.

Tonnage Tax Scheme – Present & Future

Peek into Tax Regimes

In the previous edition, the authors discussed some of the significant changes proposed in the Direct Taxes Code ('Code'), released by the Union finance minister recently, which could impact the shipping industry in India. In this article, they will touch upon the provisions of Tonnage Tax Scheme ('TTS'), as introduced by the Finance Act 2004 under Chapter XII-G of the Income-tax Act, 1961 ('IT Act'), and significant changes proposed in New Tonnage Tax Scheme ('NTTS'), introduced under the Code.

by **Girish Mistry and Nikhil Rohera**

To make the Indian shipping industry more competitive, the Tonnage Tax Scheme (TTS) was introduced with effect from April 1, 2004, as an alternative method for taxation of shipping profits by reference to the net tonnage of the ships operated.

In other words, it is a scheme of presumptive taxation, whereby income arising from operation of ship is determined based on the tonnage of the ship as against actual freight income.

Overview of TTS – Chapter XII-G of IT Act

Option to be governed by the provisions of TTS

- A 'qualifying company' is given an option to be governed by the provisions of TTS in respect of its income earned from business of operating qualifying ships, instead of being governed by normal provisions of the IT Act.

Qualifying company

- A company is considered as 'qualifying company' and, accordingly, entitled to avail preferential tax regime if it is an

Indian company, its place of effective management is in India, it owns at least one 'qualifying ship' and the main object of it is to carry on the business of 'operating ships'.

Qualifying ship

- A ship is a 'qualifying ship' if it is a sea-going ship or vessel of fifteen net tonnage or more, it is registered or licensed under Merchant Shipping Act, 1958 and a valid certificate in respect of such ship indicating its net tonnage is in force. Certain types of vessels, e.g. fishing vessels, factory ships, pleasure crafts etc. are excluded for this purpose.



Operating ships

- A company would be regarded as operating a ship if it operates any ship whether owned or chartered by it and includes a case where even a part of the ship has been chartered in by it in an arrangement such as slot charter, space charter or joint charter.
- However, a company would not be regarded as the operator of a ship which has been chartered out by it on bareboat charter-cum-demise terms or on bareboat charter terms for a period exceeding three years.

Manner of computation of Tonnage income

- The profits from the business of operating qualifying ships giving rise to tonnage income is considered a separate business distinct from all other businesses carried by tonnage tax company.
- Tonnage income is separately calculated for each qualifying ship, considering net tonnage of qualifying ships operated by the company multiplied by daily tonnage income as per the prescribed slab. The tonnage income so computed is taxed at normal corporate tax rate i.e. 33.99 per cent (including surcharge and education cess). Consequently, the following 'Relevant Shipping Income' is exempt from tax:
 - ▶ Profits from core activities – it includes activities from operating qualifying ships and other ship-related activities, e.g. earnings from pooling arrangements, profits from slot charters, space charter, joint charter etc.
 - ▶ Profits from incidental activities – it includes prescribed activities, e.g. income from loading and unloading of cargo, ship management fees (up to 0.25 per cent of profits from core activities.)
- No deduction or relief is available to a tonnage tax company against its tonnage tax income. Similarly,



“Direct Taxes Code signals a paradigm shift in Indian approach to income-tax law as it replaces nearly five-decade old IT Act.”

Minimum Alternate Tax ('MAT') provisions under section 115JB of the IT Act do not apply to book profits derived by tonnage tax company from its core activities and incidental activities.

Other mandatory requirements

- Chapter XII-G of the IT Act provides for several other mandatory requirements to be complied by a tonnage tax company, e.g. transfer of profits to Tonnage Tax Reserve Account, minimum training requirement, limit for charter in of tonnage and maintenance and audit of accounts.

Procedure for opting for TTS

- A company desirous of opting for TTS has to make an application in prescribed form to the Joint Commissioner of Income-tax having jurisdiction over the company.
- The time-limit for making an application in case of companies incorporated after the initial period (i.e. after 30th September 2004 but before 1st January 2005) is three months from the date of incorporation of the company and

for companies existing prior to initial period, within three months from the date on which they become a qualifying company.

- A company opting for TTS is locked in the regime for ten years. Further, a tonnage tax company may be disqualified from TTS in certain situations like opting out of TTS, default in complying with provisions relating to transfer of profits to Tonnage Tax Reserve Account, minimum training requirement etc. in which case, it cannot re-enter for next ten years.

Overview of NTTS – Tenth Schedule of the Code

Recently, the finance minister has introduced the Code, which signals a paradigm shift in Indian approach to income-tax law. The said Code replaces nearly five-decade old IT Act and would become applicable from Financial Year 2011-12.

The computation of profits from the business of operating qualifying ships, i.e. New Tonnage Tax Scheme ('NTTS'), is provided in Tenth Schedule of the Code.

