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KOLKATA PORT: PLENTY OF PLANS

RPS Kahlon, Chairman
Kolkata and Visakhapatnam Ports

NEW MAJOR PORTS IS IT WISE?

The Centre's plan to set up two new major ports on east coast may not be a wise decision considering the manner in which the state-owned ports are run in the country. Riddled with inefficiencies, these ports are steadily losing cargo to their private counterparts. Unless the government finds ways to address these issues, the new ports will not be able to achieve financial viability in a highly competitive business environment

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

Sr Assistant Editor Sreekala G
sreekala@gatewaymedia.in

Assistant Editor Deepika Amirapu
deepika@gatewaymedia.in

Assistant Editor Itishree Samal
itishree@gatewaymedia.in

Sr Designers Vijay Masa, Lakshmi Dandamudi

Designer Nagaraju N S

Marketing & Sales

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

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

National Satish Shetty Manager – Sales
satish@gatewaymedia.in – 099207 05534

Client Relations Shaik Fareed – Executive
fareed@gatewaymedia.in – 090143 89489

Circulation Ashok T – Marketing Executive
ashok@gatewaymedia.in – 094918 05508

Digital Edition Wesley Rajiv

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Editor: L Vijayanand Reddy

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Government must get its act right

Indian economy is facing some unprecedented challenges. On the one hand, industries in the country are reeling under the brunt of a global macro economic slowdown; on the other hand, they are forced to relook at their business plans due to some impractical and unwise decisions of the government.

Recent government policies like the new Land Acquisition Act have accentuated fear among investors, especially infrastructure players, as the revised guidelines on compensation add up to the project cost, making it difficult for companies to do business. Signs are already visible as the Gujarat High Court (HC) has ordered to entirely quash a land acquisition notification for the Dedicated Freight Corridor (DFC) project in Ahmedabad.

A strong proponent of the new Act, Jairam Ramesh, Union Rural Development Minister, has admitted that the new norms will increase the cost. Though he thinks the new Act will bring down the social cost of business, it is not practical for companies to incur extra liabilities. They have to worry about protecting their bottomlines in a macroeconomic environment, which is experiencing a massive slowdown.

> **Some of the crucial policy decisions taken earlier are getting revoked to save political leadership.**

Then there is punitive action taken by government agencies against some corporate, armed with wisdom of hindsight. Some of the crucial policy decisions taken earlier are getting revoked to save political leadership. This too at a time when India is on course to posting its sharpest decline in economic growth in more than a decade.

A case in point is the FIR filed by the Central Bureau of Investigation naming the Aditya Birla Group chairman, Kumar Mangalam Birla, as one of the accused in a scam involving alleged misallocation of coal blocks. The investigating agency has also named former union coal secretary PC Parakh in the same FIR.

In fact, Birla is not the only industrialist to suffer from government actions. While international players like Vodafone, Cadbury and Nokia are involved in tax disputes with the government, Tata Group was named by CBI in 2G spectrum case.

Many in the government, including some of the ministers, and industrialists perceive these steps as imprudent as they fear it will drive away investors and thwart their ongoing projects. Afraid of consequences, bureaucrats may also stay away from decision making on any policy matters, further slowing down the government machinery.

So, unless the government gets its act right, Indian economy may go back to the much-maligned 'Hindu rate of growth'.

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

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Corrigendum
In an interview published in Maritime Gateway (issue dated October 2013), we inadvertently carried the designation of Mr Ashotosh Jaiswal, President (International Business, Logistics & Shipping), Century Plyboards [I] as VP (CFS operations). The error is regretted.

China's 'maritime silk road' linking Southeast Asia faces rocky birth

Armed with a plethora of trade deals and investment funds, Beijing's vision of reviving the "maritime silk road" with Southeast Asia has caught the imagination of policymakers and observers in the region. Experts say China's neighbours welcome closer economic ties. But doubts about Beijing's intentions - and whether strings may be attached to the project - appear to be making some reluctant to embrace the vision of political and security co-operation with China over maritime issues.

Record new shipbuilding orders for China's Yangzijiang shipyard

China's Yangzijiang has secured new orders for 17 vessels worth $871 million for 12 bulk carriers and five containerships of 10,000 teu for delivery 2015 and 2016. The order is a new record since fiscal year 2008 when it stood at $1.38 billion ending a five-year drought on shipbuilding orders.

FCI plans alternative route to transport foodgrains to NE

After its maiden attempt to use the riverine path to transport foodgrains from the mainland to the Northeast failed, the Food Corporation of India (FCI) is now exploring an alternative sea route. An official said under the new proposal, foodgrains would be transported from the Kakinada Port in Andhra Pradesh to Ashuganj in Bangladesh through barrages. Subsequently, it would be delivered to northeastern states in trucks.

Gati wins arbitration against Air India

Gati Limited informed that the Arbitral Tribunal, presided by Justice (Retd) R C Lahoti (Former Chief Justice of India) had passed its verdict in the long pending arbitration proceedings between Air India and Gati Limited. In May 2007, Gati partnered with Air India for dedicated freighter service. Due to certain dispute the service had to be discontinued from March 2009. The matter was referred to Arbitration for adjudication of disputes between Air India and Gati. The Arbitral Tribunal has passed its award dated September 17, 2013 directing Air India to pay a net sum of ₹26.82 crore towards claims, damages, interest and costs.

Three bids in for Chennai's new container terminal

The deadline for the first stage of the bidding process for the project ended on October 1, with DP World, PSA International and the Adani Group named as the three organisations vying for the public-private partnership contract. The project, at a cost of $74 million, will be awarded on a 30-year operating concession, according to the JOC.

Concor on track to expand operations in East

Container Corporation of India (Concor) has proved a boon to the country's rail transportation sector. Since setting up its first inland container depot (ICD) in Bangalore in 1981, Concor has spread its network across the country and expanded. The company's operations have grown in the eastern region in sync with the growing steel and power sectors.

Now, with the upcoming Eastern Dedicated Freight Corridor and the proposed steel and power plants in the East over the next few years, Concor will set up four multimodal logistics parks (MMLP) in Odisha and two warehouse facilities in the North-East. According to Sharad Verma, Chief General Manager, Eastern Region, Concor, the company will set up four MMLPs in Odisha over the next few years and build warehouse facilities in Tripura and Assam. While a 35,000 sq. ft. warehouse is being constructed at Agartala, Concor will set up a 1.25 lakh sq. ft. warehouse at Amingaon near Guwahati in Assam.

Land acquisition woes halt Dedicated Freight Corridor

The land-acquisition process for the 3,300-km Dedicated Freight Corridor (DFC) has hit a roadblock. Farmers in parts of Uttar Pradesh and Gujarat are refusing to take compensation money, citing the recently-passed land acquisition Act and claiming that the new law entitles them to more money.

In reality, the new Act exempts linear projects such as highways and railways, like the DFC, but local activists in places like Gandhinagar in Gujarat and Etawah in Uttar Pradesh have led farmers to believe that the new law will fetch them more money for their land. A similar problem seems to have cropped up in Bihar's Moahania district.

HSH Nordbank may scrap dozens of ships as owners default

HSH Nordbank AG, the world's largest shipping bank, may scrap dozens of ships seized from indebted clients should it fail to sell them.

"If a ship is no longer supported by its owners and we don't find a buyer, then an insolvency or scrapping of the vessel may become the last option," said a spokesman for HSH Nordbank. "Potentially 30 to 40 of the 1,100 vessels in the restructuring unit might be affected."

HSH Nordbank, controlled by the German states of Hamburg and Schleswig-Holstein, is seeking to reduce non-performing loans on its balance sheet. Some clients have failed to pay back debt as the financial crisis hit global trade and the industry battled a sixth year of overcapacity.

Chennai Port Trust to develop dry dock facility

Following a huge demand for ship repair works in the country, the Chennai Port Trust (ChPT) will develop a dry dock facility at its century-old boat basin and timber pond that would cater to smaller vessels. It will be the second dock in the east coast, after Hooghly Dock and Port Engineers at Kolkata. Though L&T Kattupalli Port has a ship building/repair facility, it is a non-major port and caters to larger vessels.

According to industry sources, vessels from the east coast often visit shipyards in Singapore for dry docking, while dredgers, tugs and cruise boats go to Colombo for repairs due to non-availability of dry docks in the Indian coast and quick turnaround time. The waiting period for some of the vessels in Indian docks are said to be over 12 months. Some vessels went to China docks due to cheaper tariff.

Odisha plans riverine port near Paradeep

The Odisha Government has drawn up a plan to set up a riverine port, the first of its kind in the state, on the public private partnership (PPP) mode. Though the exact location of the port is yet to be finalised, it is likely to come up at the Mahanadi river mouth near Paradeep close to the operational facilities of Essar Steel Odisha Ltd and Indian Farmers Fertiliser Cooperative Ltd (Iffco).

The riverine port has been envisioned as a common user port for different industries. In the first phase, around ₹500 crore will be invested on the proposed port.

We want to develop Goa as a logistics hub: CM Manohar Parrikar

The Goa Government has decided to constitute a special group to prepare a roadmap for developing the coastal state into a logistics hub. State's Chief Minister Manohar Parrikar said the group would comprise 4-5 members and prepare an action plan to develop Goa into a logistics hub by cashing on advantages like all-weather ports.

Concepts like Roll-on-Roll-off (RORO), introduced by Konkan Railway Corp, needs to be expanded further, he said. Under RORO, trucks are loaded on goods trains and ferried from Karnataka to Maharashtra via Goa, saving them from using the road infrastructure.

Palm oil imports jump 21%

India's palm oil imports surged 20.6 per cent in September from a month ago, rising for the first time in four months, as a rebound in the rupee prompted refiners to raise purchases for the peak festive season.

Industry proposals at Dhamra fail to materialise

The industrial growth, which was expected to be rapid after Dhamra Port started functioning in the district, has been far from satisfactory. Though several companies evinced interest in setting up industries and even approached the district administration, there has been little progress beyond discussion in the last few years.

According to District Land Acquisition Office sources, over a dozen private and public limited companies have visited Dhamra region and other parts of the district to set up industries in different sectors including steel, sugar, ship-making, power and atomic power. Since 2007 when Dhamra Port Company Limited (DPCL) started the project work, not a single company has taken any step to set up the industry.

ANTWERP INCIDENT HIGHLIGHTS MARITIME IT SECURITY RISK

Drug traffickers performed a multi-stage cyber attack over a two-year period at the port of Antwerp, which shows the risks shipping IT systems are open to according to maritime security and IT specialists. Starting by emailing malicious software to staff at the port in June 2011, a criminal group gained access to data remotely which they then used to identify and intercept containers with drugs smuggled onboard. The compromise was discovered after entire containers disappeared from the port with no apparent explanation. The complex and sustained attack has led to warnings from security experts that attacks on shipping and port infrastructure will continue to evolve, and protecting the supply chain is of utmost importance.

VOICES

"Cabinet Committee on Investment needs to be empowered with an option to overrule meaningless objections on infrastructure related ministries on one pretext or the other which arise out of petty issues so that stalled projects are cleared in one go. What India needs today is neutral experts in the area of environment and forests especially and not activists."

- Montek Singh Ahluwalia
Planning Commission Deputy Chairman

"We are working on whether coal banking is feasible under the law or this can be used by us for the benefit of the entire economy. Our response will be out in a month."

- B K Chaturvedi
Member, Planning Commission

"It is inevitable that shipping must be at the heart of sustainable development, and that shipping itself must, therefore, ensure that its own development is also sustainable. The sustainable development and growth of the world's economy will not be possible without similar sustainable growth in shipping and, therefore, in the entire maritime sector."

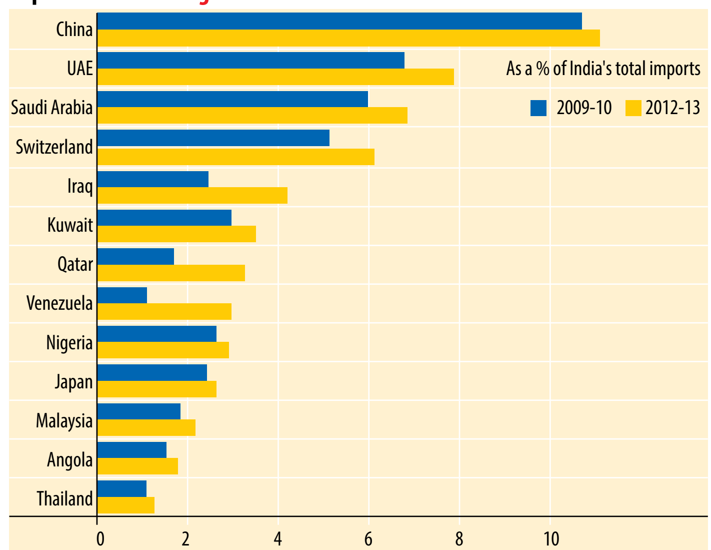
- Koji Sekimizu
Secretary-General,
International Maritime Organization

India, in recent years, has emerged as one of the leading PPP markets in the world, because of several policies and institutional initiatives taken by the government. We have over 1,000 PPP projects in the infrastructure sector with a total project cost (TPC) of about $97 billion.

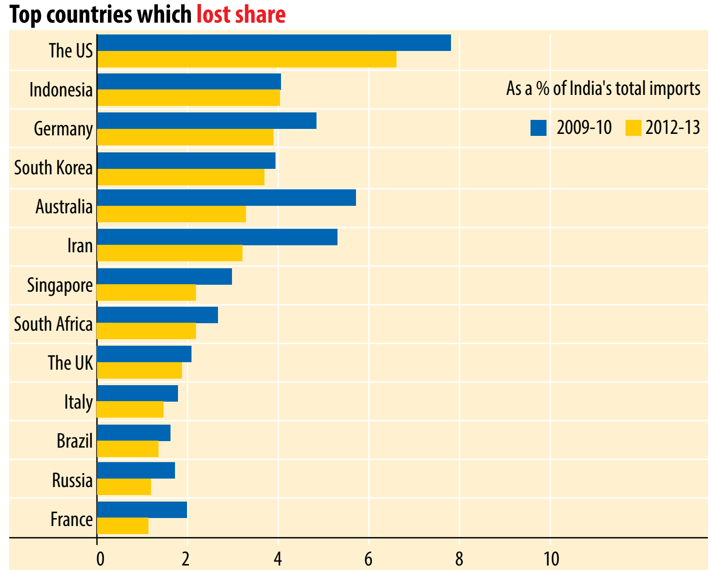
- P Chidambaram
Union Minister for Finance

CHANGING LANDSCAPE

Top countries which gained share

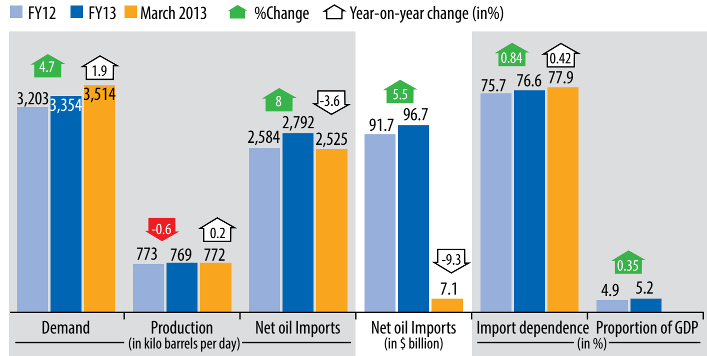


Top countries which lost share



Source: Ministry of Commerce

India still heavily dependent on oil imports



Source: Barclays Capital

Debashis Dutta elected as new Chairman of FFFAI

Debashis Dutta representing Calcutta Custom House Agents Association has been unanimously elected as the Chairman of Federation of Freight Forwarders Associations in India (FFFAI) for a two-year term of 2013-15. He succeeds Shantanu Bhadkamkar, according to a release from FFFAI.

Elections for the post of office bearers were held on September 22, 2013 in Mumbai.

Samir Shah, Sailesh Bhatia, Shailendra Jain, Shankar Shinde, D Vijaykumar and C Karthikeya Prabu were elected as Vice Chairmen while Amit Kamat, representing Goa Custom House Agents Association, was elected as Honorary Secretary for the second consecutive term.

Sarfaraz Khan, representing Aurangabad Custom House Agents Association, was elected as the Honorary Treasurer.

The former Chairman Raman Raj Sud has become the new member of the Board of Advisors of FFFAI.

Federation of Freight Forwarders Associations in India is the apex body of customs brokers and freight forwarders and sole representative of more than 5,000 customs brokers and freight forwarders across 24 local stations in India, who control 95 per cent of India's international trade.

Bose takes charge as Tuticorin Port Chairman

Anantha Chandra Bose's experience in the field of port operations wins him the trust of the Ministry of Shipping as he takes over as India's southern most port's Chairman. He began his career as a Probationary Assistant Traffic Manager in Chennai Port Trust and worked in various capacities as Docks Manager (Operations), Container Terminal Manager and Deputy Chairman, Chennai Dock Labour Board. Later, he joined the erstwhile Tuticorin Port Trust as Traffic Manager from where he was appointed as Chief Port Administrator, Andaman & Nicobar Administration and later joined the Paradip Port Trust as Deputy Chairman. As part of his service, he also served as Consultant to the International Labour Organization for delivery of the Port Worker Development at Mauritius for two years.

As he took charge late last month, he hopes to uphold the port's commitment to achieve the Ministry's target of 30 million tonnes for the port despite global market fluctuations. He further stated that V.O. Chidambaranar Port would augment its capacity from 33.34 million tonnes to 85 million tonnes by implementing various public private partnership projects to meet the needs of the trade by the year 2015-16.

Bose is an alumnus of Chennai's Loyola College and the Indian Institute of Technology at Kharagpur.

Allcargo acquires Econocaribe Consolidators

A leading player in integrated logistics solutions, Allcargo Logistics Ltd of The Avvashya Group has acquired US-based logistics company Econocaribe Consolidators through its wholly-owned subsidiary Ecu Line.

Incorporated in 1968, the Miami-headquartered Econocaribe is a non-vessel operating common carrier (NVOCC) with nine offices in US and 22 receiving terminals in US and Canada. The company specializes in freight consolidation and FCL services to Latin America, the Caribbean, Europe, the Mediterranean, the Middle East, Africa and Asia.

Shashi Kiran Shetty, Executive Chairman, Allcargo Logistics Limited (India and ECU Hold NV, Belgium), said "Econocaribe has been our partner in US in recent years. They have an extremely efficient and capable management team that has taken the company to being amongst the top NVOCCs in the US."

The acquisition would enable Ecu Line to complete its service offerings both in terms of global capabilities and coverage and increase Ecu's foothold in the US market.

John Abisch, President, Econocaribe Consolidators, said "I expect both organisations will benefit from joining forces and allow us to provide a great environment for our employees and great service to our clients".

Allcargo Logistics offers specialized logistics services across multimodal transport operations, container freight station operations and project & engineering solutions. Currently it operates across 90 countries.

Krishnapatnam, first private operator to dedicate berth for project cargo

Gearing up to meet the huge demand for heavy lift and project cargo, Krishnapatnam Port Company Ltd. has become the first Indian private port to dedicate a berth with deep draft specially for handling project cargo. The five acres storage capacity in the vicinity of the berth itself will help bolster smooth and rapid handling of heavy lift and project cargo at the port supported by technical handling arrangements integrated to ensures faster turnaround and higher efficiency.

Until now only Mumbai Port, one of the 12 major ports which come under the federal government, has been offering dedicated berthing for heavy lift ships.

Migration policy soon for major ports' public-private projects

The Government is set to announce a 'migration policy' for public-private partnership (PPP) projects of major ports. This new policy will be applicable for PPP projects signed on the basis of 2005 guidelines. "We are working on the policy and it is expected to be out in next three months," the Shipping Secretary, Vishwapati Trivedi, told *Business Line*. The new policy will benefit 15-20 projects at major ports and will allow them more flexibility to suit the market conditions.

After the proposed policy, PPP developers will be able to revise tariffs on the basis of market requirements, but within a cap. However, this will not change the revenue-sharing formula. The private party will have to give a share of revenue, as determined earlier.