Significant changes made in NTTS vis-à-vis existing TTS

The computation mechanism for tonnage income under NTTS is similar to existing TTS under IT Act. However, the Code proposes to significantly enhance the base for computing profits of the 'business of operating qualifying ship', based on the formula = A+B-C, where:

A = the total tonnage income of the financial year

B = the aggregate of the amounts (i.e. gross earnings) referred to in section 31(2) of the Code, and

C = the amount of negative profit computed under schedule Ten in respect of business of operating qualifying ship for any financial year immediately preceding the relevant financial year.

The language employed seems to suggest that not only the tonnage

income but also other receipts on gross basis (e.g. consideration received on slump sale, write back of loan etc.), would be required to be considered while computing profits of the business of operating qualifying ship. In other words, no deduction for expenses is specifically provided to be allowed against such receipts. The present Schedule, if enacted, could thus adversely impact the tonnage tax companies which are subject to lower taxation under the existing TTS. Accordingly, suitable amendments to the aforesaid formula should be made to avoid any unintended consequences.

Interestingly, under the NTTS, the definition of 'core shipping activities' does not include earnings from pooling arrangements. Accordingly, profits from this activity may be subject to tax as per normal provisions of the IT Act, instead of the preferential tax treatment

enjoyed under existing TTS. Again, this could further hurt the tonnage tax companies having earnings from pooling arrangements. Considering that pooling arrangements are part and parcel of shipping business, one hopes that suitable amendment is also brought about to include pooling income as part of shipping income.

Another notable deviation under NTTS is the absence of an express provision for non-applicability of MAT on book profits derived by tonnage tax company from its business of operating a qualifying ship. This ambiguity assumes even greater significance owing to a shift in the basis of levy of MAT from 'book profit' to 'gross assets' under the Code.

Presently, the NTTS has not provided for other mandatory requirements, procedures and conditions, as existing under TTS. It is expected that the Central Board of Direct

Taxes will make rules to regulate the above aspects.

All in all, the proposed NTTS could have unintended consequences and could adversely impact the already ailing Indian shipping industry. Therefore, a proactive representation before the Government to clarify and rationalise some provisions in the NTTS is imperative to ensure a seamless transition from existing TTS to the proposed NTTS. **MG**



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Dredging

Dredging can entail various degrees of risk to the environment despite accruing social and economic benefits. An evaluation of the risk and an open discussion on the best practices can lead to building sustainable projects, finds out Maritime Gateway.

To Work with Nature

The three-month moratorium on proposals for new ports or harbours besides expansion of existing projects in India, though aimed at curbing harm to India's coastline and estuarine zones, comes as a dampener for investors and port developers. The Ministry of Environment and Forest (MoEF) is keen to evolve a policy to stop new port developments in the country if they fail to meet environment standards.

For instance, Gopalpur Port anxiously awaits clearance for the second phase of works due to begin in September this year. However, the government is yet to give the green signal as it fears that dredging of the coastline could endanger the rich marine life such as those of Olive Ridley turtles along the Orissa coast. While dredging is required to develop and maintain navigation infrastructure, it can also entail varying degrees of risk to the environment, the government opines.

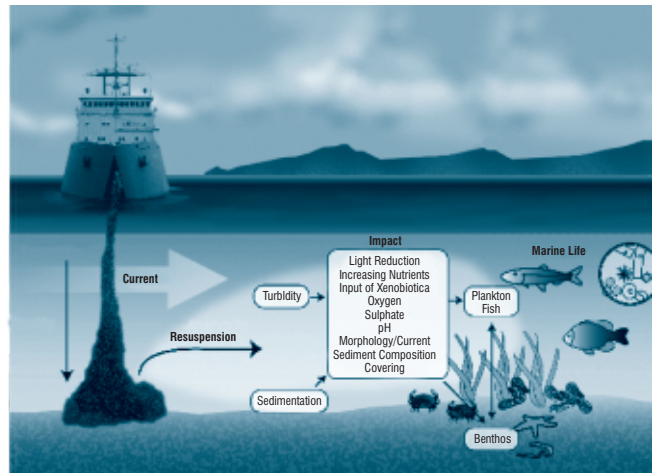
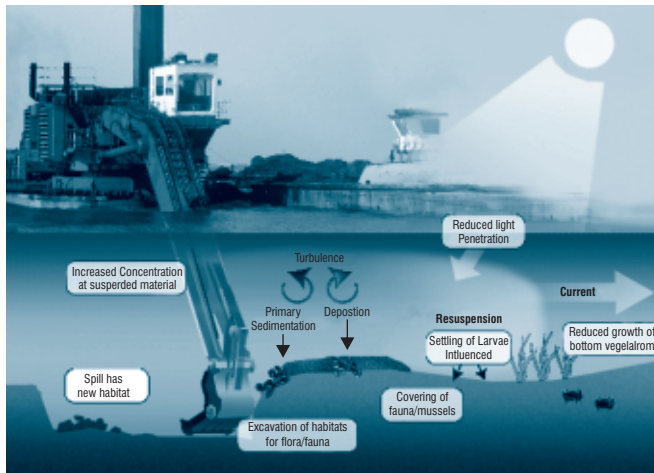
In this respect, dredging has to work with nature, not against it. According to the International Association of Dredging Companies, identifying environmental risks associated with dredging and evaluating management practices from the beginning to end of the project will result in finding suitable best practices that reduce risks. "Reduced risks result in more successful long-term outcomes, creating sustainable projects both environmentally and economically," IADC exhorts.