The proposed policy is another initiative after the Government announced 'Guidelines for Determination of Tariff for Projects at Major Ports 2013' last month. There are 13 major ports in the country of which 12 are owned by the Central Government and one by a corporate. These ports are governed under the Indian Ports Act, 1908 and the Major Ports Trust Act, 1963. At the same time, there are over 180 minor ports, which are under state governments.

IRS to chair safety panel of IACS

Indian Register of Shipping (IRS) has been elected to chair the prestigious 'safety panel' of the International Association of Classification Societies (IACS). IRS would be represented by Vijay Arora, Chief Surveyor & Senior Vice President (Ships-in-Service). The role of the safety panel is to address statutory and safety issues, which are dealt with by the Maritime Safety Committee (MSC) and other IMO sub-committees, including those relevant to European Union legislation in this regard, according to a release. IRS is a classification society promoted to provide classification and statutory services to the maritime industry in India.

AP PCPIR zone delayed as HPCL plan hits roadblock

The Andhra Pradesh PCPIR zone will be delayed as the anchor tenant Hindustan Petroleum Corporation Ltd has hit new roadblocks in its planned refinery projects in the zone.

Firstly, due to Vizag area getting classified as a critically polluted zone by Central Pollution Control Board (CPCB), there is a general embargo on further capacity expansion for industries in the Vizag bowl area. Since the proposed expansion plan for Vizag refinery falls in this industrial belt, th expansion is not possible. The project envisaged expansion of the refinery from its present 8.4 MMTPA capacity to 15 MMTPA. It may not appear feasible in the near future, said officials.

Secondly, the greenfield 15 MMTPA Refinery cum Petrochemical Project at APSEZ proposed with an investment of ₹32,000 crore in Visakhapatnam is delayed due to market conditions. According to officials, cashflow due to tough economic conditions is one of the reasons as to why the PSU refinery HPCL is unable to commit funds for this project. Besides, there is an oversupply of polymers in the Indian market over and above heavy imports. Due to an inverted duty structure wherein the raw materials attract higher duty compared to the processed polymer and plastics, many traders import raw material.

Now, HPCL is planning to implement a Greenfield project outside the Visakhapatnam bowl area about 40 km from the existing location and thus the whole process will start afresh from requisition of the land.

The second anchor tenant GMR is still in discussions to finalise its proposed 15 MMTPA refinery and a 450,000 MTPA Polypropylene Unit at an overall cost of ₹31,000 crore. According to official sources, they are looking for technology partners.

New Mangalore Port plans berth; to buy mobile cranes

New Mangalore Port Trust (NMPT) has recorded a growth of 15.78 per cent in cargo handling during the first six months of the current fiscal. NMPT Chairman P Tamilvanan told *Business Line* the port handled 19.37 million tonnes of cargo during April-September of 2013-14, against 16.73 million tonnes in the corresponding period of the previous fiscal.

Cargoes such as crude oil, petroleum products and coal contributed to this growth.

New Mangalore Port Trust (NMPT) has taken two major decisions to strengthen infrastructure at the port. The board of the trustees of NMPT has finalised the bids for constructing the berth no. 18, and also decided to procure two mobile harbour cranes.

The Mumbai-based DBM Geotechnics and Constructions Pvt Ltd has been awarded the work for constructing berth no. 18 at New Mangalore Port. The proposed berth will handle bulk and container cargo. The board also finalised to procure two mobile harbour cranes for operation at general cargo berths. Each crane has the capacity to handle 60 tonnes of cargo.

Nestle begins exports

Nestle India Ltd has commenced routing export shipments of noodles and sauces through the port. The company exported 11 containers of noodles to the UK and two containers to Australia from New Mangalore Port. In addition, six containers of sauces were sent to Canada. Two vessels – *MV Express Yamuna and MV Tiger Mango* – handled these containers at New Mangalore.

Ennore Port get its act together as corporate entity

Ennore Port Ltd, the state-owned entity that runs Ennore port in Tamil Nadu, has finally freed itself from the grip of operational uncertainty and ambiguity. Recently, the port management informed prospective bidders for a container-loading facility that it will not follow federal shipping ministry guidelines to set rates for cargo services.

In the first place, Ennore is not required to follow these rules that were announced on July 31, because it is the only port among the 13 owned by the Indian government that is run as a company. The rest are run as trusts under a law framed about four decades ago.

Panel proposes cluster concept in shipbuilding industry

To give a competitive advantage to Indian shipbuilding industry, the Parliamentary Standing Committee on Transport has suggested the formation of a cluster concept in the country for benefiting shipbuilding and repair industry.

Shipbuilding industry world over is developed in a cluster concept and most of the original equipment manufacturers (OEMs) and raw material suppliers are ideally located in and around a shipyard, which gives the yard logistical advantage and competitive strength, the committee noted.

Wondering why such cluster concept could not take off in India, the panel headed by Sitaram Yechury asked the Government to create a business environment for the growth of OEMs and raw material suppliers in nearby localities of the shipyards.

The committee feels that the introduction of such a concept would go a long way in strengthening the country's shipbuilding and repair industry. In its 200th report submitted to Rajya Sabha, the committee also questioned the prevailing tax provisions in the ship repair industry, which negatively impact the competitiveness of the public sector Cochin Shipyard Ltd.

It therefore recommended that work contracts related to ship repair should be exempted from VAT and ship repair activities from service tax. It also suggested the Kerala Government to re-evaluate the various taxes imposed on the ship repair industry to enable Cochin Shipyard to compete with other major ship repair dockyards.

Chennai firm to start cruise liner, plans $400 million investment

Chennai-based Newport Maritime Pvt. Ltd is looking to start a cruise liner service next year, using Mumbai as a home port, to tap the Indian market. Newport Maritime, founded by Sivakumar Elayathamby Sinnarajah, a person of Sri Lankan origin and a US citizen, plans to invest $400 million over five years to run the service with two used luxury cruise ships, according to a proposal filed by the firm with the shipping ministry seeking concessions and incentives for the operations and for launching the service.

Newport Maritime plans to operate under the brand name Royal Asian Cruise Line, offering tourists a seven-night itinerary on the Mumbai-Goa-Maldives-Colombo-Mumbai route between October and April and an 11-night itinerary to Dubai from May to September. The service will deploy *MV Gemini* (to be re-named *MV Asian Pride*) and *MV Crown Majesty* (to be re-named *MV Asian Song*), both built in 1992 with a capacity to carry 400 and 750 passengers, respectively.

Sinnarajah is also chairman of Dani Aviation Pvt. Ltd, which runs ground-handling services at Chennai international airport.

ICS welcomes record membership

The Institute of Chartered Shipbrokers has welcomed 200 new members at the annual meeting of its Controlling Council, held this year in Vancouver, Canada. ICS, one of the shipping's old professional bodies, has 25 branches, 18 teaching centres and 4,000 members. The members are formally elected and the organisation strives for the development of shipping professionals globally. ICS Director Julie Lithgow says the level of interest in ICS membership demonstrates that in the wake of London International Shipping Week and a wide-ranging debate on London's commercial future, qualifications speak most loudly when building a maritime career.

World's largest shipping hub to integrate unmanned systems

Finnish researchers will design and develop an advanced wireless network for PSA Singapore Terminals to help the shipping centre integrate unmanned systems. The VTT Technical Research Centre in Finland will work with PSA, the world's biggest transshipment hub, on innovative technologies, which could help PSA manage and integrate the currently developed automated guided vehicles (AGV).

"PSA is leveraging on VTT's expertise in wireless mesh networks to further integrate the automation and intelligent technologies we are implementing," said Oh Bee Lock, PSA Singapore Terminal's Chief Operating Officer. "These innovations will bolster our capabilities to operate the next-generation automated hub port, and to provide class-leading service, productivity and efficiency to our customers."

A wireless mesh network consists of a group of wireless devices which can boost the reliability and connectivity of the grid, by relaying and distributing data traffic from other devices within the network. These and other features can also be applied in similar places, such as railway yards and automated storage areas. The robust and powerful wireless network will enable smooth command and control of PSA's future automated fleet.

"VTT is honoured by this partnership, which represents a significant toehold for us in the Singapore market. We look forward to working closely with PSA, and fulfil their business requirements and operational needs of such sophisticated terminal systems," said VTT's Jouko Suokas, Executive Vice President, Business Solutions.

Finnish researcher will develop a next generation wireless network to help Singapore Terminals control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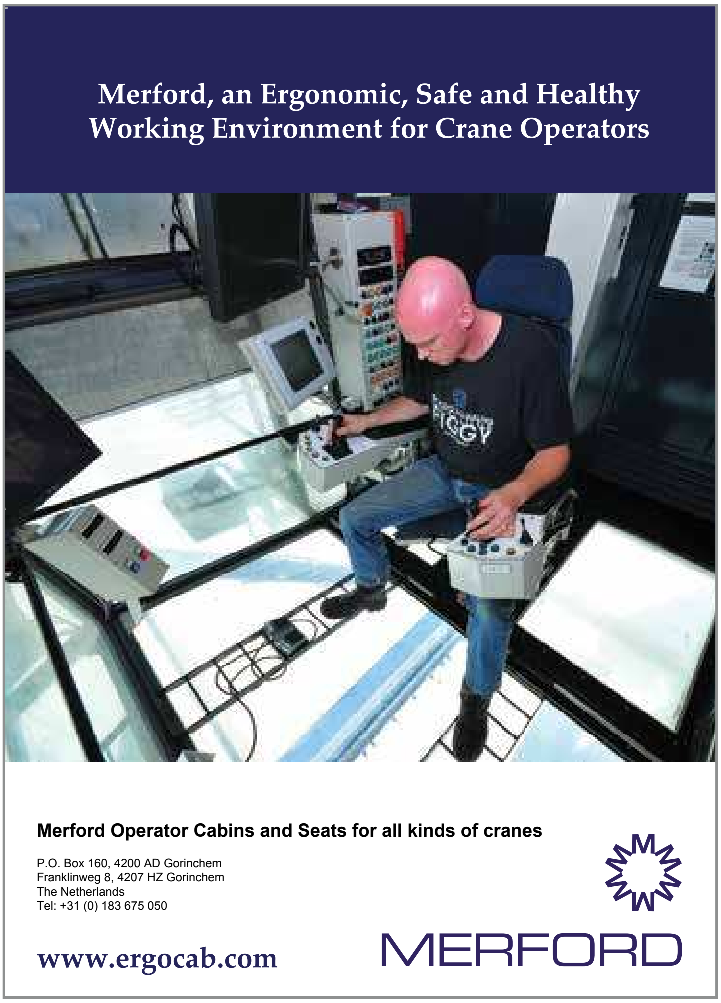
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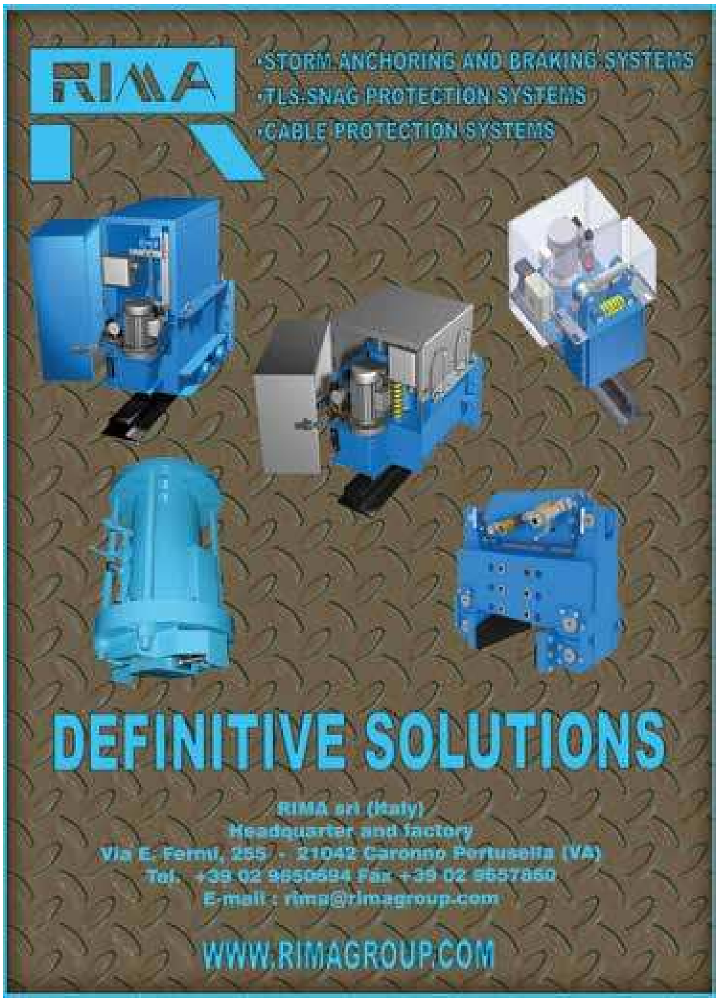
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Vessel owners shun India as lack of return cargoes weigh

Vessel owners are seeking a premium payment to fix their vessels to India as a lack of back-haul cargoes is making the destination unattractive. "The problem is to find owners to go to India but nobody wants to go there," a Singapore-based ship broker said. Vessel owners are reluctant to head to the west coast of India, a Dubai-based broker said, adding that Supramax freight rates from South Kalimantan to the west coast of India, for example, had surpassed $16/mt.

"Spot stems have already been booked by most operators. However, I do not see many cargoes with forward dates because with such high freight rates, traders or shippers won't be able to sell," he said. He estimated Supramax freight rates from South Kalimantan to the east coast of India at about $14.25/mt.

Some vessel owners are seeking a premium of about $25,000 to go to the west coast of India, an India-based broker said. Several Panamax vessels are still ballasting to the US Gulf to pick up grain cargoes, which has absorbed plenty of tonnage from the market, sources said. "A lot of vessels are en route ballasting to US Gulf. Typhoons and Capesize splits are helping. So more tonnage is taken out of the water," the Singapore-based broker said, adding that he expected freight rates to remain stable in the near term.

Due to higher freight rates for Capesizes, some charterers were splitting the Capesize stem into two Panamaxes to save costs, sources said. However, the India-based broker said the spread between the owner-charterer rates has widenend to nearly $2/mt from $1.50/mt last week. He said Supramax vessel owners were quoting about $20,000/day while charterers were at $14-15,000/day.

From South Kalimantan to east coast India, charterers were quoting $13.50/mt while owners were asking as much as $15/mt, he said. From South Africa's Richards Bay to India, Capesize vessel owners are quoting $19-20/mt, while charterers are asking about $16/mt, he said, adding that he was seeing some enquiries on this route. Gearless Panamax vessel owners were asking about $13/mt from South Kalimantan to the east coast of India, while charterers were at $11/mt, he said. Gearless vessels do not have loading-discharging equipment fitted.

"Rates for Panamaxes kept firming as fixing activity increased in both basins for another week," Greek shipbroker Intermodal said. The time-charter market for Panamaxes has also improved further, with the average rate now surpassing $15,000/day, the broker said. "After the Chinese came back from holidays we saw more demand, especially in the Pacific basin where Panamaxes now get around $19,000/day for round trips; this is up $2,000-3,000/day over the last week," broker Fearnleys said in its weekly note Wednesday.

"The Atlantic market is somewhat more quiet, but the demand is strong and tonnage lists short, so rates keeps pushing up." Platts assessed the Panamax coal freight rates from South Kalimantan to India's east coast at $19.60/mt and to the west coast at $19/mt, both unchanged on the day. Platts also assessed the Panamax coal freight rates from South Africa's Richards Bay to India's east coast at $12.50/mt and to the west coast at $14/mt, both unchanged on the day.

Dredging begins at Ro-Ro jetties

The Inland Waterways Authority of India (IWAI) has started dredging of the approach area of Ro-Ro Jetties at Willingdon Island and Bolgatty. The Ro-Ro service, which transport wheeled cargo between the International Container Transshipment Terminal (ICTT) Vallarpadam, and the Willingdon Island, has been affected since August after fishing nets got entangled in its propeller, affecting the engine. Following this, LOTS Shipping, the company which operates the service had requested the IWAI and the Cochin Port Trust to carry out dredging on the channel immediately.

Chennai Port sets rates on par with JN port

Chennai Port, owned by the Union government, has set rates for a new container loading facility it is building with private funds at par with the rates fixed for a container terminal at Jawaharlal Nehru port, also state-owned, near Mumbai. The projects – one each on the east and west coasts – are vastly different in terms of scope, capacity and investments, with the Chennai facility nowhere near the size and scale of the terminal at JN port.

Yet, Chennai Port has adopted the JN port rate for the new container loading facility, the port's third, by making use of a provision in the new tariff setting guideline for ports controlled by the Union government that was announced on July 31. The rate to be adopted by Chennai Port for its new facility – converting an idle coal terminal into a container terminal – was approved by the Tariff Authority for Major Ports (TAMP), the tariff regulator, and notified on October 10.

5-pronged plan to raise food exports from AP

To increase the shelf life and exports of agricultural and other food products, a slew of measures are under way, Agricultural and Processed Food Products Export Development Authority (APEDA) deputy general manager T Sudhakar has said.

Addressing a press conference recently, he said five infrastructure projects worth ₹50 crore were in the pipeline to facilitate the exports from the state. They include enhancing infrastructure facilities for shipping at the Kakinada Port, construction of a warehouse at the Krishnapatnam seaport, establishing a centre for perishable cargo at the Visakhapatnam airport, a vegetable cluster at Kandi village in Medak district to increase productivity and finding an easy market, and an inland container depot in Chittoor district. The financial assistance for these projects will be provided by the Union ministry of commerce which heads APEDA.

India eyes more Iranian oil without violating US sanctions

India is exploring ways to increase crude oil supplies from Iran without attracting US sanctions. The current waiver granted to India by the US is set to expire in December and any further extension is largely dependent on how far business with Iran has been contained.

At present, the legal tenability of buying more Iranian crude oil during the fiscal without affecting other commercial relations (US) is being examined by the External Affairs Ministry's legal & tender department. The US could allow higher imports this year since there was sharp drop in crude sourcing from Iran last year. Imports from Iran were brought down by more than 25 per cent last year, while the US had only asked for a gradual reduction.

Apathy grounds vessels at Old Mangalore Port

At least 55 cargo vessels that operate from Old Mangalore Port to Lakshadweep are idling since September 15. Failure on the part of the department of ports to carry out an annual inspection of vessels has meant they are berthed at the port, and not able to ply to Lakshadweep. Peeved vessel owners are planning to block all operations at the port if things don't change.

Nabard launches scheme to extend finance to pvt sector

Faced with shortage of warehouse facilities for agriculture products, Maharashtra stands to gain from the new loan scheme of the National Bank of Agriculture and Rural Development (Nabard), which aims to finance the private sector for creation of storage infrastructure. Under the new scheme which has received the Centre's nod, Nabard can advance direct loans to the public as well as the private sector for construction of warehouses, cold storages, cold chains and silos.

Shipping Corp consortium set to win LNG shipping deal from Petronet

State-run Shipping Corporation of India Ltd (SCI) has strengthened its liquefied natural gas (LNG) shipping business by winning a long-term shipping contract, its fourth, from Petronet LNG Ltd, in a deal worth over $200 million.

Shipping Corp is part of a Japanese consortium that has won a global tender to lease one LNG ship to Petronet LNG for hauling the fuel from Gorgon in Australia to Kochi in Kerala where Petronet has built a 5 million metric tonnes per annum (MMTPA) LNG re-gassification terminal. The Mumbai-based firm will hold at least a 26 per cent stake in the venture.

Westports IPO signals Malaysian revival

Westports Holdings, a Malaysian port operator part-owned by Hong Kong billionaire Li Ka-shing, has priced a planned initial public offering in Kuala Lumpur at the top of its range, raising about $680 million and signalling a revival in the country's IPO market. The issue is the largest in Malaysia this year and comes four months after a controversial general election which had damped investor interest in the country.

BRIC economies to enjoy major cargo growth in 2014

Shipping crisis ever near end as Nordia sees loan growth own in cargo growth up 7.1 per cent year on year to 90.7 million teu during the first half of 2013 compared to North America's 1.2 per cent increase and Europe's zero per cent despite overheated economies, according to London's Drewry Maritime Research. Cargo carried in and out of Brazil, Russia, India and China has remained strong supported by a lack of transshipment traffic despite overheated economies and overcapacity.