Effects of dredging operations must be seen against the background of natural effects, which result in high levels of variability. For example, turbidity caused by a storm may be much higher and persist for longer when compared to a plume from a placement activity. Thus, assessment of impacts is often necessarily based on unquantifiable assumptions, the IADC says.

As dredging often takes place in a natural environment, uncertainty and therefore risk has to be accepted in the assessment. This uncertainty can be reduced, but not eliminated with modelling or additional studies.

Experts say a 'correct' evaluation of risks is important, both in terms of ecology and economy. If the 'real' risk is severe, but the risk assessment incorrectly finds that they are minor, then significant impacts on the environment may occur. In contrast, if the actual risk is minor, but the perceived risk is severe, this may lead to significant project delays, rising costs and even significant effects on the local economy and employment. This emphasises that both a thorough impact assessment and open communication are essential to the success of a project. A proper risk assessment should include all aspects of the project and not focus on one single aspect, the experts conclude.

Each dredging project has its own unique set of issues and risks and each must be given individual attention. Still, the accumulated past experience of the major dredging companies and consultants in determining BMPs does count when



Potential impacts on the ecosystem caused during dredging (left) or placement of dredged material (right) by increasing turbidity or salinity are causing changes in the overall hydrography. Best Management Practices will address these issues prior to the start of the project. Source: IADC

approaching future projects, experts advocate.

Successful planning, development, and implementation of a dredging project may therefore require involvement of other experts, such as regulatory authorities, lawyers, politicians and public interest specialists. "Technical experts must acknowledge the importance of these

participants and their input must be incorporated into the project discourse," says IADC. Governing or permitting authorities should refrain from specifying the means and methods by which the work will be performed. Rather, they should set performance standards which are relevant, site-specific, practical and measurable, it adds.

As port investors keep fingers crossed, the Indian government could, through open discussion, ensure that dredging projects will be able to achieve a sustainable solution, subject to sound environmental, social and financial impact evaluations, and thereby balance all associated risks. **M6**

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Rotterdam Rules!

Devised to provide predictability and uniformity in an area characterised by uncertainty and indistinctness, Rotterdam Rules might, on the face of it, seem a challenge for maritime trading nations. But, a pragmatic approach can quell fears.

by **Radhika Rani G**

Rotterdam Rules represent an evolution of existing regimes into the modern era rather than a revolution, says Prof Michael Sturley in the opening chapter of his book *A New Convention for the Carriage of Goods by Sea – The Rotterdam Rules*. Mr Sturley, the maritime law expert at the Texas School of Law, played a key role in negotiating and drafting the new rules and is deemed as the ‘father’ of Rotterdam Rules.

Technically called the United Nations Convention on Contracts for the International Carriage of Goods

Wholly or Partly by Sea, the new regime was ratified by 16 countries in Rotterdam recently. It describes the rights and obligations of parties involved in the carriage of goods by sea.

The agreement aims to provide more clarity about who is responsible for what, when and where in maritime transport and how far these responsibilities extend. “To the extent that generalisation is possible, the Rotterdam Rules draw largely on the Hague-Visby and Hamburg Rules, incorporating significant elements from each,” Prof Sturley says.

Gertjan van der Ziel, professor emeritus of Transport Law at Erasmus University Rotterdam, who has been involved with the project from its very beginning, clarifies further. He says, “it was never intended that the Rotterdam Rules would be ‘an acceptable mechanism for dealing with multimodal transport’. The intention was to replace the outdated Hague Rules, Hague Visby Rules and Hamburg Rules with a new convention that would reflect the needs of the modern maritime transport.”

The application of the Rotterdam Rules therefore facilitates international trade and leads to savings in costs. In the case of a stranded ship, a stolen container or damage to a shipment, the rules establish clearly who is responsible and accountable for what.

Increased liability

However, unlike the old conventions like the Hague Rules (1924), the

Hague-Visby Rules and the Hamburg Rules (1978) that governed cargo traffic, other parties in the chain such as stevedores may now be jointly liable with the carrier. This implies that the carrier's liability for damage to the cargo has been increased. But the new regime codifies decades of case law and industry practice, and clarifies earlier texts where necessary, say experts.

Also, the shipper's obligations are more clearly defined, such as its obligation to have the goods ready for transport in a timely manner. Goods loaded in containers and trailers must be stowed in a way that they withstand sea voyage. In addition, in case of damages the claims procedure is made easier. Also, the name and address of the carrier must be stated on the transport document.

Having 96 articles as against 10 in the previous regime, the new rules

Rotterdam Rules

One contract of carriage for whole supply chain (sea and land)

Liability clear and uniform

Basis e-commerce, rules for containerisation, clear description rights and obligations shipper, shipowner and receiver

Worldwide uniform rules drive growth in international trade

Old Conventions

Separate contracts for each modality (ship, train, road haulage)

No uniformity concerning liability in whole entire supply chain

Old rules need modernisation

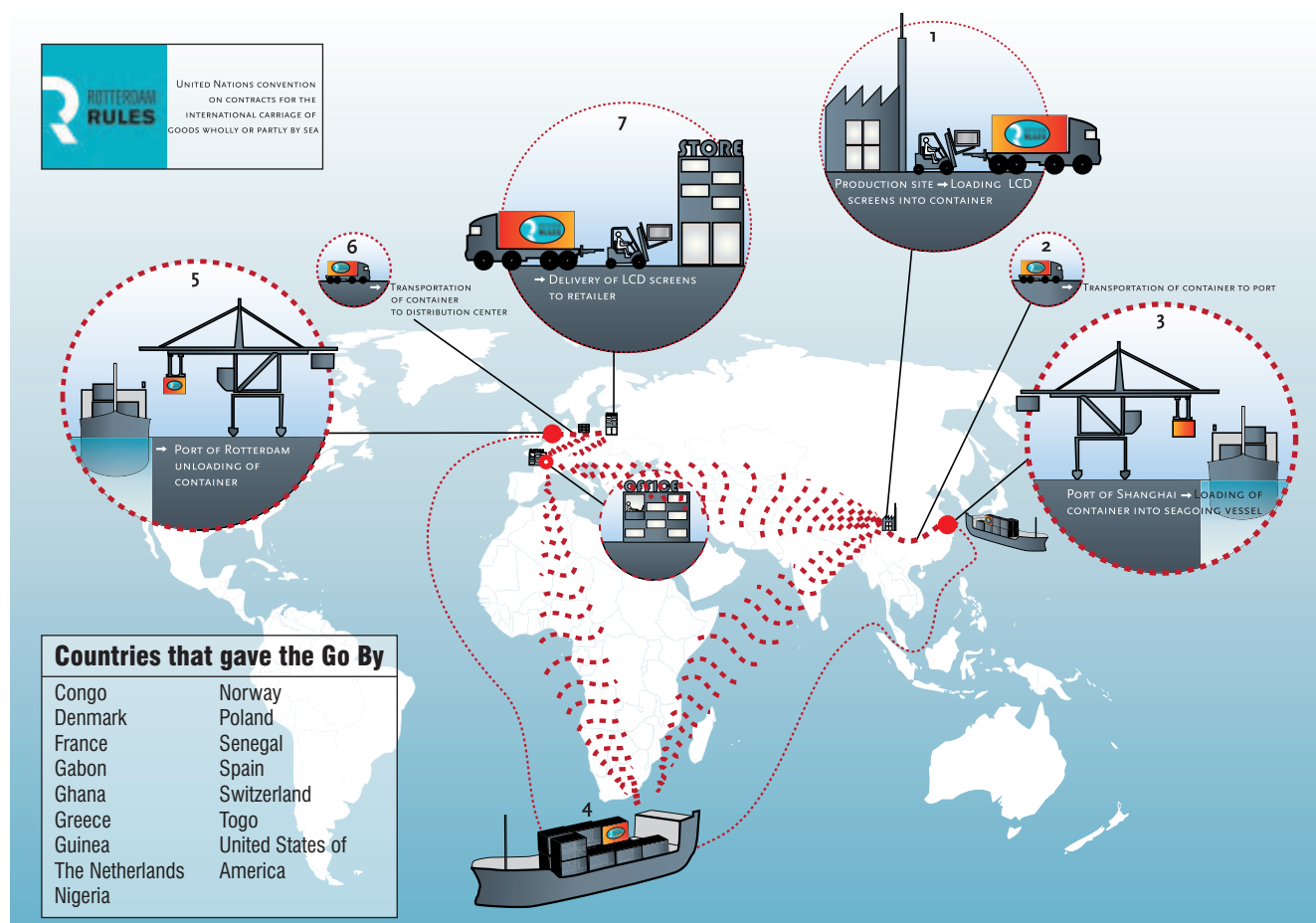
Interpretation of various conventions differs from country to country

are a long-drawn exercise. The convention is the culmination of more than six years of intensive international negotiations taking Prof Sturley to meetings around the world. As many as 80 states and several observers from international governmental bodies and industry organisations were involved in the project. The Rules will therefore not only update international regimes written decades ago, but also unify

aspects of transport law that international agreements never addressed, say experts.

Port operators for the first time have a potential, legal liability towards owners of cargo, who will be recognised as part of the supply chain under the term 'maritime performing parties'.

As per the current practice, insurer-approved regulations and standard



operating terms govern port operators and in the event of any liability, they are slanted in favour of the ports. But the new regime is going to change all that and ports could be liable for loss damage and delays. On the other hand, when a consignee fails to collect its cargo in time, carriers and terminals have more options for storing cargo outside the port area and thereby prevent port congestion.