The forecast for growth in the BRIC nations is positive despite rising debt and inflation in Brazil and China, which will serve to increase cargo growth, said Drewry. The report highlights the precarious position of China's strength in figures shown in its lion share of loaded and discharged container throughput at 78.9 million teu of the overall 90.7 million teu.

India recorded the next highest figure at over 5 million teu loaded and discharged at its port. This shows a wide deficit from the rest of the BRIC economies. China's influence is wide and it has the power to bring the region down with it should it fall. It remains vulnerable to rising labour costs and various macro-economic concerns.

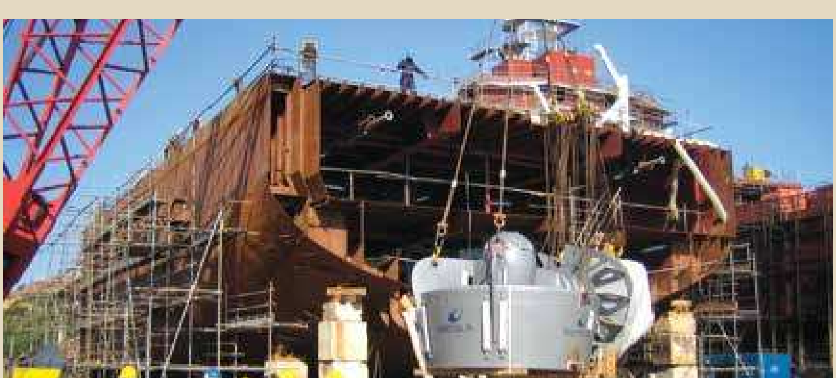
India is particularly at risk as the poorest performer despite a population just below China's 1.35 billion at 1.24 billion. This was reflected in first half figures at 172,736 teu exported to Greater China, down 22 per cent same period 2012 against the east coast of South America (mainly Brazil) and China which showed container throughput increase of 12 per cent and 8.5 per cent respectively. India has struggled to maintain cargo volumes unlike China which has concentrated on manufacturing rather than service industries. The country is plagued by congestion where several days delay at every turning point is typical, said the report, adding to issues of red tape and alleged unfair trading practices in India.

However, the freeing up of government law over overseas investment for new container terminal concessions may help future cargo growth for India.

Shipping Corp shelves plans for shipyards

The Shipping Corporation of India has decided to shelve its plans of having shipyards due to an unfriendly business environment. "Shipbuilding companies have no orders at present since the market is down and so it makes no sense to get into this business right now," Chairman B K Mandal said .

"Presently, we have no plans to go for shipyards," said Mandal, also managing director and director (finance). Regarding purchase of vessels as part of its old order, he said the company would be taking delivery of two vessels, mostly in the current financial year of the total 15 vessels it has ordered. For the two vessels to be bought, Shipping Corp of India will be spending ₹1,900 crore.



End in sight for worst shipping crisis as Nordea sees loan growth

Nordea Bank AB (NDA), Scandinavia's biggest lender, said the shipping industry will next year begin to recover from its worst crisis on record as global demand picks up and freight rates and asset prices recover. While "2013 will be another tough year in most segments, sometime in 2014 we'll probably start seeing a gradual improvement in the broader market," Hans Kjelsrud, the Oslo-based head of Nordea's shipping unit, said in a September 17 telephone interview. "Once we get through this year, deliveries of new ships will be a lot lower. We believe 2014 will be better than 2013 and that 2015 will be better than 2014."

The ClarkSea Index, a measure of industry-wide earnings, averaged \$9,187 a day this year, the lowest since 1990, according to shipbroker Clarkson Plc. The fleets of dry-bulk carriers and supertankers are both the most oversupplied since the 1980s, according to Clarkson and Fearnley Consultants AS, a maritime research company in Oslo. There are now signs of improvement as the global economy picks up, Kjelsrud said.

The price of a five-year-old Capesize, the largest type of bulk carrier, rose 14 per cent to \$33.5 million this year, heading for the first gain since 2010, according to the Baltic Exchange. Values for such ships collapsed from as much as \$153.8 million in 2008 to \$29.5 million early this year, their lowest price in at least 10 years.

Ennore Port to construct new coal berth for TANGEDCO

Ennore Port Ltd, the entity that runs the Union government-owned port at Ennore in Tamil Nadu, will set up a coal loading facility, its third, for state-owned power utility Tamil Nadu Generation and Distribution Corporation Ltd (TANGEDCO) to tap rising demand for the commodity used for generating electricity.

The proposal to construct a new coal handling berth for TANGEDCO with an investment of ₹250 crore was cleared by the port's board. The new facility will have a capacity to load 4 million tonnes of coal a year.

Ennore Port has built two coal berths with a combined capacity of 12 million tonnes (mt) a year that are run by TANGEDCO, the port's biggest customer accounting for about 40 per cent of its revenues. To meet the rising coal requirements of the power utility, the port had planned to build a third berth with its own investment.

Ennore Port registers 59 per cent increase in cargo

Ennore Port has achieved the fastest growth rate among all major ports with a 59 per cent increase in handling of cargo during the first half of the financial year. According to Ennore Port spokesman, the port handled 12.68 million tonnes of cargo during April-September this year, as against 8 million tonnes handled last year. Cars and automobile cargo has increased to 1.08 million tonnes (89,579 units) when compared to 0.78 (65,244 units) million tonnes handled during the same period last year.

Meanwhile, Ennore Port's dream to have access to northern rail link is close to realisation after Indian Railways gave its in-principle approval for the ₹170-crore project. The 26-km-long rail link will be on a single track connecting the port with the Chennai-Gudur mainline. It will terminate close to Minjur, said Ennore Port chairman and managing director M A Bhaskarachar.

IK Investment Partners to acquire DNV Petroleum Services from Det Norske Veritas

Funds managed by IK Investment Partners (IK) have entered into an agreement with the Norwegian foundation Det Norske Veritas (DNV), to acquire its subsidiary DNV Petroleum Services (DNVPS), a global leader in fuel management services. Financial details for the transaction were not disclosed.

"The sale is a strategic decision, based on a review of the DNV Foundation's total portfolio of activities following the DNV GL merger. DNVPS was not part of the merger process and has remained with the DNV Foundation. We believe the new ownership will provide DNVPS with a stronger platform and better focus for delivering on its strategic ambitions," said Henrik O. Madsen, President and CEO DNV GL Group.

Korean vessel tests waters at L&T Kattupalli Port

Following the Japanese firms, the Koreans has tested the waters at L & T Kattupalli Port, which is situated about 30 km from the Chennai Port. Both Japanese and Korean automobile firms have been scouting for alternative sea ports as Chennai Port is hit by congestion woes. The city houses three sea ports, of which containers are handled by Chennai Port and Kattupalli Port.

One of the major Japanese shipping companies (NYK Line) commenced its commercial run last week and the world's leading shipping major is also likely to conduct a trial run at this port soon, said trade sources.

Dow Corning opens India Distribution Center in Maharashtra

Dow Corning, a global leader in silicon-based technology and innovation, has opened its India Distribution Center (IDC) at the CCI Logistics Park in Panvel, Maharashtra. The IDC, with seven-level storage facility, promises to meet the growing customer needs for silicone products and services across the country.

Silicone materials are used to solve processing problems, give manufacturers competitive advantages across industries including automotive, beauty and personal care, electronics, construction, textiles and renewable energy.

The IDC adheres to high safety standards with equipments such as foam based water sprinkler, smoke detector, spill containment pit and high-tech fire alarms systems, all of which help in mitigating the risk involved in handling chemicals.

In addition, advanced material handling equipments such as reach trucks, dock levelers, scissor lifts and stackers have been deployed to ensure safety and uninterrupted services.

The IDC also facilitates bond-to-bond sale providing duty benefits to customers in exempted zones such as Special Economic Zones and Export Oriented Units.

Speaking on the development, Diane Kelly, president (India & ASEAN regions), Dow Corning, said, “The strategic location of the center will ensure better compliance, safety, productivity and timeliness of delivery.”

LNG exports to have positive effects on India

A boost in export of Liquefied Natural Gas (LNG) from the United States to India would have many positive impacts on the economies of the two countries, an Indian diplomat has told American lawmakers.

“A boost in LNG exports would have many positive effects on both the US and Indian economies,” Deputy Chief of Indian Mission Taranjit Singh Sandhu told members of the Congress Subcommittee on Energy and Power. “For the US, it would help create thousands of jobs and an expanded revenue stream for the federal government. For India, it would provide a steady, reliable supply of clean energy,” Singh told lawmakers.

“The prospect of increased Indian investments in the US natural gas market will push further a strong and mutually rewarding energy partnership as well further consolidate our strategic ties and deeper cooperation for the benefit of millions of people in both countries,” Singh said.

Paradip Port Trust pushes for better cargo handling facility

Worried over diversion of specific cargoes to major ports, Paradip Port Trust (PPT) has decided to establish 'containerized cargo handling' infrastructure to increase traffic through its route. "The port authorities have chalked out a plan to install containerized cargo handling facilities at the port because its export has shot up," chairman of PPT Sudhansu Sekhar Mishra said. "PPT is losing revenue as it is not having the required infrastructure," he added.

"The Container Corporation of India and Warehousing Corporation of India have shown interest in the project. If everything goes the right way, the containerized system would come up very shortly. In the first phase, inland container depot would come up to handle seafood in refrigerated containers," Mishra added.

Adani Ports, United Liner among five bidders for JNPT’s liquid terminal

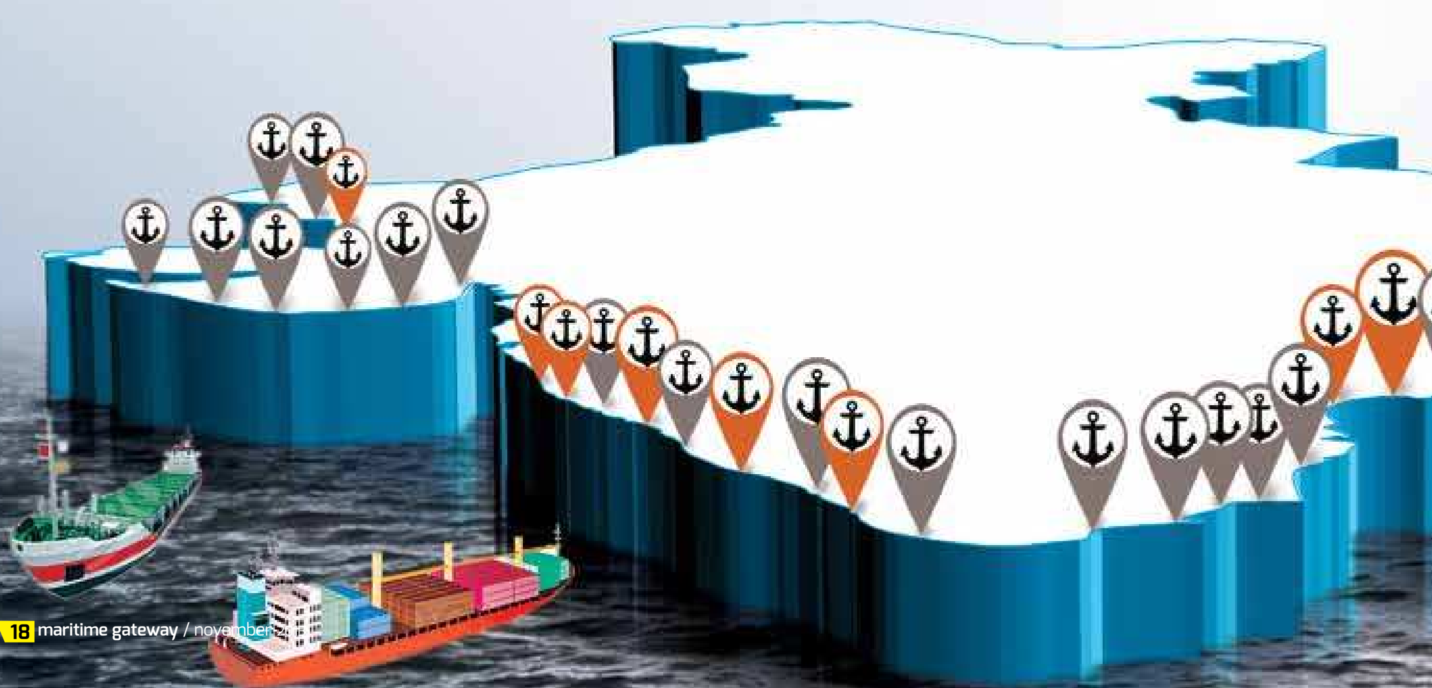
Five companies, including Adani Ports and United Liner Agencies (ULA), have shown interest in constructing the Rs 1,800-crore liquid terminal for the Jawaharlal Nehru Port Trust (JNPT). Apart from ULA and Adani, Aegis Logistics, IMC and Netherlands's Vopak are expected to submit their applications.

NEW MAJOR PORTS

IS IT WISE?

The Centre's plan to set up two new major ports on east coast may not be a wise decision considering the manner in which the state-owned ports are run in the country. Riddled with inefficiencies, these ports are steadily losing cargo to their private counterparts. Unless the government finds ways to address these issues, the new ports will not be able to achieve financial viability in a highly competitive business environment.

Sreekala G



The Central government's decision to set up two major ports on east coast has raised a few eyebrows. While the motivation is simple – to enhance capacity on east coast to take advantage of India's growing trade with South East Asian countries, especially China – many have questioned the economic logic behind spending public money to construct two more ports, controlled by the government.

These naysayers' doubts are based on the abysmal manner in which the state-owned ports are run in India. There are 13 major ports in the country and for the last couple of years they have been steadily losing cargo to their more efficient private counterparts.

According to a recent report by rating agency ICRA, the share of the major ports in the country's overall cargo throughput fell by 3 percentage points to 58 per cent in FY13 from 61 per cent in the previous fiscal. In FY13, the major ports saw a 3 per cent decline in cargo handling as against the 13 per cent increase at the private ports. The total throughput at the ports was at 935 million ton.

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

Currently, major ports in India lack an independent management structure and they have to approach the government for every decision. Considering the government's skewed priorities, it is not difficult to understand why it is taking such a long time to find replacement for the chairman post in two major ports, including JNPT, the largest container port in the country. Kolkapat Port Trust chairman has been acting as the in-charge of Visakhapatnam port for over a month.

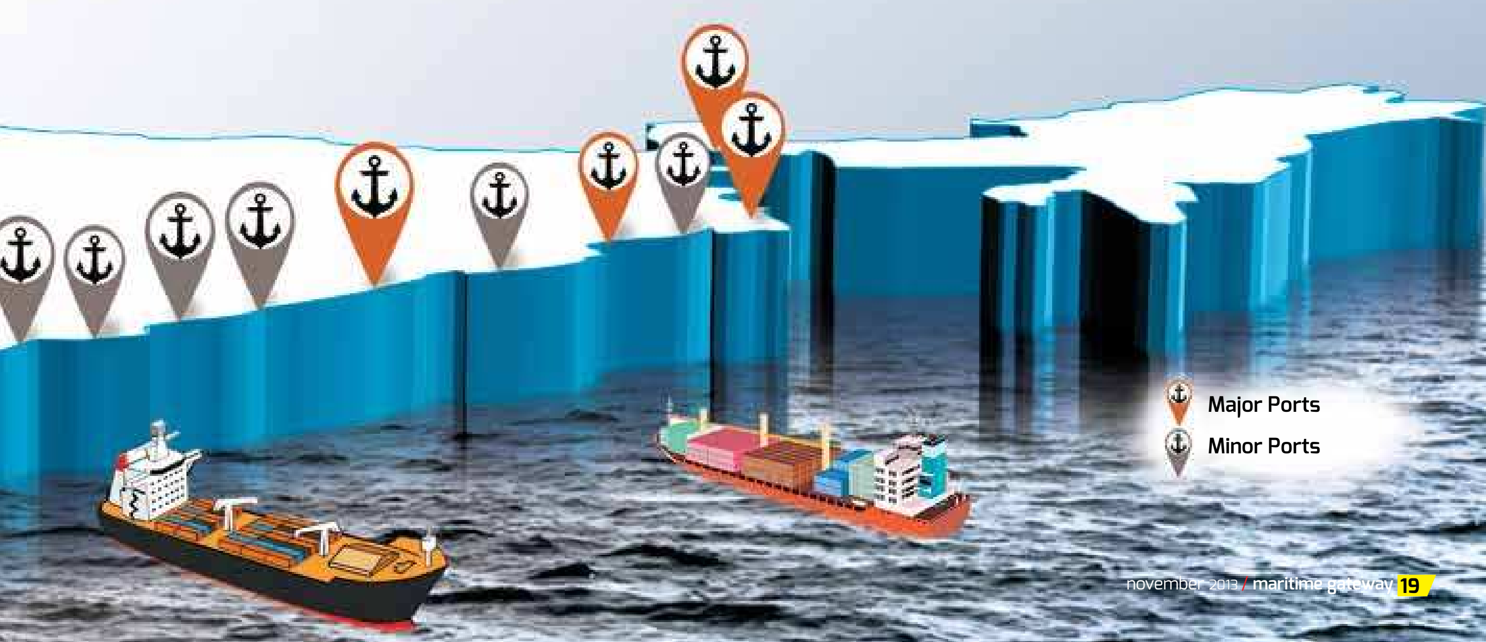
The 12 ports (barring Ennore) follow a trust model of governance. Unfortunately, the trustees mostly represent vested interests including local trade unions and political parties. They do not have the competency and the knowledge base to run ports in an efficient manner.

This has triggered the government to think of a new management structure for major ports. Though the shipping ministry has been trying since 2007 to corporatize the existing major ports, the efforts did not culminate into any fruitful results. By introducing a corporate structure, the government wanted to hand over the management of all major ports in the country to corporate boards after converting the trusts into companies under the Companies Act, 1956.

In fact, the government also introduced a draft bill in 2011 – Indian Ports Bill – that gives it the right to divest ownership and control of major ports in the country. However, faced with stiff opposition from trade unions and employees, the government decided to go slow on the corporatisation move.

Experts point out that unless the present management structure changes, it will be difficult for major ports to compete with the new private ports. They say in a globalised trade environment, it is difficult for a trust to deliver complex, management-intensive operations or other capital-intensive infrastructure operations at a modern port.

This can be gauged from the way major ports are functioning in the country. The turnaround time and the attendant dwell time are considerably longer at major ports compared to international standards. This has resulted in high cost of operations. Besides, port charges are also high due to labour unions and growing pension payment requirements.



TARGETS UNMET

Most of all, the existing inefficiencies, dismal management structure and corresponding inordinate delays in decision making, have hampered major ports in attracting private investments.

The Shipping Ministry had introduced the Maritime Agenda for the decade 2010-2020 giving a road map for comprehensive development of the maritime sector. The agenda envisaged to create port capacity of 3,200 MT for handling about 2,500 MT of cargo by 2020. The proposed investments in major ports by 2020 was expected to be ₹1,19,449.41 crore and in non-major ports ₹1,67,930.84 crore. It had also projected a total traffic of 2,494.95 million tonnes for all major and non-major ports.

Going by the response received by major ports for the proposed public private partnership projects, these targets seem hard to achieve. For instance, in August this year, Chennai Port failed to find suitors for its long-planned ₹3,686 crore mega container terminal project. Though Ennore Port received good response from investors for its container terminal project, it has to address connectivity issues before awarding the project.

It is in this backdrop that people have started questioning the logic behind the government's decision to set up two more major ports on east coast. While nobody doubts the intentions - to create enough capacity on east coast to take advantage of India's growing trade with South East Asian countries, especially China, many believe the same can be achieved in a better manner by private investors.

What gives credence to the doubts raised by naysayers is the manner in which the Centre has gone ahead and approved the projects. Shipping and port sector experts question the viability of the two new ports – in Sagar Islands in West Bengal and Dugarajapatnam in Andhra Pradesh. They believe both projects are economically not viable at their present locations.

TALE OF TWO PORTS

The government's announcement to set up two major ports – one each in Andhra Pradesh and West Bengal – was part of the decade-long development plan, Maritime Agenda. These plans were approved by the Cabinet and were also found mention in the Union Budget – 2013. While nobody doubts the intentions, executing these major port projects might not be easy.

"Viability of a port project hinges upon cargo. In this case, the new port at Dugarajapatnam is coming up in close proximity to a number of existing ports. So, finding sustainable cargo traffic will be a major problem," says an official of a leading shipping line.

In the 200-km radius of the proposed port site at Dugarajapatnam, there are four ports which are fully functional. On the southern side of the proposed project lie Kattupalli, Ennore and Chennai ports. On the northern side, just 32 km away is Krishnapatnam Port.

According to the shipping line official, India has enough port capacity. "The government should focus on encouraging exports rather than building new ports. Our export-import imbalance is hurting the trade as they are forced to incur high cost. Container rate from China to India for instance is almost four times higher than that from India to China, as shipping lines have to make provisions for carrying empty containers from India," he points out.

> "Most government projects are aimed at gaining popularity among voters and scoring political brownie points. This trend is very much evident, if you look at the way passenger trains are allotted to various states and constituencies."
>
> **Says a Central government official**

It seems the government's decision to set up two major ports in Andhra Pradesh and West Bengal, was driven more by political reasons than business viability. This is evident from the way the Centre has taken steps to speed up the project in Dugarajapatnam whereas the Sagar Island port project in West Bengal is moving very slowly.

While he is not surprised at the government's choice of location – Dugarajapatnam – for a major port project, he does not think the project is a feasible option in Nellore considering that another port has already been functional in the same district.

"One cannot rule out the possibility of political compulsions and lobbying as the location faces environmental and defence clearance issues," he says.

The official also confides in that the Sagar Island project may not materialise due to the now severed tie-up between the West Bengal Chief Minister and the Centre. "It is moving very slowly unlike the project in Andhra Pradesh. It seems, the Centre is not keen on investing in West Bengal as the expected political returns are considerably low.

This is in stark contrasts to the Shipping Minister's words, who had said in August this year that for the new port project in West Bengal, RITES Ltd. has submitted the techno-economic feasibility report and action has been initiated for appointment of Transaction Adviser. "As on date, ₹1.392 crore has been released to Kolkata Port Trust for making payment to RITES for carrying out the Inception report on the feasibility study for port facilities at Sagar Island. In the year 2013-14, ₹1 crore has been allocated at Budget Estimate stage for Research and Development Study of Major Ports. The process of development of these new ports has been initiated," he had said in a written reply in the Lok Sabha.

VIABILITY ISSUES

Even Sagar faces viability issues. The main problem with a port project in Sagar is related to building supporting infrastructure. A port will require a well constructed road and rail to cater to the cargo and connecting the entire region right up to the port. In the case of the proposed port, presently there is only an ordinary road used by cars and tourist buses up to a certain point. Further, Sagar is an island and will require construction of a few bridges for cargo trucks and containers to move by road and rail. The project also faces other challenges like draft restrictions.

"Since a port in Sagar will require huge investments both for road construction from North East to Sagar, rail as well as constructing bridges to cross the various islands in Sundarban Area to reach the place, it is financially unviable visa vis the possible cargo traffic," says a shipping industry expert.

Meanwhile, the proposed port site in Andhra Pradesh – Dugarajapatnam – was chosen after much deliberation. Initially, the Centre and the state had chosen Nakkapalli in Visakhapatnam district for setting up the port. But that proposal was dropped after the Navy raised objections. Later, Ramayapatnam in Prakasam district was chosen. That also did not work out as the proposed location fell under the 100 kilometre exclusive zone given to Krishnapatnam Port under its concession agreement with the Andhra Pradesh government.

But even the third site is not devoid of problems as it is close to Satish Dhawan Space Centre (SHAR) and Pulicat Lake, a reserved bird sanctuary, making it difficult for the government to get clearance for the project.

"Normally, it requires at least six months to conduct this kind of a study. But RITES was given a very short time period to prepare the feasibility report. This in a way shows that the government is in a hurry to implement a project overlooking serious environmental concerns."

The government has appointed RITES as consultant for preparing techno-economic feasibility report for the new port project in Andhra Pradesh. It seems the consultant did not find any major issues with the project in terms of feasibility.

According to a statement made by R S Kahlon, Chairman, Kolkata Port, who is also in-charge of Visakhapatnam port, in October this year, RITES has submitted has submitted a feasibility report on Dugarajapatnam port and the follow-up steps will be taken soon. The new port will be built at an estimated cost of ₹9,600 crore.

Kahlon said the Visakhapatnam Port Trust (VPT) would have a stake in the new port. "The Andhra Pradesh state government would have a minimum equity of 11 per cent and it might go up to 26 per cent. The VPT and other public sector undertakings would have the rest of the equity and a special purpose vehicle would be floated for constructing the port," he said.

These statements come at a time when the economic viability of the project is still shrouded in doubts. It is learnt that RITES was given just 100 days to prepare the report. "Normally, it requires at least six months to conduct this kind of a study. But RITES was given a very short time period to prepare the feasibility report. This in a way shows that the government is in a hurry to implement a project overlooking serious environmental concerns. Even if they manage to secure all clearances, the project will not be economically viable due to strong competition from private ports in the close proximity and lack of an exclusive hinterland that can assure optimum cargo traffic," says the central government official.

COMPETITION WITH PRIVATE PORT

While competition may be good for port users, it may not augur well for a major port in the present scenario when almost all major ports in the country are facing issues with falling cargo traffic.

The new port at Dugarajapatnam will be very close to Krishnapatnam Port, a private venture. "Since the primary and secondary hinterland will be mostly common between these two ports, competition is bound to be high to attract cargo. It may take several years for the market potential to grow to the capacities of these ports. History, however, shows that notwithstanding competition from major ports, some private ports have grown commendably because of their superior marine infrastructure, faster decision making and good service levels," says K Ravichandran, Senior Vice President & Co-Head (Corporate Ratings), ICRA.

As the capex will be happening in phases, he feels, it may not be difficult for either the Government of India or the other shareholders in the SPV to contribute towards the equity portion of the project. "It is not clear if the SPV will raise debt from banks/capital markets for part funding the project. So long as the project is economically viable, fund raising for the concerned ports should not be a constraint. More than the fund raising, challenges facing this project will be in the areas of securing environmental approvals in a timely manner, acquiring large tracts of land, and attracting cargo in the midst of several well established ports on the east coast," he says.

Cargo for the proposed port will largely be dry bulk in nature, such as coal, fertilizers and iron ore, foodgrains and break bulk cargo, especially in the initial few years. Scope for liquid bulk and containers seems limited at this juncture.

POLITICAL COMPULSIONS

But sources in ports and shipping industry say the government does not have any clear long term plans to secure cargo for the port.

The Andhra Pradesh state government is also in a fix as the new venture may overlap with the exclusive zone rights given to Krishnapatnam Port. On the one hand the state is happy that it got a major public infrastructure project, but on the other it does not want to create any fear among private investors by making any unilateral changes in the concession agreement signed with Krishnapatnam port authorities.

According to the concession agreement between Krishnapatnam port authorities and the state government, the port has been given an exclusive zone up to 100 km on north and 30 km on south. Within this exclusive zone, no other port project can come up.

> "There is a possibility that the new port may overlap with the exclusive zone given to Krishnapatnam port. The Centre did not have any detailed discussions with us before approving the location. Though we can change the concession agreement with Krishnapatnam port, we feel that is an option we should not exercise. There are better locations in the state that can be considered for setting up a major port."
>
> **Says a state government official**

"Krishnapatnam being a mega port project was given 6,500 acres of land and it has made huge investment. If the state amends the concession agreement without any consent from Krishnapatnam authorities, it will send out a wrong signal to investors. This in turn will affect future investment flow to the state. Besides, the entire agreement will become null and void if any amendments are to be made unilaterally. Instead, the state and the Centre should work in tandem to promote new industries and encouraging exports," says an industry source.

According to him, if it is about developing Dugarajapatnam, then the Centre should look at constructing a road and a railway track connecting the place to the national highway and the existing port. A new port is a wasteful expenditure.

The new project may also witness protests from fishermen, who are living in this area as they fear it will affect their livelihood. The project requires about 4,000 acres of land, which is mostly owned private parties. With the new Land Acquisition Act in place, it may not be easy for the government to acquire such huge tracts of land.

"Based on the current capacity and cargo trends, while it might appear that setting up a greenfield port will add to the capacity glut, long range planning is essential from the government's perspective to address the growing needs of the economy. The new major port, without legacies of the past like the other major ports of the country, will start with a clean slate. To that extent, it can aim to have leaner workforce and high level of mechanization," says Ravichandran.

While intentions are good, it is the planning and execution that are missing in this case. So, increasing capacity on east coast and setting up a major port may look easy on paper, it may not be a smooth ride for the government. Considering the choice of location and competition, the entire project proposal seems in need of an urgent overhaul. mg

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KOLKATA PORT

PLENTY OF PLANS

R P S Kahlon
Chairman of Kolkata and Visakhapatnam ports

Hope could soon call at Kolkata's port with the Indian government on its course to allow the port to tie up with their counterparts in Belgium to improve performance effectuating the use of best technology available to tackle the many concerns that riverine ports encounter. With dusty cargo shifted out to Paradip Port, many experts have thumbed their nose at the port's revival. But **R P S Kahlon**, Chairman of Kolkata and Visakhapatnam ports is sanguine about the metamorphosis that would augur once all the planned projects take off at Kolkata. In his interview with **Maritime Gateway's** Deepika Amirapu, he elaborates his plans to improve efficiency at India's farthest port on the east coast. Edited excerpts-

Q What kind of growth in cargo throughput is expected in the next five years?

A Keeping in view the existing growth potential and the newer cargo generated through small and medium scale industrial developments in the hinterland, Kolkata Port is expecting to handle around 50 million tonnes by 2019-20. This will be excluding the traffic projected to be handled at the new facilities, namely Haldia Dock-II, Outer Terminal-I (integrated with trans-loading facility) and Diamond Harbour Container Terminal which are planned to be set up through public private partnership (PPP) mode during the next five years. The total capacity augmentation through these three PPP projects will be around 43.5 million tonnes. Even with 70 per cent materialisation of capacity in the initial years, the cargo throughput at this port is expected to be enhanced by another about 30 million tonnes by 2019-20.

Q Kolkata's cargo volume has dropped from a historic peak of 57.32 million tonnes (mt) in 2007-08 to 39.88 mt in 2012-13. Who are the customers you would be wooing to soup up the cargo numbers?

A The cargo volume has dropped mainly because of shifting of crude traffic to the Paradip Port and various restrictions imposed by the government on export of iron ore. To make good the shortfall, Kolkata Port is mainly concentrating on enhancement of handling commodities like coking coal, non-coking coal, edible oil, container and chemicals. To achieve this, close interactions are being made by the marketing teams of the port with steel industries, power plants, chemical industries, edible oil, vegetable oil importers and various other small and medium scale industries in the hinterland.

Q How would you look at augmenting infrastructure at the port? Could you please give us details on the infrastructure outlay detailing the projects that are likely to come up?

A The following major infrastructure projects have been taken up by the port for augmentation of capacity through PPP mode:

i) Development of berth facility at Haldia Dock-II (North) and Haldia Dock (South) at Salukkhali in the upstream of Haldia Dock Complex with a capacity of 11.7 million tonnes for each of them. The LOA in respect of Haldia Dock –II (North) has already been issued. In respect of Haldia Dock Dock-II (South), the last date of submission of bid is by the end of this month.

ii) Trans-loading facility in midstream at Sandheads and its vicinity for handling dry bulk cargo. This is integrated with development of Outer Terminal-I at Haldia with a capacity of 5.11 mt. Kolkata Port will have a tie-up with Paradip Port and the project will be implemented after reporting the consensus arrived at to the Apex Court of India and on closing the court cases.

iii) Development of Container Terminal at Diamond Harbour with a capacity of 1.2 million teu. The bidders have been shortlisted and RFP will be issued shortly after obtaining clearance of PPP Appraisal Committee.

iv) Development of a full-fledged port facility at Sagar Island as a joint venture with the state government for an initial capacity of 54 mt. Both State and Central Cabinets have cleared the proposal. Feasibility study has been completed. Appointment of Transaction Adviser is going to be finalized shortly.

Q What opportunities do you see in containerizing cargo with shipping lines and tradesmen pushing for containerisation?

A Kolkata Port is third amongst the major ports in India in terms of container handling and presently, the volume handled is around 0.6 million teu. Keeping in view a steady growth potential of container at this port, a high power committee set up by the Ministry of Shipping has recommended for development of a dedicated container terminal at Diamond Harbour with a capacity of 1.2 million teu. This is already under process for implementation through PPP mode.

Q With the east coast likely to get two more major ports, how would you look at the competition? Do you see a necessity for these ports and if yes, can the current export indices of India support and sustain two more ports?

A India's share of world's maritime trade has doubled during the last ten years. Keeping this in view and also matching with the 'Look East' policy of the government, it has been decided to have two more major ports on the east coast with deeper drafts. These ports will not only take care of the growing demands of the maritime trade in the east coast, but will also entice setting up of new industries including foreign investments. I don't think that these new ports will become competitors to the existing ports in the region and instead, they will become supplementary to the latter.

Q The Kolkata Port has often been criticized for not being one of the most efficient ports in the country. How would you look at improving efficiency given the many challenges that confront the port?

A For improving efficiency at Kolkata Port, we have given more stress on reducing pre-berthing detention and turn-around time of vessels by upgrading Vessel Traffic Management System and through optimum utilisation of our flotilla and pilots strength. Besides, we have been concentrating on increasing berth throughputs by equipping the berths in phases. At Kolkata Dock System, a comprehensive project has been taken up for equipping three container berths. At Haldia, one berth has since been equipped and two more berths are going to be equipped in the next phase.

Q If being a riverine port is your biggest disadvantage leading to escalating dredging costs, what are your major advantages and how do you wish to leverage them in the years to come?

A While on one hand, it is a disadvantage for Kolkata Port for being a riverine port, on the other hand, it counts as one of the port's strengths because the port has one of the longest navigable channels of 232 km having the highest draft of 50 metres at one end, viz. Sandheads, and the lowest draft of 7 metres at the other end, viz. Kolkata. Using this strength the port used to undertake lighterage of crude oil even from ultra large crude carriers at Sandheads around ten years back. This strength has also given the port to conceptualize the trans-loading project mainly for dry bulk cargo which is going to be implemented in PPP mode. Besides, Kolkata Port being located on National Waterway No.1 and having connectivity to National Waterway No.2 through the Sunderbans, has immense potential for handling IWT cargo. Steps have already been taken in this direction through development of IWT jetties by public sector and as well as private sector for the movement of IWT cargo, including exports to Bangladesh through Inland Waterways.

Q KoPT succeeded in obtaining right for carrying on trans-loading at the port. How do you see this benefiting the port in terms of business and revenue?

A Through trans-loading operations, the port could address the biggest challenge it is facing, i.e. the problem of draft, in a big way. The trans-loading project will not only bring back the cargo which is otherwise destined to this port and being handled at other ports due to draft problem, but will also open up new horizons thereby attracting additional traffic, particularly non-coking coal which will be imported for various power plants in the hinterland. This will augment the port revenue also to a great extent as the cargo will ultimately come to this port in daughter vessels/barges for final evacuation.

Q Is the Kolkata Port looking at attracting private capital for infrastructure spends? Overseeing the operations on two of India's ports on the East Coast, what do you think are the biggest challenges for major ports in attracting private capital?

A The government has already introduced the PPP modal for attracting private capital for infrastructure at major ports. Several ports including Vizag have already implemented various PPP projects. I don't envisage any problem in attracting private sector investment for the infrastructure projects that are going to be implemented at this port. In fact, as already mentioned above, Letter of Award has already been issued for the Haldia Dock-II (North).

Q What is your opinion in corporatizing ports?

A Corporatisation of ports will give them more flexibility in taking decisions on financial matters and establishment matters. Keeping in view the success story of Ennore Port, the only corporatized port in India, I don't envisage any problem in corporatizing the ports in phases.

Q What plans are being drawn up to capitalize on the commercial utilisation of the huge tracts of land you own? The port is currently in the process of allotting as much as 50 cargo sheds and warehouses to private parties on an annual lease basis. How much progress has been made on this front and what kind of revenue will augur from the leases?

A Kolkata Port has already planned for commercial utilisation of its vacant land in the prime locations of Kolkata through development of real estate/commercial hubs etc. and a proposal in this regard is already under consideration of the government. Through this scheme, the port is expecting to generate one-time revenue of around ₹1,000 crore or more. However, as the new land policy for major ports,, which will enable allotment of land on long-term lease, is pending, Kolkata Port is now allotting land and structures on eleven-monthly licence basis through tender. So far, more than 60 sheds/warehouses/ open car parking plots etc. have been allotted in Kolkata through tender and the same is expected to generate an additional revenue of ₹20 crore per annum.

Q Are there any solutions being implemented at riverine ports in the US and Europe you would want to implement or consider in India?

A In Europe, the port of Antwerp in Belgium has similar problems like dredging, lock gate restrictions etc. being a riverine port. In spite of that, Antwerp has come out to be one of the premier ports in the world in terms of traffic handling. The government has recently started a dialogue with the Government of Belgium for a possible tie-up with the Kolkata Port and once this materializes, Kolkata Port will be immensely benefited through exchange of technical expertise.

Transloading facility is awaiting take off.

Plan Panel opposes more power to

The Planning Commission says the new tariff structure will render the port operation unviable and that performance linked-tariff structure is ambiguous.

Deepika Amirapu

The Tariff Authority for Major Ports (TAMP) has found a new adversary in the Planning Commission with India's chief organizing agency opposing any additional power to it.

The agency's opposition skirts around the grounds which the TAMP has proposed to the ports for setting tariff and the model concession agreement that links the quantum of tariff to the performance of the port. In its reservations conveyed to the Ministry, the Planning Commission said the new tariff structure would render the port operation unviable and that performance linked-tariff structure was ambiguous.

The Ministry formulated new tariff guidelines in July permitting market forces to determine tariff at the major ports that account for 58 per cent of India's sea borne trade. The new guidelines also laid out higher performance standards for the ports under the government's purview and urged the ports to benchmark their quality of service against international norms.

The new code allows the TAMP to approve the performance standards for the ports under the Major Port Trust Act. However, the Planning Commission is against the tariff authority viewing the standards and instead wants the ports to follow the agreement laid down in the model concession agreement.

"TAMP does not deal with performance standards under the present dispensation. Hence, involving TAMP in setting and monitoring performance standards could lead to ambiguity and disputes, besides creating a multiplicity of fora. These items are best handled under the MCA, which has been approved by the Cabinet on the clear understanding that performance standards will be enforced by the Port Trusts through the MCA. Therefore, the proposed departure implying dilution of the responsibility of Port Trusts in enforcing the provisions of MCA may need Cabinet approval," the plan panel conveyed in a letter written to the shipping ministry.

The guidelines also allow companies engaging in public-private partnership projects to put forward a performance-linked tariff structure in addition to the reference tariff each year. The tariff authority will set the reference tariff for each commodity handled at a major port. The rate would be the highest prevailing rate for the commodity since the 2008 guidelines. In case the commodity has not been handled at the port previously, the highest tariff at the nearest neighbouring port will act as RT. In this case too, the plan panel that looked into these guidelines observed that the tariffs would be indicated in the concession agreement prior to bidding.

"Hence, changes in tariff due to their being linked to performance would vitiate the existing transparent bidding system and would also imply significant modification of the MCA, which would require prior Cabinet approval," planning commission said. The panel also expressed its reservations on the ministry's suggestions of increasing the RT to up to 60 per cent of the WPI reckoning that such an arbitrary increase could lead to a fall in real tariff rates.

"This could result in notification of unsustainable tariff and either make future projects unviable or significantly reduce the revenue share of Port Trusts," it said.

In the wake of all these observations, the plan panel has asked the ministry to redraft the guidelines. mg

Socially viable

With the passage of the new Land Acquisition Act, the social cost of land acquisition will come down while the financial cost of acquisition may go up.