The over-riding characteristic of the rules, says Prof Sturley, was pragmatism and clarity, right from the negotiation to accomplishment stage. And so, countries with one or

“The signatures represent a significant achievement and I am very pleased that we have come so far. This is a significant milestone on the road to bringing the Rotterdam Rules into force throughout the maritime and commercial world. We still have much to do before this convention will be a success.

- Prof Michael Sturley,
Texas School of Law,
‘Father’ of Rotterdam Rules.



Sixteen countries have officially expressed their support for the 'Rotterdam Rules'.

other of the current transport liability regimes have little to fear from their introduction, he adds.

Multimodal transport

With regard to shipment of goods by sea and even land transport, the new rules provide legal certainty and also uniformity, say shipping lines. As multimodal carriage of goods too comes under the purview of the new rules besides the modern liability regime, they hope things will be streamlined once the regime is in force. Multimodal transport can be carried out under a single contract with just one statutory regime applying to it.

Commenting on the dire need for door-to-door carriage, Dutch transport minister Camille Eurlings says, “In the absence of a truly global instrument, there is a strong risk that countries might undertake to regulate multimodal transport on a national level or to develop regional approaches. Neither of these possibilities is desirable in terms of global efficiency, predictability and lower overall trade costs.”

Since a real international solution is only wishful thinking, the shipping

industry calls upon nations to ratify the rules for the benefit of international trade and transport.

The new rules, say shipping companies, aim to address gaps that presently exist, including the facilitation of e-commerce solutions and allocation of risks between both shipowners and shippers. Introduction of electronic transport documents is also possible under the regime and this ensures an entirely document-free transport.

With the use of IT, shorter processing times and reduced chance of errors are likely to lower costs. But, exporters and importers feel the rules will expose them to considerably higher insurance premiums. In the wake of contradicting views being expressed, the new rules are likely to have a large impact on the industry. This wait-and-watch attitude seems to hold back four more countries to ratify the regime, which will be activated only a year after the final signature.

While the new convention represents a timely step forward intending to cover the entire supply chain with one single set of rules, one only hopes it will help the world economy on its way upward. **ME**

Climate Change

A Challenge for IMO too!



The last week of September every year is celebrated as the World Maritime Day. This year, September 24, marked the 32nd celebration of the occasion when the International Maritime Organization (IMO) leads the world in highlighting a key issue for the organization and the shipping industry. This year, the theme is Climate Change: A challenge for IMO too!

IMO Secretary-General Efthimios E. Mitropoulos, in his message to the international maritime community, said that now was the time to make tough decisions to address climate change, and to act with total and undivided commitment.

“Our work on this hugely important subject stems from the genuine concerns for the environment of our Member States and the industry organizations that help us make balanced decisions in the pursuit of the Organization’s objectives – not to mention those entrusted to us under the United Nations Framework Convention on Climate Change (UNFCCC) and its Kyoto Protocol,”

Mitropoulos added.

He highlighted the work done to address GHG emissions to date, including the development of an Energy Efficiency Design Index for new ships and a Ship Energy Management Plan for all ships (which includes guidance on best practices for fuel-efficient ship operations) and an Energy Efficiency Operational Indicator (which helps to determine the fuel efficiency of a ship). IMO will report on the development of this comprehensive package of measures, together with a



IMO Secretary-General Efthimios E. Mitropoulos

progress report on discussions held on potential market-based mechanisms, to the UNFCCC Conference in Copenhagen in December 2009.

The shipping industry has made considerable progress, from a technical perspective, to address energy efficiency issues, Mitropoulos noted. A range of technologies can reduce emissions from new ships, per tonne/mile, by 15 to 25 per cent, depending on the ship type and size. Since carbon emissions and fuel efficiency are directly linked, today’s improved propulsion systems and propeller designs can reduce fuel consumption by about 10 per cent, and concurrent improvements in hydrodynamics and vessel hull design have also succeeded in reducing fuel consumption by between two and four per cent.

“Climate change will, of course, affect everybody,” Mitropoulos said. “Climate change and our response to the multi-faceted problems it represents has really become ‘the defining challenge of our age’. Let there be no doubt that, as the 2009 World Maritime Day theme proclaims, it is a challenge for IMO too and that we – Member States, international shipping and Secretariat – are fully engaged in helping to redress it.” **MG**



Symbol of Sea

Just a small piece of iron compared to the size of a ship, anchor has a special place in the maritime world. It is not only known to hold the vessel still, but is also used in corporate logos of innumerable businesses across the world. The anchor symbolises the wilderness of the sea and also highlights the importance of the sea lanes in the global trade.



**The First
Ever**

INDIAN PORTS SURVEY 2009

As India braces up to be a global player in the maritime sector focussing on the state-of-the-art port infrastructure, sophisticated greenfield ports and competitive trade practices, it's time for a reality check. **Maritime Gateway** presents to you the first ever comprehensive and the most up-to-date survey on the Indian ports - **The Indian Ports Survey 2009**

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.



a Standard & Poor's company and India's leading independent ratings, research, risk and policy adviser, is providing the data, research and analysis for the compilation of the review. The survey report will be released over a special maritime event during
December 2009

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CII Logistics Summit

Apex body mooted

The Eleventh Five Year Plan (2007-12) emphasises the need for increasing investment in infrastructure from 4.6 to 8 per cent of the GDP, with a focus on augmenting capacity and enhancing the quality and productivity of transport infrastructure through technology, said Srinivasa R Naik, director, Ministry of Shipping, Government of India in his inaugural address at the CII Logistics Summit in Chennai recently. The overall investment requirements on infrastructure will be about US\$ 320 billion to be met through public investment, PPPs and exclusive private investments, wherever feasible, Naik added.