Vijay Kurup

In an effort to allay fears of the industry over the new Land Acquisition Act, Minister for Rural Development, Jairam Ramesh said the new legislation would make the acquisition process socially and politically more acceptable even though it could lead to additional financial burden.

”If the consent clause in the new Act is adhered to, a large part of the conflict that accompanies land acquisition will automatically come down,’’ he pointed out.

In an interactive meeting with the industry, he explained the genesis of the legislation – Land Acquisition, Rehabilitation and Resettlement Act – that was recently passed by both Houses of Parliament, and attempted to exorcise the devil in the Act.

According to him, the Land Acquisition Act 1894 was an anachronism, which was evident by the fact that in its 119 years of its existence, it had undergone just three revisions. “It was fundamentally flawed, because it was a colonial era legislation which gave draconian powers to the Collectors and the State Government,” he said.

The new Act has been divided into four components. The Consent Component specifies that under no circumstance should forcible land acquisition take place. Consent Component would be admissible only if public purpose is served, which has now been defined in detail in the new Act. The exception, however, would only be in two cases – where the government is acquiring land for private

project and the government is acquiring land for PPP projects.

Compensation Component of the Act is based on circle rates which have been twisted and misapplied extensively. The basis of compensation has now been extensively defined in the Act and is no more an arbitrary application by the Collector or State Governments.

The minister said, the inclusion of Resettlement and Rehabilitation (RR) in the Act is the "most important innovation" of the Bill. "Land acquisition and Resettlement and Rehabilitation are two sides of the same coin," said Ramesh. Earlier there was no law for RR. There were only policies.

"We have said that the process of land acquisition should not be complete till the RR process starts, not when RR process is completed. The money needs to be deposited, only then can the land be acquired,'' he explained.

Process and Procedure component had caused the maximum misgiving among the various stakeholders. Every land acquisition will be accompanied by Social Impact Assessment (SIA).

"This Act is for land acquisition. Most people mistake it for purchase. Acquire means where Government is using the law to get the land. This Act does not apply to private purchase of land nor does it apply to private leasing of land. It applies to the use of government authority/ power, to get the land either for the government or private purpose. Every case of land acquisition will be accompanied by SIA. What the SIA will contain is there in the law," he said.

He further added that SIA will answer most of the concerns that have been raised on the negative effects of land acquisition, land owners and the landless. SIA has definite timelines with noncompliance attracting penalties.

"If the timelines are adhered to, then in 36 months you can acquire the land. While the financial cost of acquisition might go up, the social cost of acquisition will come down" said Ramesh.

In the case of private purchase of land too, RR will be done, the ceiling for which has been left to the state governments. Leasing too has been left to the states.

"Process and Procedure component had caused the maximum misgiving among the various stakeholders. Every land acquisition will be accompanied by Social Impact Assessment."

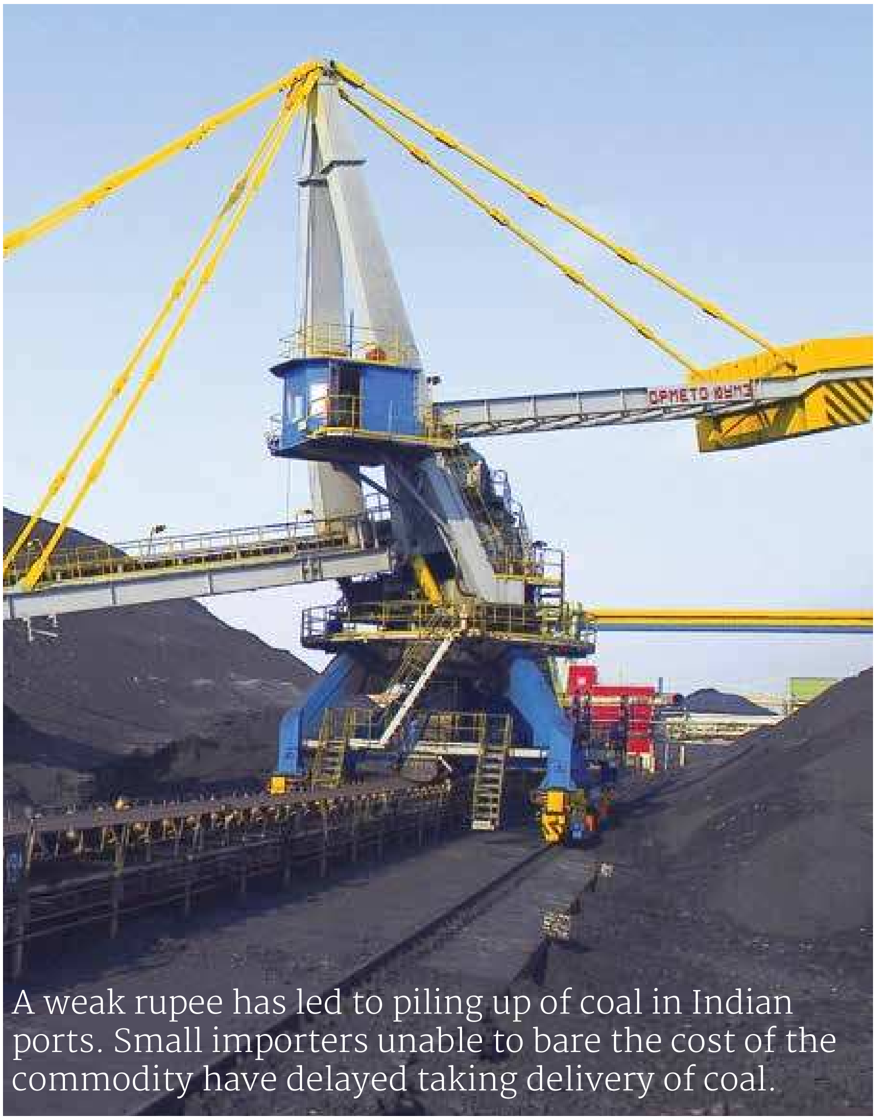
Another litigious term has been the Retrospective clause. The minister clarified that there are three circumstances under which the Retrospective clause would apply: Where no award under the old Act has been announced, the compensation under the new Act will be paid; Where the award under the old Act has been announced and the acquisition has taken place five years or before, but the physical possession of land has not taken place, compensation under the new Act will be paid; Where the acquisition case is more than five years old, but majority of land owners have not accepted the compensation, then the compensation would be made under the new Act.

He also said computerisation and modernisation of land records would dramatically ease the land acquisition process. The process is complete in four states – Haryana, Gujarat, Tripura and Karnataka – and 95 per cent complete in Maharashtra and Rajasthan. This ₹1,000-crore per year project is expected to be completed in the next three years. The second stage would be making these records online.

Ramesh said he did not believe the Act would unduly escalate project costs. Quoting a report by Kotak Securities, he pointed out that land costs are a mere 5 per cent of the project cost in the capex of various sectors.

The new Act has been an attempt to eliminate discord and inject transparency and parity into the entire process. He made it clear that he did not want the Act to be in the statute books for another 119 years.

"In 20 years all land would be bought. All land records would be perfect, all farmers will have adequate bargaining power and all land would be based on bilateral transactions,'' Ramesh said.



A weak rupee has led to piling up of coal in Indian ports. Small importers unable to bare the cost of the commodity have delayed taking delivery of coal.

Waiting at docks

Deepika Amirapu

The rupee's free fall against the dollar has affected coal importers leaving the commodity unclaimed at more than five major ports in India. Small importers, unable to bear the cost of the landed price of coal, have delayed taking delivery of coal leaving the ports to deal with black mounds of waiting to be lifted off the docks.

Close to 4 million tonnes of coal is at the Indian ports on both coasts as importers are negotiating prices with their suppliers who are asking for a deferred payment. The demand for power impelled many small businessmen to import small quantities of coal from markets overseas despite not having the financial ability to absorb losses owing to currency fluctuations.

India's state-run power utilities alone are expected to import close to 50 million tonnes of coal this fiscal. In the last fiscal, both state-run and independent power producers imported 110.42 million tonnes of coal.

Most of the coal that is imported to India by small traders is sold immediately to power producers who generally stock coal for a week's supply before it is used for generation. The delay in supplying coal has affected power generators and steel companies who use a significant amount of coal as raw material to manufacture steel.

As the importer will have to pay more for the commodities, rampant defaults are being reported by exchange firms and foreign coal importing companies.

Fearing a moratorium on payments, several ships destined to Indian ports are supposedly looking for detour and delivering the commodity to China and other neighbouring countries that import coal or their needs, industry watchers said. The prices of coal in other countries are relatively cheaper as their currency has survived a bad run at the stock markets. The rupee has been rated the worst performing Asian currency in the last three months as it fell by almost 14 per cent to the dollar upon the US federal bank announcing its decision to withdraw its stimulus to the economy.

Data from *Bloomberg* shows that a high degree of coal imported from South Africa cost $71 per tonne in September compared to $88 per tonne during the same period a year ago. In India, the landing price of coal coming from the same destination cost more than ₹6,000 per tonne, about 3 per cent higher than last year's prices.

However, coal from Africa is still being preferred due to reasons of improved cost arbitrage on sea freight and a higher quality of steam or thermal coal over Indonesian coal that is more expensive despite being a closer destination.

Most of the coal imports take place through ports on the east coast as they are more developed than the west coast in terms of hinterland connectivity through rail and roads. Piling of stocks at ports has also left the ports complaining as other ships are made to wait alongside till the dock workers clear portions of coal to receive other commodities. To guard themselves against the risk of stocking coal, ports are allowing ships to call at their port only when importer provides an oral guarantee to take delivery of the product in the said time. mg

A powerful tool for the GCC-India trade

Holman Fenwick Willan

The Gulf Cooperation Council (GCC) (comprising Bahrain, Kuwait, Oman, Saudi Arabia and the United Arab Emirates) is the largest single economic bloc among India's trading partners. GCC-India trade, by some estimates, is in the region of $160 billion a year. Among individual states, the United Arab Emirates (UAE) is India's largest trade partner. India-UAE trade reached $75 billion in 2012-13 after years of steady growth. These high trade levels make the occasional dispute almost inevitable, and the hunt for effective dispute resolution options is always an ongoing one.

Litigation is not usually a preferred option due to the historically slow pace of the local courts, and the differences in legal systems and language. Arbitration too has had its share of challenges, as enforcement of awards has always been a concern. The 2012 decision of the Supreme Court of India in the Bharat Aluminium case, and the recent, more positive approach of the GCC Courts to the enforcement of foreign awards go some way to address the issue. However some challenges remain.

For example, the GCC States' signature of the New York Convention on the Enforcement of Foreign Arbitral Awards has not been uniformly followed by meaningful changes to the domestic arbitration laws. This can mean that the enforcement of foreign awards can be refused because the award does not comply with local procedural requirements, although those requirements do not apply in the seat of the arbitration. As a result, participants in India-GCC trade are seeing that arbitration in London, Paris or Singapore may not necessarily be the most effective way of dealing with their disputes.

Surprisingly, against this backdrop, Dubai is often overlooked despite being a regional arbitration hub (the UAE is home to at least three arbitral institutions).

Dubai plays a central role in the India-GCC trade as the region's de facto trade capital, and is home to the Dubai International Financial Centre (DIFC), one of the few common law jurisdictions in the GCC. An arbitration seated in the DIFC offers several distinct advantages to the India-GCC trade. Within the DIFC, the DIFC-LCIA Arbitration Centre offers the same rules and high level of service for which its parent, the London Court of International Arbitration, is well known. In addition, the DIFC Courts have supervisory jurisdiction over DIFC-seated arbitration; as common law courts, their power to issue interim relief is much more flexible than the "onshore" civil law courts in the wider GCC.

Importantly, the UAE-India Bilateral Agreement on Judicial Cooperation in Civil and Commercial Matters (Bilateral Agreement) provides for the mutual enforcement of arbitral awards, and the only limitations imposed by the Agreement are that there should be a written arbitration agreement and the matter should be arbitrable in the State in which enforcement is sought (unless the enforcement of the award is contrary to the public policy of that State).

The Bilateral Agreement provides an important pathway for traders in the GCC and in India. For Indian traders wishing to enforce an award in the GCC, the GCC Convention allows for the enforcement of a UAE award in any of the GCC States by converting the award into a Dubai court judgment. The conversion of a DIFC arbitration award into a Dubai Court judgment is a fairly straightforward process, thanks to a Memorandum of Understanding between the DIFC Courts and the Dubai Courts. For GCC traders wishing to enforce an award in India, the Bilateral Agreement offers a potential alternative to enforcement under the New York Convention, as the grounds for challenge are more limited.

In terms of costs, Dubai compares very favourably with the traditional arbitration centres. The fees of the DIFC-LCIA arbitration centre are based on time spent rather than on a percentage of the claim value. In addition, there are significant savings to be made in respect of travel time for parties as well as professional resources such as barristers, surveyors, and expert witnesses.

Dubai is a short distance from all the major GCC and Indian cities, and there are a large number of direct flights each day. Further, Dubai is practically in the same time zone as the rest of the GCC and India, which greatly assists in setting up telephone and video conferencing within the same business hours; which is often a challenge in London or Singapore arbitration involving Indian or GCC parties.

For these reasons, Dubai is increasingly can be an a most attractive arbitration venue for GCC-India trade. mg

Iron ore rebouds

Shipping firms hope to have their treasure chests ringing this year with charter rates soaring northward.

Deepika Amirapu

Shipping firms hope to have their treasure chests ringing this year with charter rates soaring northward, thanks to a record increase in iron ore shipments to China.

The cost of hauling iron ore is expected to have risen to a three-year high marking celebratory returns at NYK and other huge Capesize commodity carriers. According to Clarkson Securities and the Baltic Exchange in London, the daily rates for the Capesizes is at an average $28,000 in the last quarter and are poised to increase further. Capesize vessels are those that typically ferry more than 150,000 long tonne deadweight (DWT) transporting coal, iron ore, and other raw materials.

China is currently undertaking massive rebuilding of its inventories that requires stocking up of raw material in large quantities. China buys about two-thirds of all seaborne iron-ore supply. This surge in demand is certainly good news for shipowners as it helps them return to normalcy, being in the black for almost a year of experiencing poor or negligible returns. On the back of this demand, the scrip of many a shipping company has increased as much as 15-18 per cent.

According to an analysis conducted by Bloomberg Dry Ships Index, almost eight out of twelve companies will be able to narrow losses or report a profit in 2013.

China ships almost all of its ore from Australia and Brazil that are the world's largest producers of iron ore. Surprising, but true, commodity prices and shipping rates have a linear relationship. When prices for raw materials such as steel, coal, crude and iron ore increase, they generally rise on higher demand and so this means that shipments and rates are on a high for shipping firms.

The Baltic Exchange that publishes costs along 50 maritime routes said in its report that each Capesize vessel hauling close to 1,50,000 metric tonnes of ore needs earnings of about $14,500 to break even. Currently, earnings are still slated to be about 80 per cent below the 2008 high of $ 2,33,988.

According to varying estimates by Clarkson's and other ship broking firms, global trade in iron ore will expand

further to about 2 billion tonnes this year with China also improving its road and rail infrastructure simultaneously. Vessels carrying dry bulk commodities including coal and grain will go up by 5-7 per cent.

Stocks of Indian shipping companies too responded positively to China's increase in ore consumption with the stocks of companies such as Shipping Corporation of India, Great Eastern Shipping, Essar Shipping and Mercator rising by an average of about 28 per cent, hoping for a possible improvement in trade movement to China.

However, analysts do not expect too much in return from China's promise. They augur this increase in demand as a window of opportunity because shipping companies will have to make their return from a very low point where they had started from this year early on. "The industrial demand in China is a healthy sign of recovery for the shipping firms, but we must understand that tensions in the Middle East is increasing bunker costs and recovery is also hindered by a glut in bulk vessels that could undercut prices for the bigger firms," said an industry expert in a report for Clarkson.

CONTAINER LEASING ISSUES

Container leasing companies offer flexible leasing arrangements suitable for different voyages to shipping lines so that they do not have to worry about container management. With fierce competition and economic downturn denting their profit margins, these companies are now focusing on long term leases to stabilize the rentals.

Indrajit Singh

The liner industry breathes on box availability apropos to trade requirements geographically. Be it finished goods, semi-finished goods or raw materials, the containers float around the globe over all the terrains and modes of carriage. Even as big liners have encroached upon container market the leasing companies still navigate the container industry by their decisive role of managing around half of the total boxes in the world.

Given their specialisation in this, in the form of tailored leasing arrangements for valued customers, flexible leasing with options for number of containers, duration, repositioning and maintenance, these players offer bundles of advantages to the liners. Owing to these flexibilities liners do not bother in paying lease rentals which are always in excess of container prices. The leasing companies survive with fewer staff, mostly online inventories and just one asset container making them at ease to operate. The shipping lines do not have to worry about container management and they can focus on better aspects of their business.

The container leasing companies provide lease arrangements suitable for different voyages, including, short periods, long periods, finance lease and master leases. Master lease is very elastic with large modulus as it completely exonerates the liner from any maintenance and repair or repositioning liabilities in addition to floating number of containers during lease period. Finance container leases on the other hand free up the leasing company from many financial liabilities towards the manufacturer due its tripartite structure and the leasing company just acting like financer and maintaining ownership. However, to avoid spikes in the business, generally long term leasing arrangements are preferred. In fact, barely 5 per cent containers form the part of voyage lease of the entire container fleet of the leasing company.

What makes this industry remarkable is the global oligopoly, Triton, Textainer GE Sea Co, Transamerica and Interpool command the market and they are all global players. There are a few regional players as well.

Having said this, there are fewer price determinants at global level. There is fierce competition among them for better market share rather than price stability. Some of them are leasing out even at rock bottom prices to the liners transmogrifying the price equilibrium. In this scenario, minor players are getting crushed out and squeezed hard to the verge of survival.

A couple of years back, the prevailing economic downturn further crashed the new built 20 footer prices by up to 40 per cent, but it convalesced again as the shipping industry improved and shipping lines restarted hiring containers aggressively. Twenty footers shot up to $2,700, but unfortunately the lease rentals did not chug up commensurately. They stayed close to $0.60 a day trenching down the cash returns on the leases, a humongous difference from normal 16-18 per cent of return. In leasing business, cash returns are pretty straight forward calculation for long or short term container leases.

The container ship capacity and container production has always taken uncharted wrecks where the two have never moved in symbiosis. Container productions were out of sync. While ship owners placed orders for new container ships, they received deliveries years after. The excess capacity momentarily causes shortage of containers and creates huge demand pressures. A phenomenon vice versa is little scarce however.

The leasing market is directly connected to container manufacturing industry which directly bears the brunt of excess capacity on popular trade routes of Asia Europe and America Europe. China had laid off many of its skilled people when demand plummeted but failed to resurrect when the waxing turned into waning.

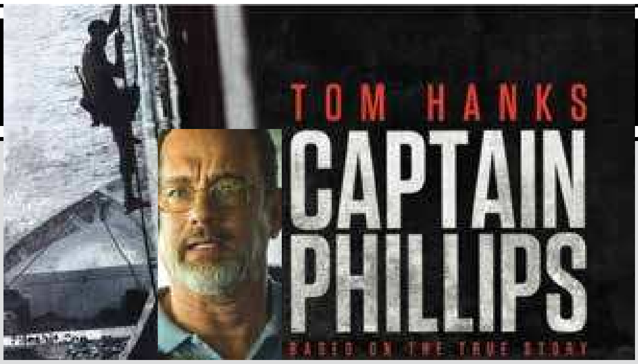
Given these stances, we still infer that container manufacturing and leasing can compress and rarefy more easily than vessel capacities. The world today has approximately 30 million teu, of which 5 per cent do retire every year and thus the leasing companies need to push in the replenishments regularly. However, the massive capital requirement and repositioning challenges retard the players.

What it takes to ensure at least 14 per cent profit for container leasing companies is around $ 0.8 rentals on 20 footer steel boxes. The more and more centralized and online inventory players maintain rather than spending on actual physical storage better they are. De facto, few have built large customer connections to take care of repositioning challenges thereby cutting down their cost further. They are doing a marvelous job of connecting the container dense areas with container rare areas and overcoming local and regional repositioning issues and profiting themselves. Most of them focus on long term leases to stabilize the rentals with voyage leases getting least priority.

The regional logistics dynamics molding the lease rates too have a say for leasing companies. The industry will still thrive if it maintains the current vessel capacity and teu ratio.

The author is a former merchant navy officer. He currently, works with Kewill as specialist consultant for shipping industry.

'CAPTAIN PHILLIPS'



In the wake of the growing security threats to cargo shipping, the movie '*Captain Phillips*' comes as an eye-opener to many. Based on a real-life story, the movie chronicles how the American cargo ship Maersk Alabama was hijacked by pirates off the Somali coast in 2009.

Richard Phillips, played by Tom Hanks, is an American cargo ship captain tasked with delivering the 17,375 deadweight-ton *Maersk Alabama* and its consignment from Oman to Mombasa in Kenya. The delivery involves the ship to pass through Africa through the Somali basin.

After hearing a warning to stay away from the Somali coast, Phillips sees two dots on the radar screen, which he later finds out two boats filled with Somali pirates. Though the crew on board was trained in what to do if they are boarded by pirates, they could not do anything about it as they were unarmed and unprepared when they noticed two skiffs were closing towards the ship.

Within no time, pirate Captain Muse (Barkhad Abdi) and gang of pirates are on aboard using skiff, ladder and guns. The ship's crew rush to hide in the engine room and Phillips finds himself in a stand-off with Muse.

Muse insists they're not terrorists, just businessmen. In the meanwhile, a series of unexpected events leads the pirates to flee on a claustrophobic lifeboat headed for Somalia with Phillips as their hostage. Meanwhile, the US Navy plans a rescue attempt to keep the lifeboat from reaching Somalia.

The movie carries an important message of international piracy threat and armed robbery at sea which has been a major concern to shipping industry. That year alone, pirates carried out 214 attacks including 47 hijackings while the year 2012 saw a sharp decline.

Robust security measures by commercial vessels have contributed to reducing successful pirate attacks, but the cost to business and the shipping industry has been staggering.

DICT Sonepat

Set to change the course

Promising to offer its customers better services in terms of speedier turn-around and cost, Delhi International Cargo Terminal (DICT) at Sonepat could prove to be a better alternative to ICD Tughlakabad. But the question is, can the traders of the region who have developed a comfortable working relationship with the Customs at ICD Tughlakabad, warm up to the new facility?

Vijay Kurup

It was not a gamble. The algorithms for starting a cargo terminal at Sonepat indicated a steady growth of cargo from an already established market. To Boxtrans Logistics, the subsidiary group of JM Baxi & Co, the advantages of commencing a cargo terminal, in the northern periphery of the NCR region, were overwhelming.

The spokesperson for Boxtrans said that the success of a cargo terminal depended on a number of factors. For the exporter or importer it would be the cost incurred for bringing cargo to the terminal and fast clearance of their shipment. A competent Customs would weigh heavily in its favour. For the transporter it would be fast turn-around of its trucks and a congestion-free terminal. For the private Container Train Operators (CTOs), an assured supply of cargo and efficient movement of rakes. The upcoming terminal at Sonepat, Delhi International Cargo Terminal (DICT) which is slated for opening in the first week of November this year, promises all these features.

"We are strategically located," said the spokesperson. This is the only rail head terminal between Ludhiana and Delhi NCR. "Since our terminal is on

the outskirts of Sonepat, there is no restriction for entry and exit of trucks, unlike in Delhi where truck movement is restricted from 10 pm to 6 am next day. We have this overwhelming advantage over ICD Tughlakabad (TKD). Our terminal has 24x7 unrestricted entry/exit accesses."

Once the KMP (Kundli Manesar Palwal) and EMP (Eastern Periphery Corridor) bypass are operational and the entry of heavy vehicles would be restricted in the Delhi region, DICT would be a boon to the trade. "In this aspect our terminal is futuristically planned," said the spokesperson.

The very last mile, which is a bane for most terminals and ports operators and transporters in the country, has been overcome here. The connecting road between the terminal and NH1 (National Highway 1), leading to Amritsar and Chandigarh, is 1.5 km long and 30 feet wide. It will have its traffic marshals supervising this stretch here. The other stretch of 35 km leading to KMP (Kundli Manesar Expressway) and EPC is a fully tarred direct road, without any junctions.

The total EXIM shipments to and from the northern region to Delhi NCR, is estimated to be 11,40,000 TEUs teu per annum, of which 8,40,000 teu is through rail. Much of the origin or destination points of cargo are within a 150 km radius of DICT.

What would be the benefit for the exporters and importers? "Any cargo coming from North India will have to pass through NH1. DICT being enroute, they stand to benefit substantially in terms of cost (see table) as well as time. We can promise them a congestion-free environment here," said the spokesperson.

Habits die hard and people are reluctant to move out of their comfort zone when it comes to Customs clearance. Would the trade, which is used to TKD and other terminals, shift to DICT? This has been a vexing problem that many terminals face even today in the satellite towns of Delhi. The traders have not succumbed to the lure of modern terminals with technological amenities to move away from TKD. They have exhibited distinct reluctance to move away from TKD, because of the comfortable working relationship they have developed with the Customs over the years. Weaning away customers from TKD may be the biggest challenge yet for Boxtrans.

The Boxtrans spokesperson however, was confident of attracting customers to its terminal. Since Sonepat will be under the Delhi Customs Commissionerate, he expects the same level of competency among the Customs staff working at DICT and there would be a comfortable of working relationship between them.

The terminal expects to receive major export cargo such as rice, cotton piece goods, frozen meat, cotton yarn, utensils, and iron and steel products and imported cargo like woolen rags, soda ash teak logs, pvc resin, shredded scrap, iso-ploymers, batteries etc.

It is also expecting good volumes of frozen meat products from Kairana in UP, and Derabassi in Punjab. These shipments currently have to pass through NH1, past DICT to TKD. The proximity of DICT to their factories would enable them to release Bills of Lading for negotiation, much faster.

Another important factor that would determine its success would be the interest shown by the CTOs. Would they come flocking to this terminal? A few of the big operators have shown interest in the terminal. One of the CTOs when asked, if they would start operating from DICT, said, "We definitely would." "We will go wherever there is cargo. And we believe there would be cargo at DICT," he said.

It does not appear to be a gamble after all.

"Any cargo coming from North India will have to pass through NH1. DICT being enroute, they stand to benefit substantially in terms of cost (see table) as well as time. We can promise them a congestion-free environment here."

Woolen Rags

Cost Head per 40ft	ICD TKD cost (in ₹)	DICT cost (in ₹)
IHC Chareges	72,000	72,000
Last Mile cost	16,000	6,000
Total Cost	88,000	78,000

Note: Panipat is the Final Destination for Woolen Rags, which is considered in above costing.

RICE

Cost Head per 20ft	ICD Loni Cost (in ₹)	DICT cost (in ₹)
IHC Charges	37,550	37,550
First Mile cost	12,000	7,000
Total Cost	49,550	44,550

Note: Karnal is the loading point for rice, which is considered in above costing.

Awaits brighter future

Rise in cargo traffic on east coast in recent years has led to increased containerisation of cargo in India. With containerisation expected to rise even further in the coming years, new opportunities will open up to develop infrastructure, especially ICD/CFS and railway lines to ensure better hinterland connectivity.

Sreekala G

Lack of hinterland infrastructure is a major reason for lower containerisation level in India. Currently, India has a containerisation level of about 50 per cent as against over 70 per cent in developed countries. India's relatively constrained transportation infrastructure has led to high repositioning cost. This has again slowed down the containerisation process.

According to Joseph Sandiav, Head, APM Terminals, Inland Services, South Asia, the key drivers for container traffic across geographies are port infrastructure, hinterland infrastructure and capacity of rolling stock to transport container traffic from hinterland locations to ports.

In India, however, the lopsided growth of Inland Container Depots (ICDs) and Container Freight Stations (CFSs) have led to a situation where some ports like JNPT and Chennai face excess capacity while others do not have facilities to handle critical volumes.

"Growth of CFS and ICD infrastructure is constrained by lack of land availability, cost and availability of rail connect and the direct involvement of ports in cargo clearance. At an average it takes 20 to 24 hours to make one round trip between port and CFS. Another major challenge in running a CFS is shortage of Customs staff. Besides, cost of operations are high in India due to an imbalance in export and import traffic flow, wastages through housekeeping moves, cargo examinations, weighments etc," says Sandiav.

However, the opportunities in developing CFS/ICD infrastructure are high in the country as customers are looking for the integration of services at lower cost. With east coast becoming a major hub for cargo generation, containerisation levels are expected to grow further. This in turn will trigger the growth of CFS/ICD infrastructure.

CFSs OPERATED BY CWC IN THE EAST COAST

CFS	Covered Capacity MT	Open Capacity MT	Total Capacity MT	TEUs handled in 12-13
Kolkatta	19370	30750	50120	45198
V'bakkam	38923	12500	51423	8206
Madhavaram	10000	13750	23750	140064
Royapuram	5000	-	5000	1632
Singanallur	3340	2063	5403	2060
Tuticorin	5000	12500	17500	8260
Vizag	5000	33500	38500	32163
Kukatpally	11873	16725	28598	11137
Total	**98506**	**121788**	**220294**	**248720**

Creation of Additional Storage Capacity

YEAR	Capacity Addition (Lakh MT)
2008-09	0.54
2009-10	0.95
2010-11	1.45
2011-12	2.09
2012-13	2.35
2013-14 (Planned)	2.20

Port	No of CFS	Ratio to Capacity Today	Ratio to Capacity 2014
Nhava Sheva	29	1.7	2.0
Mormugao	1	2.8	2.8
Cochin	11	0.9	1.1
Mangalore	1	1.6	1.6
Tuticorin	14	2.8	2.9
Chennai	32	2.1	2.2
Visakhapatnam	4	1.0	1.0
Paradip	0	0.0	0.0
Haldia	4	1.2	1.5
Calcutta	12	2.3	2.3
Mundra	10	1.1	1.2
Pipavav	4	5.7	6.0

"Traditional warehouses are expected to become extinct while cargo-specific solutions and players will emerge. New players will focus on getting closer to production and consumption hubs. Providers who have the ability to adapt to customer needs quickly will survive," he says.

Many players have lined up plans to add capacities to tap the potential in India. Central Warehousing Corporation (CWC), a leading warehouse operator, plans to add 2.2 lakh MT of capacity in 2013-14. "We operate 464 warehouses with a capacity of 106.4 lakh MT. We have 36 CFSs/ICDs with a capacity of 15.32 lakh MT. East coast is expected to house a major chunk of the capacity addition planned by CWC," says B Chenchaiah, Regional Manager, CWC.

If the government comes forward to offer help to entrepreneurs in land acquisition and rail connectivity, ICD/CFS infrastructure will witness a flourishing growth in the years to come.

Mark Millar

Rays of sunshine

The healthy growth in trade and commerce is fuelled by robust and rising consumer and industrial demand throughout Asia, most notably in China, India and the ASEAN nations in South East Asia.

Whilst demand remains soft and capacity imbalance prevails, the container shipping industry is proving to be stormy waters for shipowners, operators and investors. Industry executives are increasingly concerned about a range of challenges facing the ocean freight sector, including weak cargo growth, new capacity coming into the market and increasing environmental issues.

The major challenge is that the industry still has too much capacity chasing not enough cargo, resulting in on-going financial challenges for the sector.

According to SeaIntel, during the last four years the top 20 container carriers have accumulated combined losses of $6.9 billion. During 2012, shipping lines collectively just about broke even and the 2013 industry-level forecast from Drewry is a modest profit of $280 million – hardly an adequate return on global volumes now reaching 170 million teu of containers per annum.

Estimates vary on the capacity imbalance – Barclays Bank estimates cargo demand will grow by 6.3 per cent in 2013, whilst Clarksons forecast global container trade to grow 6.1 per cent, others consider 5 per cent growth to be optimistic. With continuing economic challenges in the major developed markets of USA and Europe impacting demand growth on the traditional high volume trade lanes, the south-south trade (Asia–Indian sub continent–South America) is expected to show strong growth, which will be most welcome – especially whilst capacity continues to increase at double-digit rates.

At the beginning of last year, there was 4.3 million teu of new capacity on order, more than 25 per cent of the total worldwide fleet capacity of 16.3 million teu. During 2013, even more capacity will come on-stream.

This year there is 3.4 million teu of containership capacity on the global order books, equivalent to 21 per cent of the existing fleet. Many of these new ships are the 10,000+ teu vessels that primarily operate on the Asia-Europe trades, resulting in some existing large and mid-size vessels being cascaded down into other trade lanes. However, this will not alleviate the rate pressure in the major trade lanes where shipping lines have been furiously fighting for volumes by reducing freight rates.

The fundamental lesson from prior cycles – that reducing the price per box does not increase the total amount of boxes to be moved – seems to have been lost along the way, with Drewry reporting freight rate declines of as much as 30 per cent per cent year-on-year on some major trades.

The consequences of this brutal competition that drives the decline in freight rates – considered by some to reflect an absence of courage and discipline – are that many shipping lines that managed to increase their container volumes have still experienced declines in revenues – one example being a 14 per cent per cent increase in volume with a corresponding 21 per cent per cent decline in revenue.

For the industry to have any chance of establishing some equilibrium in the supply and demand model within a largely commoditised sector, capacity needs to be removed from the market, at least for the short to medium term.

"With healthy growth in recent years, Intra-Asia container volumes grew to 26 million teu in 2012 and are projected to keep growing by a healthy average of 7 per cent per annum to reach 33 million teu containers in 2015."

In the absence of any carriers going out of business (yet), then the short term prescription needs to accelerate the idling of container ships to reduce capacity on the supply side.

During 2012, 178 ships with combined capacity of 332,000 teu were sold for scrap. Container ships currently parked up and temporarily out of service have reduced total capacity by 800,000 teu – almost 5 per cent per cent of the total global fleet. But for any sensible equilibrium to return to the current supply-demand imbalance, idled tonnage needs to reach at least 2 million teu of capacity.

Amongst all the storm clouds, the Intra-Asia trade offers some rays of sunshine.

For containerised ocean freight, intra-regional trade accounts for 41 per cent of global trade, of which the Intra-Asia regional flows represent 79 per cent (trade valued at $2.9 trillion). Intra-Asia container traffic has already overtaken Trans-Pacific volumes and the combined container volumes on Intra-Asia and Asia-Middle East are together forecast to grow to six times current levels by 2030.

With healthy growth in recent years, Intra-Asia container volumes grew to 26 million teu in 2012 and are projected to keep growing by a healthy average of 7 per cent per annum to reach 33 million teu containers in 2015.

All this in an environment with distinctly different geographic characteristics than North America or Western Europe, where contiguous land mass lends itself to long-haul road and rail cargo transport linkages. A significant proportion of the intra-Asia trade has no option but to travel on the water. For example, the Philippines, Indonesia and Japan are island nations, inaccessible by land routes from other countries. Even when countries do have land connections available, the combination of infrastructure limitations and cross-border inefficiencies often make water-borne transportation a much more efficient and cost-effective option.

The average cargo journey length within Asia is much smaller than other major trades – for example, Intra Asia container distances are typically 500-1,000 nautical miles, one tenth of the typical distance on the Asia-Europe trades. Hence, the intra-Asia trade is served predominantly by mid-size container vessels – typically ranging from 1,200 - 3,500 teu capacity – and is very fragmented with many small and medium-sized ports with length and depth restrictions, numerous shipping lines, hundreds of local players providing barging services and thousands of freight forwarders.

The healthy growth in trade and commerce is fuelled by robust and rising consumer and industrial demand throughout Asia – most notably in China, India and the ASEAN nations in South East Asia. India-China trade is projected to grow to $100 billion by 2015 – a 50 per cent increase over current trade levels, whilst predications are for ASEAN to become a $10-trillion economy by 2030. We truly are in the Asia Era!

Mark Millar is Managing Partner at M Power Associates, providing supply chain and logistics consulting, education, advisory and recruitment services that empower superior performance for clients in Asia.Contact him at mark@markmillar.com

Future of maritime security

While armed guards on board are simply a specific form of protection and deterrent against a specific threat – namely Somali pirates, the role of maritime security into the future should be based on intelligence, innovation, data, equipment, technology and hardware. The key to maritime security in the longer term should take into consideration the technological, sociological and demographical changes and provide solutions which ensure that protection and defence are built in as a core basic consideration, according to the Security Association for the Maritime Industry (SAMI).

Typecasting can be the curse of many an actor – they become so immersed and associated with one kind of character that the wider audience cannot seemingly accept them in any other role. Away from the bright lights of the film studios, it seems that entire industries can be typecast too – and private maritime security may be suffering just such a problem.

It appears the maritime security industry and armed guards have become completely synonymous. A perception is seemingly developing which sees privately contracted armed security personnel (PCASP) as the only answer being offered by this burgeoning industry.

Their use has been contentious and has led to difficult decisions within in many a parliament and many a shipowner's Board room, but their usage has added security and a degree of confidence where once there was only fear and uncertainty.

The much quoted fact that no vessel, to date, with armed guards on board has been hijacked is a compelling selling point. While it is true that armed guards have been a popular, successful and widely used service, the fact remains that this is simply one small aspect of

the capabilities which maritime security can bring to bear. Armed guards are simply a specific form of protection and deterrent against a specific threat – namely Somali pirates.

That is why Security Association for the Maritime Industry (SAMI) is eager to look ahead to the future of maritime security. We want to break the cycle of misunderstanding and show that where security threats are set to emerge it is by embracing professional solutions at an early stage which will allow seafarers, cargoes, vessels and global trade to remain protected.

Protecting vessels and understanding the threats facing them is key to keeping trade flowing. Just as the Earth's rotation is the engine which drives our climate, the need to move goods from different parts of the world is the driving force behind the shipping industry. The fundamental fact that so much of the world's resources or means of manufacture are found far from the ultimate consumers means that globalisation has rested on the ability for shipping to make the movement of goods and raw materials a reality.

This poses a degree of risk for the seafarers and vessels making these potentially dangerous voyages. Since time immemorial those who go down to the sea in ships have been vulnerable to not just the vagaries of the weather and seas, but to other threats too. The vicious nature of criminals, terrorists and the fact that ships are inherently exposed as they plough their lonely furrow across the oceans cannot be underestimated or ignored.

So what of the future? In assessing how maritime security will provide the right services and solutions it is perhaps important to appreciate how trade may evolve. So what will ships be doing into the next decade and beyond?

Issues such as the quest for alternative energy supplies, and developments such as lab grown meat will likely have some impact on the movement of goods, materials and hydrocarbon products. However, where the flow of trade may incur so many tonne-miles, it could be that the next generation of shipping is focused on exploitation of the seas. We will look to work under the waves, while possibly living and working above it.

"According to the Global Ocean Commission, there is growing evidence that governance failures in international waters are having an impact on economics, food supplies, piracy, security and human rights, as well as on nature."

In order to safeguard the vast investments needed to make the future moves out from the coast possible, it will be vital to ensure that the people and vessels used are not just properly constructed and operated, but they need to be secure too. Safety and security should not be separated. The risk management approach which has proved so popular within the corridors of shipping power has to be applied equally to all threats and opportunities.

According to the Global Ocean Commission, there is growing evidence that governance failures in international waters are having an impact on economics, food supplies, piracy, security and human rights, as well as on nature. It would therefore seem that security will play a vital role in safeguarding the rights of parties looking to legally and sustainably manage activities out on the high seas.

While it would perhaps seem that this is the role of navies, it has been increasingly seen that where private, commercial entities are involved, governments are hesitant to commit to the expensive task of providing naval support. Given the delicate balance of rebuilding global finance and government coffers, it perhaps seems unlikely that the public purse will be widely opened for the pursuit of private gain. While the naval assets which have gathered off Somalia and in the Indian

Ocean may suggest otherwise, for many politicians it seems that maritime activities are not yet vote winners and as far as the electorate is concerned shipping is literally out of sight and mind.