A research paper on 'Competitiveness through efficient logistics' was released on the occasion. B Sridhar, chairman, Logistics Summit 2009 & Director, Bengal Tiger Lines, said good Infrastructure and efficient logistics are the two sides of the same coin and important drivers for economy.

Prof Lenny Koh, director, Logistics and Supply Chain Management, University of Sheffield, UK called for collaboration between India and the UK in research, exchange of knowledge and expertise in best practices towards de-carbonising the world supply chain and reducing impact on the environment.

L Ganesh past chairman, CII Southern Region & Chairman Rane Group, highlighted CII's national theme for this year - India@75: Economy, Infrastructure and Governance, and said the focus this year is on economic revival, fast-tracking infrastructure and strong promotion of Corporate Governance. Everyone sees



Srinivasa R Naik (centre), director, Ministry of Shipping, flanked by B Sridhar, co-chairman, Logistics Summit 2009 & director, Bengal Tiger Lines and Prof Lenny Koh, director-Logistics and Supply Chain Management, The University of Sheffield, UK, releases a research paper on 'Competitiveness through Efficient Logistics' at CCI's Logistics Summit 2009 in Chennai.

India becoming a global leader, and perhaps this crisis is just an opportunity, he added. Ravindra Sannareddy, Member, CII National Logistics Council and MD SriCity Pvt Ltd, also spoke.

Award to CONCOR



Managing Director of Container Corporation of India Ltd, Rakesh Mehrotra, receives the MoU Excellence Awards for the year 2006-07 and 2007-08 from Prime Minister Dr Manmohan Singh in New Delhi recently. CONCOR has been receiving the award for four consecutive years.

Ports & shipping event

Leaders discuss trends



The 4th Southern Asia Ports, Logistics and Shipping conference 2009 was held in Chennai recently. Supported by Chennai Port, the event drew a number of international companies & sponsors to showcase their innovative products and services in the exhibition. A conference ran alongside, featuring 25 business leaders who discussed about latest transportation and logistics issues in the South Asia region. Seen here in the picture are (L-R): Industry veteran Mark Millar, Heuer Associates consultant S N Srikanth, Chennai Port chairman Capt Subhash Kumar and Director General of Mauritius Ports Authority Shekur Suntah.

Hong Kong sailing race

Indian boy wins gold

Fourteen-year-old K C Ganapathy from Tamil Nadu Sailing Association won the Gold in Laser Pico class of boats in a 24-hour non-stop sailing event held in Hong Kong recently. Ganapathy is currently the bronze medallist in the Optimist category. He was also the under-12 champion two years ago and has given up school in favour of home studies so that he could concentrate on his sailing career. He also attended the Hong Kong Nationals in which he finished 27th in a fleet of 66 sailors and attended a training clinic before participating in the 24-hour Charity Race 2009.

The Laser Pico dinghy is a small sailboat designed by Jo Richards in the mid-1990s and used primarily for training and day sailing. It can be crewed by one or two children or an adult.

With a team of four other sailors, Ganapathy sailed day and night to bring home the Gold.

Teamed with Upamanyu Dutta and Diya Correa from Royal Bombay Yacht Club, Mumbai and Pop and Jam from Thailand, the sailors initially took a 2-hour turn each. Later, it was Ganapathy's solo with two sailors from Thailand through the night that took him to the lead.



K C Ganapathy receiving a trophy for his sailing feat in Hong Kong recently.

INMEX India 2009

Platform for global players

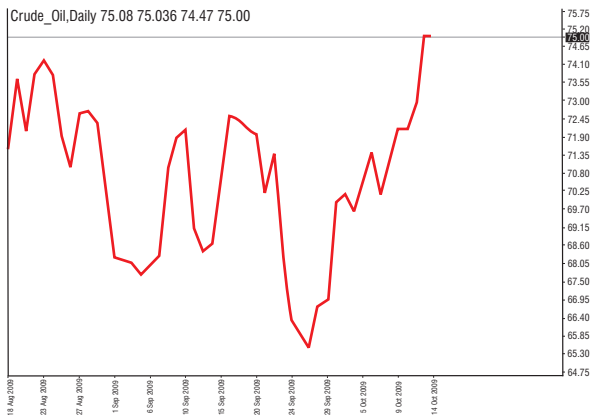


Maritime community interacting at the INMEX India trade exhibition in Mumbai.