The Global Ocean Commission and other similar bodies are seemingly determined to change that. They see the high seas as humanity's future; and they believe that across all sectors of society there will have to be accountability for those who intend of using it. That will ultimately mean the maritime developers of the future will have to ensure they can reassure stakeholders that they are able to operate without falling into the hands of criminals – be they pirates or terrorists.

The 'Paris Call for the High Seas' states there are serious issues relating to the control of the high seas which constitute almost half of the planet's surface. They lie beyond countries' national waters and thus sit under a governance regime that has not evolved in response to modern scientific understanding or to rapid advances in extractive technologies.

An international opinion survey has showed overwhelming public support for sustainable management of the global ocean. Eighty-five percent of respondents in 13 countries said governments should take the needs of future generations into account when deciding how to manage the high seas, with only 5 per cent opposed. There is a clear emphasis on this management to ensure that criminality is not allowed

"The curse of piracy will adapt and take root in the places where the climate is most conducive – such as the current shift from East to West Africa."

to take a grip on the moves of society offshore.

The Global Ocean Commission, jointly chaired by former Costa Rican President José María Figueres, South African Minister Trevor Manuel and former UK Foreign Secretary David Miliband, will issue a set of recommendations for reform in the first half of 2014.

It seems likely that accountability will be a key element of these developments. The pressure is already beginning to build and there have been calls for all vessels on the high seas to carry identification numbers and be trackable using satellite or other technology. While, currently, passenger ships and merchant vessels over 500 GRT have to carry unique and unchangeable International Maritime Organization (IMO) numbers, and to operate equipment allowing real-time tracking there are concerns that other craft on the high seas do not.

According to the Commission, Governments are well aware of the security issue, and many of them are taking steps to combat it in their own waters. However out on the high seas, it's a different matter; there's been very little progress, despite clear evidence of criminal activity including piracy, drug smuggling and illegal fishing.

The future of maritime security is therefore to become an accepted, trusted, recognized and respected part of an integrated solution. Where we might see a future of unmanned vessels we will need to see the security threats and implications properly and effectively managed. Where we might see people living in offshore communities, we will need to have security built in as a prerequisite and as a key element of society's move over the horizon.

Over the next decade, we will likely see the same old threats evolve, but become wider spread. The curse of piracy will adapt and take root in the places where the climate is most conducive – such as the current shift from East to West Africa. The same with smuggling and terrorism – where there is a weakness it will be exploited.

While the growth of our current trades will drive the short-term growth out at sea, it will likely be the predicted population explosion which will shape the responses beyond that. The need for space will likely see more people looking to the sea for room to live, work and thrive. It seems the key to maritime security in the longer term is one of anticipating the technological, sociological and demographical changes and being able to provide the solutions which ensure that protection and defence are built in as a core basic consideration.

It seems that civil society and industry will likely move beyond the traditional borders and barriers of today, and that will pose a significant challenge for the commercial interests leading the charge. We should not allow the fears of criminality to limit our expansion into a brave new oceanic world, but we should recognize the threats and deal with them. That is the role of maritime security into the future, and one which will be based not on being typecast as a provider of muscle, but on intelligence, innovation, data, equipment, technology and hardware.

(Article courtesy: Security Association for the Maritime Industry and Piracy Daily)

Shipping in ASEAN region continues to be dynamic, robust

An intra-trade increase of close to 30 per cent is expected in ASEAN, compelling the countries to plough the benefits of trade to expand and augment port infrastructure.

"The combined population of the ASEAN countries, which is close to 600 million people, is a fairly large consumer base. With increasing affluence, the region is expected to increase the demand of goods and services in the years ahead."

Deepika Amirapu

The ASEAN region holds great opportunities for shipping, despite the fragile global economy robbing shipping companies of their profits forcing the industry to face uncertainty headlong.

Facts culled by the Asian Development Bank corroborate this statement as the financial institution has projected that the ASEAN will grow 5.2 per cent this year and 5.6 per cent in 2014. However this forecast is largely dependent on the extent of increase in trade within the ASEAN community.

"Shipping is a global industry and while great attention has been paid to global trends and the state of the US and European economies, one should not fail to realize the dynamism and robustness of the maritime sector in the South East Asian region," Esben Poulsson, Honorary Secretary, Singapore Shipping Association said. He was delivering a message at the shipping conference held to discuss 'Strategies in Uncertain Times'.

"The combined population of the ASEAN countries, which is close to 600 million people, is a fairly large consumer base. With increasing affluence, the region is expected to increase the demand of goods and services in the years ahead," Poulsson stressed.

An intra-trade increase of close to 30 per cent is expected in the region compelling the countries to plough the benefits of trade to expand and augment port infrastructure. Singapore, Malaysia and India have drawn up plans to increase their investment in the ports and logistics sector. While Singapore will expand its capacity to 55 million teu by 2018 from the current 30 million teu, Malaysia's Port Klang and Tanjung Priok will add capacities by 2 million and 5 million teu respectively in the next four years. The phased removal of trade barriers between the nations is expected to boost business in region, rendering it as the Asean Free Trade Area (AFTA).

"Moreover, an integrated ASEAN economy would allow ASEAN to compete, both within Asia and outside on a global scale. Whilst more needs to be done, particularly with regard to connectivity, there are great opportunities for shipping companies in ASEAN, especially when the global economy and the industry as a whole still face uncertain times," Poulsson said.

The Singapore Shipping Association (SSA) represents a wide spectrum of shipping companies and other businesses allied to the shipping industry.

INFYZ SOLUTIONS EYES OVERSEAS MARKETS

With privatisation of ports and terminals under the public private partnership (PPP) mode, more ports are now opting for new-age technologies for their day-to-day port operations and to save cost. Private terminal operators are using new-age technology to handle high volumes with efficient utilisation of available resources and mechanize port equipment through supporting computer system integration.

Itishree Samal

Infyz Solutions, Hyderabad-based technology solutions provider for ports and terminals, is looking at expanding its presence in international markets with its flagship product Infyz Terminal Operations Management System (iTOMS) by next year.

iTOMS is a web & mobile enabled solution provides coordinated workflow based automated solutions for end-to-end operations of ports and terminals The solution integrates ERP packages and helps in real-time data reports to the management and PLC automation. It integrates operational areas including vessels, cargo, rake and gate operations, storage area planning, invoicing and bulk material handling systems of a port through its modules.

The solution gives access to real-time information that helps in quick decision-making, central command and control, transparency, predictability, minimum conflicts and merging of data from various departments for reporting to management. It improves operational efficiency of a port and terminal in a cost-effective manner.

"iTOMS is built after extensive research and experience in the ports domain. The technology helps in invoice preparation on click of a button which is a complex process in manual process, track on pending invoices, alerts on any operational activities that do not have financial approval, posting to finance systems automatically and information readily available for audits," Srinivas Ramireddy, director, Infyz Solutions Private Limited said.

It takes care of all the operational issues including manpower, electric power, maintenance, planning and scheduling, rake operations and time management.

"Adoption of technology has been fairly progressive with more and more players interested in moving to technologybased operations from the existing manual operations. Currently, we are rendering our services to six terminals in India and a few are in the pipeline. We are exploring opportunities in Odisha and Vizag. We hope to venture into international market by next year," he said.

It has six customers in India including Vizag Sea Port Private Limited, Vedanta General Cargo Berth, RAS Infra Port and Bothra Terminal in Kakinada.

The company has diversified its products for handling different cargo segments and to cater to the needs of the international market.

Market opportunity

The market potential is very high in this industry due to privatisation of major ports and mammoth increase in imports and export trades across the countries. Public undertaking port authorities are coming with PPP model for expansion, infrastructure and revenue sharing concepts. Market is just opening up for technology adoption both in India and overseas. Maritime Boards are being set up in India to monitor the terminals and regulatory policies. Around 50 terminals are yet to be commissioned and many existing ports need to upgrade their technology in the country. Also, there is a significant opportunity in overseas markets including in China, Indonesia, Australia, Middle East, Africa, Europe and in the USA.

Cost of implementation

The implementation cost varies from terminal to terminal and depends upon the cargo type and operational complexities. Due to increased efficiency and ability to handle more volumes with same resources, the product can assure a net savings of 8-10 per cent on the operational cost. mg

JW Marriott Hotel New Delhi Aerocity, the newest business hotel, conveniently located near Indira Gandhi International Airport, offers an unforgettable stay and hospitality experience. Its state-of-the-art amenities including high-speed wireless Internet, 40-inch LCD TVs, fully equipped gym, spa, outdoor pool and dining options, will sure to please the palate and mind.

And, in January, JW Marriott Hotel New Delhi Aerocity is hosting India Maritime Week (IMW) 2014. There could not have been a better choice than this, as an international conference like IMW needs world-class facilities and quality service at an easily accessible location in the capital city. So come and join us to have an unparalleled experience of fun, learning and networking.

World-class, convenient and unforgettable; JW Marriott, Aerocity to host IMW

GREEN PORTS

CLEAN ENVIRONMENT

"Unless someone like you cares a whole awful lot, nothing is going to get better, it's not"
– **Dr Seuss**, from The Lorax –

Nazery Khalid

The growing attention to the ill effects of climate change has inevitably put the spotlight on the transport sector which facilitates the movements of people and cargos and acts as a crucial enabler of economic activities.

Not spared from this attention is the shipping sector which facilitates an estimated 90 per cent of global trade by volume and enables key economic activities such as exploration and production of offshore oil and gas.

The maritime sector contributes only 3.3 per cent per cent to total global carbon emissions from transport modes. However, concerns are mounting that if no serious measures are undertaken to promote green practices in the sector and to make port operators accountable for their carbon footprints, the contribution of ports to carbon emissions will increase significantly in the years ahead.

This is not at all a desirable situation. As global trade volume is expected to grow (the global recession notwithstanding), there will be a correspondent increase in the demand for shipping services and hence port activities and a host of ancillary services supporting port operations. As it stands, the oceans are under tremendous strain from increasing exploitation of their resources and pollution to their environment. Further pressure on the fragile maritime environment will add more woes to the already besieged oceans.

Ports pulling up their weight

Ports are crucial components of the maritime supply chain and key facilitators of global trade. They are increasingly and visibly playing their part in shouldering their corporate social responsibility (CSR) especially in the area of environmental custodianship.

As critical infrastructures that enable the movement of much of global trade, ports feature many activities which are carried out using a wide range of mechanized equipment. These include shipping, loading, unloading, handling, storage and transportation of cargos. These produce emissions and wastes that need to be reduced, handled and disposed of properly to protect the environment.

Examples of environmentally friendly practices and measures at ports

1. Offering priority berthing to ships with 'green features'
2. Scheduling pick-up and delivery of cargos by trucks and hauliers in such a way that idling time of vehicles is minimized
3. Generating shore-to-ship power using eco-friendly and renewable sources of energy such as solar, wind and wave
4. Imposing 'green surcharge' to port users who are not observant of green practices
5. Cutting down movements of port vehicles involved in the repositioning of cargos within the ports' yards
6. Using electric-powered cranes instead of the more polluting diesel-powered cranes
7. Managing wastes and residues from ships in an environmentally friendly manner including transferring, storing and disposing of them
8. Incorporating green features in buildings, warehouses and other structures within the port premises
9. Using energy saving bulbs for floodlights in the quay side and container yards and in buildings within the port such as warehouses and offices
10. Saving water, electricity, paper and other resources in port buildings

Port operators increasingly realize that going green is no longer a 'flavour of the month' thing or a PR exercise. They know they can add value not only to their business but to their users as well. They are aware that 'going green' makes not only environmental sense but also economic sense. Business wand is essential to ensure their long-term sustainability.

Although no specific targets have been set for ports at the global, regional or national levels to reduce their emissions, many port operators are supportive of national and regional goals to reduce emissions. Examples include ports in the EU region and in Malaysia which have undertaken efforts to reduce emissions in line with the targets of EU 15 of reducing their collective emissions to 8 per cent below 1990 levels by 2008-2012 and Malaysia's goal of reducing its emissions by 40 per cent (from 2002 GDP levels) by 2020.

It is laudable that several ports there have undertaken measures to operate in a more environmentally friendly manner. For example, HHLA Container Terminal in Port of Hamburg, Germany uses heat generated from waste heat in a sewage treatment plant near the port, which not only reduces the terminal's CO_2 output but also its energy costs. Northport, a terminal in Malaysia's Port Klang, has invested in new cranes. In addition, ports of Long Beach and Los Angeles in the US are moving towards an all-electric Zero-Emission Container Mover System towards ridding the need of diesel-powered truck trips between the ports' terminals and the local rail yards. Miami Port is renowned for its attention to preserve its environment; as evidenced by the success of the so-called 'Millionaire's Row' within the port's premise that attracts high net-worth dwellers on the basis of its cleanliness and pristine surroundings.

Several European ports are even exploring local clean energy sources such as bio-fuels and biomass not only for their own use but to be supplied to ships calling at the ports. Some ports are developing automated port vehicles running on clean-powered batteries and hydrogen-powered forklifts.

While such efforts deserve praise and recognition, more needs to be done to reduce emissions at ports. Much is expected of them as key trade facilitators to lead the way in taking serious, sustained efforts to operate in a clean and green manner to protect the environment.

Given that seaborne transport will remain as the preferred mode of transport for much of world trade, the role of ports as trade facilitators, and therefore their throughput, is set to increase. This will bring with it an attendant rise in the carbon emissions emanating from port activities. This will also bring a corresponding need to ensure port operators and authorities play a role in protecting the environment.

The move to go green must of course done in such a way that the operational and safety standards are not compromised, and the need for speed and efficiency along the seaborne trade supply chain is fulfilled, and the port staff and users are not overly burdened.

A collective effort

Ensuring ports operate in a green and clean manner should not be undertaken by port operators alone. It should be a collective effort of all port stakeholders given the extent of ports across the maritime trade supply chain. Port planners, authorities and users should also do their part to safeguard the port environment by adopting the green philosophy in carrying out their respective activities. They can and should incorporate sustainable practices in their activities including design, expansion, construction, procurement, maintenance, transportation and even administration to minimize waste and protect the environment.

It is encouraging to see the examples set by ports with green practices being emulated by other ports, especially in developing countries. During these relatively quiet times at many ports amid the drop in seaborne trade volumes and global recession, there is a noticeable trend among many port operators and authorities to take stock of their assets, processes, operations and conducts which contribute to carbon emissions. They have undertaken ‘environmental audit’ to find areas in which emissions are largest and environmentally unfriendly practices can be curbed by way of upgrading or replacing assets and equipment which are not energy-efficient.

Amid the drive to ‘go green’, the high expectation for port operators and owners for ports to reduce their carbon footprints should be tempered with the realisation that ports should not incur any competitive disadvantage in doing so. Ports work on the premise of speed and efficiency and must be cost-competitive in delivering their services.

Another factor that must be taken into account is that port operators cannot do it alone towards becoming green. Ports are merely transit points for cargos, whose coming and going are not only facilitated by a wide range of port users. Ports of considerable size and significance feature various types of equipment, vehicles and processes of their own that emit carbon and consume energy. Ports also feature intermodal service providers who bring to the port premises various types of vehicles, operations and processes that contribute to the release of harmful greenhouse gases to the environment.

> “Curbing carbon emissions at ports should not come at the expense of business imperatives and the need for ports to facilitate trade. Also, efforts to green the ports should not lead to the ports being shunned by existing and potential users.”

Average contributions of various port related sources to total Nitrous Oxide (NOx) and particulate matter (PM_{10}) Emissions from a Container Port

	% NOx Emissions	% PM_{10} Emissions
Onsite Operational & Employee Vehicles	1%	< 1%
Trains	4%	2%
Cargo Handling Equipment	23%	24%
Heavy Trucks	40%	31%
Marine Vessels	32%	43%

Given the multiple stakeholders of ports and many activities influencing port operations, there are many assets, activities and factors in and around the ports which are not within the control of the port operators and authorities. This being the case, the extent and success of green practices at ports depend heavily on the conduct of port users and other stakeholders.

Port operators and authorities can only control their own activities and put in place processes and assets to reduce carbon emissions within the ports’ premises. They have to count on port users to do their part to undertake green practices to contribute to a clean environment within and around the ports.

For ports to effectively protect the environment, their operators and authorities need to engage port users extensively to ensure that they also observe and adopt ‘green practices’. To realize this goal require a comprehensive, concerted efforts by all concerned. Port operators and authorities may even want to introduce some kind of reward and punishment system to incentivize port users to ‘go green’. They should also engage and educate the communities in the surrounding areas and hinterlands they serve, and to be sensitive to their needs and take into account their feedbacks. These stakeholders must be convinced that they are key partners to the local ports and it is in their interest for those ports to be developed and operated in a sustainable and environmentally friendly fashion.

Balancing imperatives, reconciling needs

In the efforts to go green, attaining balance between the need to protect the environment and the need to run ports – which require huge capital expenditure and operating expense – smoothly and profitably.

Port operators must endeavor not to blight the landscape; pollute the air, waters and soil; and harm wildlife and the interests of local communities. However, it would be pointless for ports to introduce green practices but become less efficient, incur high cost and lose customers as a result of 'going green'. Port operators and authorities must ensure that their users buy into the idea of going green and to support initiatives to green the ports in order to ensure the success of the initiative.

Curbing carbon emissions at ports should not come at the expense of business imperatives and the need for ports to facilitate trade. Also, efforts to green the ports should not lead to the ports being shunned by existing and potential users who are put off by unrealistic expectations and overzealous measures imposed by those in charge of ports. The pressure to lower carbon emissions at ports must never ignore the need for ports to be efficient and profitable, and for the maritime supply chain to run smoothly to facilitate trade.

For green port initiatives to work on a large scale and sustainable basis, there has to be a right mix of practical legislation, commercial acumen and technological application. Port operators must look at 'greening' their acts not as an afterthought, or worse, an inconvenience, but as a necessity that fits into their overall business and development strategies and corporate social responsibility.

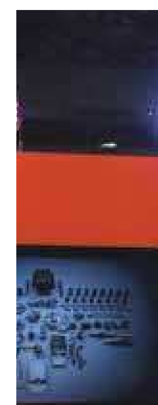
For the concept of 'green ports' to become a mainstay of port operations and not just the pursuit of prosperous ports, port operators and authorities must buy into the idea that going green not only makes sense from an environmental point of view but also from a business perspective. They must look at greening their ports in a holistic manner and an initiative that makes economic sense, instead of introducing green measures on a piecemeal basis. This is especially the case in developing nations where funds are scarce, the awareness of the importance of going green is not as high compared to developed nations, and laws and regulations in environmental protection are less stringent compared to in developed nations.

In this regard, having in place a good regulatory framework is essential in facilitating ports in a given country to go green. Ideally, one would like to see ports adopting green practices because they want to, not because they are told to. They need to be prompted to go green by way of regulations, especially in the absence of any internally-driven initiatives and compulsion to do so. However, for ports to truly and wholly embrace the green concept, their operators and authorities must be convinced that going green will lead to increasing their competitive advantage, or at the very least not resulting in competitive disadvantage.

Given that ports operate in an international business environment, ports which are required to comply with green measures in a particular country may be at a disadvantage compared to other ports which are not required to do so in another country. Complying with regulations come with a cost, hence to have different regulatory and compliance requirements for different ports will not provide a level-playing field to players operating in an already competitive arena.

It is hoped that the green measures taken by some of the world's leading green ports will meet with success and be sustainable, and will provide the template for other ports to emulate. Port operators and authorities have to acknowledge the fact that they have to adjust to a lower carbon future, as dictated by society's expectations, regulatory imperatives, and responsibility to care for the environment. That future may come sooner than they think, and the better they start adjusting their systems, processes and mindsets to it, the better off they will be. mg

New kid on the block



With its operations spread across Europe, Latin America, Asia, Africa, and Australia, Swedish firm Scania is more popular for its trucks and buses than its marine engines. On the eve of introduction of its marine engines in India recently, the firm's Managing Director **Anders Grundstromer** shared his optimism on the firm's growth in India. He's come to India not just to sell about 2,000 gen sets and marine engines, but with a bigger plan to strengthen India as Scania's industrial footprint in the South East Asian region. In his first interview with Maritime Gateway, he spoke to Deepika Amirapu about the scope of Scania's marine turbine engines for the Indian market.