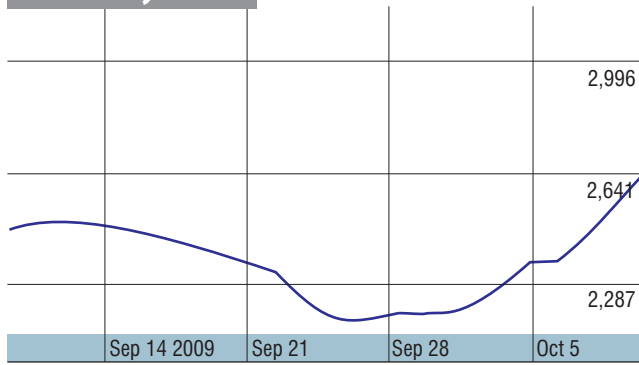
India provides a huge opportunity for maritime players. As per industry estimates, it is expected that in the next five to seven years, India will invest US\$ 18 billion in its ports and over US\$ 4 billion in its shipbuilding industry. INMEX India 2009 provided the platform to tap these opportunities by bringing varied aspects of the industry under one roof. The largest maritime event in South Asia was inaugurated in Mumbai recently by the Ambassador of Norway Ann Ollestad. Over 450 exhibitors from Korea, Singapore, Norway, China, Holland and Germany participated representing various sectors like shipbuilding, ship repair, marine offshore technology, dredging, ports & port technology, ocean engineering, marine equipment and underwater robotics.

The international as well as Indian players launched a range of new offerings during the event. For the past ten years the trade fair and B2B forum has been facilitating commercial opportunities within India for international maritime companies. Cmde. J P Carneiro, IN (Retd.), chief convener, INMEX India 2009 and D K Afzulpurkar, chairman, organising committee, welcomed the dignitaries.

Crude oil price moment



Baltic Dry Index



September 8, 2009: 2,462 October 8, 2009: 2,641
Percentage rise: 7.51%

Source: www.wikinvest.com

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

Tankers	Sep Low	Sep High	2009 Low	2009 High
VLCC (modern)	30,000	32,500	30,000	55,000
Suezmax (modern)	24,000	25,000	24,000	40,000
Aframax (modern)	16,500	17,000	16,500	29,000
LR2 105,000	17,250	17,500	17,250	30,000
LR180,000	16,500	16,500	16,000	26,500
MR 47,000	10,750	11,750	11,750	20,500
Dry Bulk	Sep Low	Sep High	2009 Low	2009 High
Capesize 150,000 dwt	21,000	28,000	18,000	36,000
Capesize 170,000 dwt	32,000	25,000	21,500	45,000
Panamax 75,000 dwt	18,000	20,000	11,000	24,000
Handysize 53,000 dwt	16,000	18,000	10,000	18,000

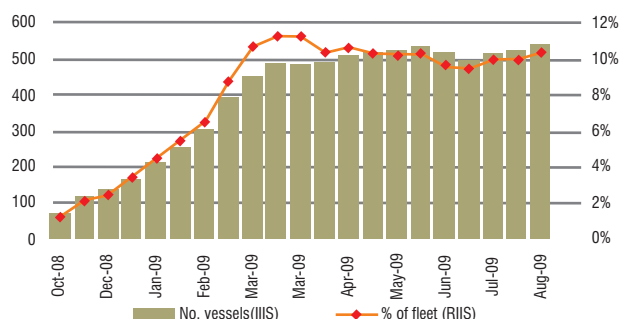
Source: www.fearnresearch.com

Ships sold for demolition

Vessel name	Size	Ldt	Built	Buyer	Price (US\$ per dwt)
MT Malibu	248 976	31 199	1989	Bangladesh	350
MT Geilo	243 272	30 436	1990	Bangladesh	370
BC Sea Agility	89 618	14 480	1987	Japan	335
MT Fidelity	44 911	12 500	1984	Bangladesh	380
MT Anawan	35 597	9 660	1981	Bangladesh	393
Cont Msc Denise	23 606	13 574	1977	India	270
Tween Xiang Rui Men	21 530	6 740	1983	India	310
Cont Triumph	18 606	8 639	1978	India	282
Reefer Alcazar Carrier	15 200	10 206	1983	India	320
LPG BW Havlys	13 935	7 220	1983	India	330
Cont Independence	8 775	10 206	1979	India	265
Reefer Frio Oceanic	6 371	3 331	1983	India	320
Reefer Frio Carbric	6 352	3 350	1983	India	320
MT Grand Lady	281 794	33 086	1991	Bangladesh	388
Cont OOCL Fair	40 560	14 731	1987	undisclosed	280
MT Tenora	21 743	6 601	1977	Bangladesh	308
Tween Thor Master	17 279	6 689	1982	Bangladesh	317
Reefer Ice Bell	11 093	6 400	1976	India	320
Chem Joe Oak	39 161	10 709	1983	India	680
Tween B Prus	24 230	8 500	1979	India	280
Pcc Cattleya Ace	18 762	13 533	1988	China	285
Pcc Eternal Ace	18 701	14 031	1988	China	285
Tween Santa Fe	15 011	9 466	1978	India	330
Cont Capitain Valentin K	13 966	5 680	1983	Turkey	174
Reefer Crystal Iris	10 452	14 031	1988	India	327
BC Amera S	7 769	2 952	1977	India	317
BC Hebei Express	64 997	17 421	1984	Rumania	325
BC Hua Jin Wo	29 135	7 464	1974	India	267
Tween Galina III	23 314	14 314	1977	Bangladesh	335
MT Strife	22 500	7 909	1982	S. Korea	650
Cont Pacific Osprey	22 233	6 928	1984	India	338
Reefer Cadiz Carrier	15 100	10 301	1979	India	330
RoRo Ella J	7 316	5 974	1977	India	332
RoRo Donetsk	5 500	6 466	1984	India	320
RoRo Katya Zelenko	4 650	5 921	1980	India	320
MT Zeynep KA	4 035	1 798	1981	Turkey	180

Source: Fearnresearch

Estimated Idle Capacity as a percent of total liner fleet



Source: DHL

Allcargo Global Logistics Ltd

Closing Price as on October 14, 2009

BSE: Rs. 841.25

NSE: Rs. 832.95

Allcargo is well known as India's first multinational company in the logistics sector and the second largest LCL consolidator in the world. Allcargo has strengthened its position in air freight business by acquiring Hindustan Cargo Ltd. from Thomas Cook India Ltd. This, coupled with the acquisition of ECU Line has made it avail economies of scale in air as well as sea freight.

Projection for the period October 15 to November 15, 2009

This stock may face resistance at Rs.889 and support at Rs. 786. 52 week high is Rs. 980 at NSE, Rs. 927 at BSE. As we are experiencing an uptrend currently, one can expect small fall after every rise. That's Natural and healthy growth. The thumb rule for uptrend is BUY and HOLD at every big fall. Dowjones touched 10000, and this is Diwali season.



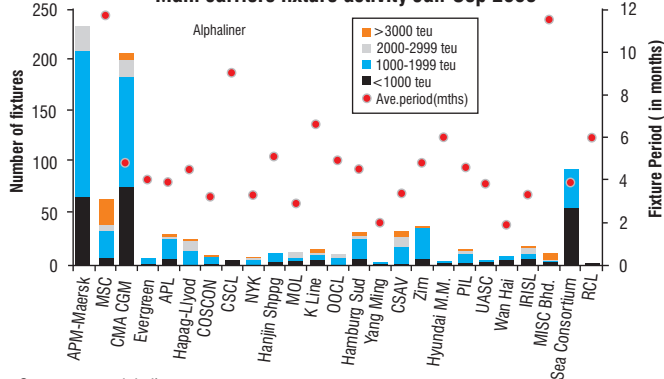
Analysis provided by **R Damodar Sai**, Expert Advisers, Hyderabad

Charter Market Activity

The charter market for containerships remained relatively active in the first nine months of the year with a number of carriers continuing to take on tonnage. However, fixture periods have shortened considerably, at an average of 4.5 months, as carriers take a cautious position while owners are reluctant to fix their ships for long periods at current depressed rates.

Alphaliner has logged over 1,820 fixtures since the beginning of the year. The figure includes 1,000 new fixtures, of which 40 involved units sublet by carriers. A further 775 charters were extended and the remaining 45 fixtures involved exercised options. Apart from two charters of 3-4 years, only a dozen were concluded or extended for two years, while 180 were concluded or extended for 12 months. The remaining fixtures totalled more than 1,620 contracts.

Main carriers fixture activity Jan-Sep 2009



Source: www.alphaliner.com

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To make good of these **innovative advertising options** call our regional marketing team.

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

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

28-30

5th Portech 2009

At Shanghai Marriott Hotel Hongqiao, China

Top-level executives from the port industry worldwide will discuss the development trend of global ports in the economic crisis, the Asian strengths in ports and focus on the strategies for the success of China-relevant businesses.

www.portechasia.com

NOVEMBER 2009

12-13

World Shipping (China) Summit 2009

At Shangi-La Hotel, QingDao, China

The event aims to bring the entire shipping industry together to jointly find ways out of the current crisis and get back confidence, trust and perspectives.

www.shippingsummit.com



12-14

SMM India 2009 Port International 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

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



DECEMBER 2009



01-04

Tenth Annual World LNG Summit

At Barcelona, Spain

The premier LNG event for top level management and senior decision makers, the Summit makes for quality networking and information sharing among 400 industry peers.

www.cwclong.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

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

NOV 19

India after GST: Logistics and Beyond

At Mumbai

It aims to equip service providers, manufactures 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

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/

JAN 07-11

Energy World Show 2010

At University Ground, Ahmedabad

Is an endeavor to put innovators, technocrats, suppliers, manufacturers and ancillaries on the futuristic platform to promote their technologies and products in the most personalised manner.

www.kmgindia.com



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3. Bangalore : 080-28452078-85
4. Salem : 0427-2353521
5. Tuticorin : 0461-2340116
6. Cochin : 0484-2667463
7. Irugur : 0422-2629180
8. Tiruppur : 0421-2235772
9. Madurai : 0452-2669995



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