Q Could you tell us why you chose to enter the market at a time when only the defence establishment is building ships industry in India?

A Scania already has a presence in India since 2007 and we strengthened it after we invested ₹2.5 billion in truck manufacturing facility at Narsapura near Bangalore. Our company in India currently manufactures mining tippers, road trucks and buses. We also have a tie-up with the Mahindra Group for gen sets. So, getting into marine engines was the next logical step. We believe that the Indian economy will definitely turn around for the better in the coming years and we will see an uptick in the orders. We are here for the long term.

Q How do you intend to market your products? Would you look at forging any marketing partnerships?

A Aries is our dealer in India for our western and southern markets. We

will look at tying up with more partners in the future for the northern and eastern regions soon.

Q Where does product assemblage take place and could you tell us how you have planned your logistics?

A Our manufacturing and assemblage takes place at Stockholm. We ship the products from Sweden to India by sea and have it delivered directly to the dealers in the cities. But we would want to indigenize our products in the years ahead and would look at setting up a manufacturing facility in India.

Q Can you give us details of your order book? Have any Indian firms placed orders with you yet?

A We are not permitted to give our details of our orders, but we have spoken to a couple of firms in India and a certain fishing trawler firm has already placed orders for our marine engines.

Q Rolls Royce, Hudong and SAAB are some of the biggest players in the marine engines manufacturing industry. How do you look at gaining a foothold amidst these players?

A We compete with the best players in the industry and our engines would certainly stand out among the rest for being price competitive. Also, our strengths lie in the durability of the engines, the fuel consumption and easy maintenance.

Anders Grundstromer
Managing Director, Scania

Q Following the downturn, there was a huge contraction in the global shipbuilding order in China and Korea. What is your reading of the present demand situation?

A Despite the downturn, Europe is still very strong and we continue to receive orders. The new emission rules announced by the International Maritime Organisation that prohibit older ships from coursing the sea has forced many shipping companies to place new orders thereby increasing our sales as well.

Q How do you look at the policy environment in India given that the shipbuilding industry does not get any concession presently?

A At the moment, we are not too worried about the policy environment in India though we understand the necessity for a subsidy for shipyards on imports. However, we are waiting for the formation of a new government to enable reforms in this industry.

Q Marine gas turbines are gaining ground all over the word. Would your engines be built to use any form of fuel?

A We currently manufacture both marine gas turbine engines and diesel engines. Our engines can function using any form of fuel and are easily convertible. However, as a policy we prefer marketing the use of engines that function using renewable fuel.

Q Would you look at out-licensing your technology to local manufacturers to improve sales?

A No. We are not considering out-licensing of our technology as an option.

Q What is your strategy to strengthen your cooperation with shipyards in India?

A We have already received many enquiries about our product. We intend to now engage in a dialogue with both defence and private shipyards in India and showcase our products. mg

Portman India partners with Nectar

Chennai-based private firm Portman India that offers port and terminal management services has picked UK's Nectar Group as its partner to provide a basket of project management solutions to ports and terminal operators.

The two companies have created a joint venture named Nectar Portman Private Limited and both will pool their resources equally to implement projects that come their way. Typically, Nectar Portman will be engaged by ports to offer services such as efficient and economical services in terminal management, terminal design and port terminal development.

"The JV will provide several value-adds in its bouquet of services. For example, it offers a solution to investors to outsource the entire Operations and Management of the port facility to a reputed, professional, experienced organisation. Additionally, this development opens the possibility for Indian investors to participate in the Port Sector, even if they no prior exposure to it, as they can utilize the services of Nectar Portman to adequately handle the entire range of port operations. This also provides comfort to Lenders," Ishwar Achanta, Joint Managing Director, Portman India told MG.

After depicting a fair amount of resilience during the 2008 downturn by ports, the demand for marine services has gone up by almost 10 per cent in the ports sector, according to Market Research. The services market, the same report forecasts, is expected to approach $66 billion in revenue by 2017 growing at 4 per cent annually each year. India has seen a healthy trend with as many as five firms ploughing into the services business in the last eight years.

Portman India and UK's Nectar Group have created a joint venture to provide a basket of projct management solutions to port and terminal operators. The two firms are focusing in evolving a structured plan to bid for many port projects likely to come up along India's coasts by 2020.

Deepika Amirapu

With port operations becoming increasingly sophisticated, the need for technically competent and well-trained operational and maintenance staff has become ever more cardinal.

The two firms are focusing in evolving a structured plan to bid for many port projects likely to come up along India's coasts by 2020. The planned investment in ports over the next decade is expected to be ₹1,095 billion for major ports and ₹1,700 billion for non-major ports. The lion's share of new ports, facilities and investments are expected to come from the private sector, about 67 per cent in the case of major ports and as high as 97 per cent for non-major ports. With the demand supply gap for port capacity against projected volumes in India, India will need more port facilities, thereby opening up the opportunities for Port O&M companies.

"While JV will initially focus on India, we will look at other geographies where the JVs strengths offer us a competitive advantage," Achanta added.

Nectar Portman shares the unique pedigree of the Indian firm's reputed entrenchment in the home country for its services and Nectar's 40-year expertise in turning around ports offering a comprehensive portfolio of services. "Nectar's track record and long experience provide the much needed expertise in operating, maintaining and managing terminals, synergized with Portman's intimate knowledge of Indian conditions provide a comprehensive package to Port Promoters," a joint statement issued by the companies read.

In the last four years, Portman has demonstrated its ability by offering services to several government run ports and private companies such as Nagarjuna Oil Corporation Limited, Larsen and Toubro and Bain and Company.

METHANOL
Future green marine fuel

Methanol is likely to emerge as an alternative marine fuel. If experiments become successful and methanol engines become a reality, it will usher in a new era of sustainable and successful maritime transport industry.

Sreekala G

It is not easy going green. And, the shipping industry that burns thousands of gallons of bunker fuel is constantly in search of a low emission alternative. The industry's quest to green up its act has led to the possibility of using methanol as a clean marine fuel.

While experiments are not yet conclusive to establish methanol as a safe low-emission alternative fuel, the situation may soon change if a company is able to develop a methanol engine. Besides, a full-scale pilot project for testing the application of methanol and DME as sulphur-free marine fuels is expected to be completed in March next year.

Shipping industry worldwide is facing serious challenges to meet the upcoming exhaust gas emissions regulations. Countries, especially, European Union, have introduced new legal framework to reduce greenhouse gas emissions.

Shipping contributes significantly to sulphur oxide (SOx) and nitrogen oxide (NOx) emissions today and any new alternative fuel should have low-sulphur. The industry is currently experimenting on three main alternatives – switching to low-sulphur fuels, installing exhaust after-treatment devices, e.g. scrubbers, or using natural gas.

The proposed EU legislation, which will be effective from 2018, will require owners of large ships using EU ports to monitor and report the ships' annual carbon dioxide (CO_2) emissions.

What works in favour of methanol is that it does not contain sulphur. Emissions of particulate matter and NOx from methanol combustion in marine engines are expected to be lower than those resulting from the combustion of conventional fuels. Methanol is also widely available and can be safely transported and distributed using existing infrastructure.

It is also a cheaper fuel and can

be produced from both renewable and non-renewable feed stocks, as well as by recycling CO_2 from flue gases or capture and recycling of atmospheric CO_2.

As and when methanol becomes more widely available, it will help ship operators meet greenhouse gas reduction targets and move shipping to a fossil fuel free and low-carbon future.

In 2012, several companies and governmental agencies partnered to form SPIRETH ("Alcohol (SPIRits) and ETHers as marine fuel"), a full-scale pilot project for testing the application of methanol and DME as sulphur-free marine fuels. This was part of the effort to reduce the maximum allowable sulphur content in marine fuels to 0.1 per cent in 2015 in the Baltic Sea region, which is a designated Sulphur Emission Control Area (SECA).

The project is focusing on testing methanol and di-methyl ether (DME) to find the best environmental and economical option for a sustainable and successful maritime transport industry.

The project is expected to be completed in March next year. If the results are positive, it will drive the use of methanol as an alternative 'green' fuel and broaden the base for methanol producers worldwide.

Considering that the experiments have just started, it will be too premature to make any conclusions. Even if the pilot project becomes successful, it will not be easy for the shipping industry to adapt methanol as an alternative fuel. Availability of methanol-compatible engines and the establishment of a new set of rules for low flashpoint maritime fuels such as methanol are the two preconditions which will decide the future of 'green methanol' as a marine fuel.

Methanol engine

What gives hope to the industry is the fact that companies have already started working on these preconditions. MAN Diesel & Turbo, for instance, has announced the development of a new ME-LGI dual fuel engine for Waterfront Shipping in July this year. Waterfront Shipping is wholly owned by the world's largest methanol producer, Methanex.

The engine expands the company's dual-fuel portfolio, enabling the use of more sustainable fuels such as Methanol and Liquefied Petroleum Gas (LPG). The engines will run on a blend of 95 per cent Methanol and 5 per cent Diesel. If the Methanol-based marine fuels deliver the anticipated emissions and fuel cost reductions, it could usher in a new era in shipping.

"Considering that the experiments have just started, it will be too premature to make any conclusions. Even if the pilot project becomes successful, Methanol-compatible engines and a new set of rules for low flashpoint maritime fuels are the two factors deciding the success of methnol."

MAN developed the ME-LGI engine in response to interest from the shipping world in operating on alternatives to heavy fuel oil. Methanol and LPG carriers have already operated at sea for many years and many more LPG tankers are currently being built as the global LPG infrastructure grows. MAN Diesel & Turbo states that it is already working towards a Tier-III-compatible ME-LGI version. The four G50ME-LGI units are targeted for the end of 2013, with engine delivery to follow in the summer of 2015.

Rules for low flashpoint fuels

Meanwhile, for the first time in the maritime industry, DNV (Det Norske Veritas) has released rules for using low flashpoint fuels such as methanol for bunker fuel. With a flashpoint of just 12°C, methanol poses safety challenges.

The new mandatory notation LFL FUELLED covers aspects such as materials, arrangement, fire safety, electrical systems, control and monitoring, machinery components and some ship segment specific considerations.

Methanol has a relatively low flashpoint, is toxic when it comes into contact with the skin or when inhaled or ingested and its vapour is denser than air. As a result of these properties, additional safety barriers are required by DNV.

"Efficient transportation network is crucial to India"

In the backdrop of the prevailing logistics issues in India, Logistics and Supply Chain Management is emerging as a key area for research and debate for both logistics practitioners and academicians. Under a joint-collaboration, some universities from India, USA and UK including the Indian Institute of Technology Delhi (India) and Sheffield University Management School (UK) have joined hands for the "Next Generation Sustainable Freight Transportation (NEX-GIFT)" to study the global logistics scenario. In an interview with **Itishree Samal**, **Dr Andrea Genovese**, Lecturer in Logistics and Supply Chain Management, Sheffield University Management School (UK), talks about the NEX-GIFT project and shares his views on how India should learn from the mistakes of the western countries.

Q Could you tell us about the "Next Generation Sustainable Freight Transportation (NEX-GIFT)" project? What is the USA-UK-India tie-up is all about? How a joint project like NEX-GIFT will help in overcoming the issue?

A A well-organized logistics and supply chain system is key to economic development and it provides multiple benefits such as prompt accessibility to goods and services. But it does not come without a cost; our environment is paying a heavy price for it. The main objective of the project [NEX-GIFT] is to establish a forum for both logistics practitioners and academicians and introduce best practices in next generation logistics transportation for freight.

One of the limitations people always point out when it comes to academic research is that people think we like to work on abstract theories that are not linked to the real world. So this project tries to bridge that gap.

Establishing practices and processes for reducing the environmental impact caused by the freight industry is the main objective for the NEX-GIFT project. The

Dr Andrea Genovese
Lecturer in Logistics and Supply Chain Management, Sheffield University Management School (UK)

NEX-GIFT project brings together leading universities from United Kingdom, USA and India and combines their expertise in the field of freight transportation to ensure long-term sustainability of freight movement across three continents. Through this partnership, state-of-the-art methodology and systems for sustainable freight transportation in UK-USA-India regions will be identified.

The NEX-GIFT project's intention to bring together academic theory and logistics practitioners to find a model for best practice is unique in its approach – it has led to a great deal of international collaboration and two more workshops are planned in the USA and at Sheffield University Management School.

Q How can the project benefit the logistics and supply chain industry?

A Road freight transport, by default, is one of the most polluting modes of transport. Furthermore, in India the fleet in terms of vehicles that are used to move things around is not very green, e. g. the old-generation lorries. Moving a higher quota of freight to railways and waterways can help in cutting the cost of fuel consumption and lessen CO_2 emissions. Promoting mitigation measures (like shipment consolidation, adoption of greener vehicles and more efficient driving styles) can also reduce the impact of road freight transport.

We want to promote use of cleaner transportation, but we also want to stress that "cleaner" and "greener" are not to be intended as opposite to "more efficient". Indeed, in most of the cases, cutting down carbon emissions means eliminating unnecessary processes and logistics movements that also result in a net saving. You can think, for instance, of driving styles: by training drivers to adopt more efficient conducts, you can both save fuel and CO_2.

Having a more efficient transportation network in India is crucial, as the country is paying huge prices in terms of logistics inefficiencies: if we look at the cost of logistics in India (above 15 per cent of GDP) this is double the amount of what we can observe in western countries. Of course, this has an impact on the final price consumers pay for vital goods: therefore, this has an impact on people's life. This is mainly due to the over-congestion of the railway and road network, for which alleviation measures are needed. We have thoroughly discussed these issues, with both private and public sector stakeholders, in our first workshop session in Delhi, and the debate has been very stimulating.

Q What are the emerging trends in the logistics and supply chain industry globally? How do you see the needs of the developing countries like India is changing over the years?

A India's economy is one of the biggest in the world and it is a country where the internal demand for goods is expected to rise in the next three years. There is an emerging middle class that will request more goods, given the

Improvements to India's food supply chain will spur demand for more logistics activities.

economic growth India is experiencing. Also, the government is launching ambitious programmes for improving food supply chains, especially in poorer and deprived areas. All these factors will spur the demand for more logistics activities; there will also be the need for more efficient approaches that can allow Indian companies and the public sector organisations to lower the logistics costs that, at the moment, are striking due to inefficiencies and congested networks. So far, growth has been tumultuous; there is a need for more ordered growth, and logistics can make a difference here.

In addition to this, India is still considered to be a developing country. What this means to me is that you still have the possibility of doing things better than we in the Western economy have done. So, India can learn from our mistakes.

Q You made a remark that "India can learn from our mistakes". If you can elaborate on that – how India can learn from the mistakes of the West?

A In western economies, we have been over-reliant on fossil fuels and road transportation in terms of logistics. The investment in cleaner transportation (railways, waterways) has dramatically dropped. Therefore, our logistics systems have not been proactive enough to cope with new challenges. Just to give you an example, the total length of the British railway network is nowadays half of what it used to be in 1950s; the share of freight transport carried by trains is just around 10 per cent, while fifty years ago it was above 80 per cent; the electrification rate of the network is just 30 per cent (lower than the Indian figure, given the massive electrification programme launched by the Indian government).

This just shows you that, probably, something has gone wrong if, in western countries, we are facing these problems while we claim that we are ready to address the challenges posed by the need of protecting our environment.

I urge Indian policy-makers to gain a thorough and deep understanding of what happened in the western world in terms of Logistics. As I said before, looking at our mistakes you can avoid repeating them.

Furthermore, we should understand that, when it comes to logistics, here is no "one-size-fits-all" approach, and logistics systems should be tailored to contextual conditions. There are no dogmata that we can learn and apply a-critically throughout the world.

Q How do you prepare curriculum in this dynamically changing industry needs? According to you, is there any gap between the industry needs and the curriculum?

A At the University of Sheffield, we are fully aware of these issues: Logistics is a continuously changing industry. This is the reason why, at the Management School, we have designed a MSc program in Logistics and Supply Chain Management that is designed around industry needs. Firms collaborate with us in curriculum design, helping us in identifying the major skill gaps in the industry. Furthermore, both in module assignments and final dissertations, students work on real-world issues suggested by public and private sector organisations. They have the chance of applying tools and techniques to solve real problems, and this is a very distinctive feature. Of course, we do not make any compromise in terms of academic rigor: we stress that Logistics and Supply Chain Management need the input of "hard" methodologies like Optimisation and Operational Research, disciplines whose impact is too often neglected by employers, at expenses of the efficiency of their operations.

Q Shortage of skilled manpower is a major concern in the logistics industry. How do you see India preparing itself to see the logistics boom in future?

A This is absolutely crucial. The country's economy is growing and there will be the need for more people to work in the industry, as the logistics industry will also be growing. Even during certain points when growth rate slows down, there will be the need for things being done more efficiently to recover unnecessary costs that are currently faced due to the use of sub-optimal approaches. I think, for instance, to optimisation of shipment consolidation and routing.

My feeling is that the most prestigious Indian universities have started understanding this, by offering more and more courses in these disciplines. However, we are not just talking about skills needed by managers and executives. Also operational jobs, like truck driving or warehousing activities, need to be performed in a more efficient way. There is the need of training at all levels. Employers and trade associations should be doing their bit with the support of national and local governments. However, the development of bottom-up initiatives, such as the Young Logistical Association, seems to show that awareness is increasing. I am convinced that more and more young Indians will consider logistics as a career option. mg

Mitigating bullwhip effect

Demand Collaborator, an automated, ERP-agnostic solution, helps mitigate bullwhip effect by giving all companies in the supply chain the ability to view planned orders and enter commitments based on real-time data. With this tool, manufacturers can view current demand from the MRP and adjust order fulfilment accordingly.

G Ramesh

The process of planning and ordering parts to meet production schedules based on customer demand can be time-consuming, complex, and error-prone for many companies. However, with the right tools in place to automate this process and deliver real-time data, the response time to demand can be dramatically improved so that orders match current demand, and inventory shortages and overages are sharply reduced.

Basing many of the planning, ordering, shipping or payment processes on methods that produce longer lead times and prone to human error such as spreadsheets, email, phone or fax without real-time data, usually results in inefficiencies in time, cost and quality. The resulting back-and-forth, volatile inventory process along the supply chain from consumer to manufacturer is known as "The Bullwhip Effect."

Enter 'Demand Collaborator': an automated, ERP-agnostic solution that gives all companies in the supply chain the ability to view planned orders and enter commitments based on real-time data. With this tool, manufacturers can view current demand from the MRP and adjust order fulfilment accordingly. It also helps tighten inventory margins and delivery schedules as well as decrease time, labour, and supply costs. The Demand Collaborator monitors the ability of suppliers to meet buyer demand, and alerts buyers when there is a problem with order fulfilment. This provides enormous savings in labour, time, and operations, especially in environments that involve long lead times or large quantities of parts with sporadic demand.

The Demand Collaborator is not a replacement for an existing planning engine: it is an extension to planning systems that integrates with existing ERP data, as well as other tools, to maximize efficiency in the supply chain by making the best use of the data available in the planning systems. Ultimately, the addition of Demand Collaborator results in:

- Decreasing the costs of goods and sales;
- Improving customer service through better responsiveness to actual, real-time demand; and
- Minimize the occurrence of oversupply and shortages, thereby mitigating the Bullwhip Effect

Bullwhip Effect

The term "Bullwhip Effect" is used to describe the observable pattern in supply chain networks of increasing inventory swings in response to unanticipated changes in demand. The Bullwhip Effect is especially prevalent in environments using processes that decrease responsiveness to demand, and involve forecasting based on previous (or expected) demand rather than real-time data.

Here's how this happens: Each organisation in the supply chain network experiences greater variation in demand, and, therefore, it is logical that processes based on human reasoning assume a need for increased orders of stock. That is, when customer demand increases due to factors such as seasonal popularity, item cost reduction due to sales, or increased advertising, participants along the supply chain increase orders. When this trend stops or reverses, orders fall or stop, but inventory levels do not immediately adjust to this change. This creates the aforementioned effect of increasing variations along the supply chain. The simulation of this effect in the illustrative figure above explains the "Bullwhip" appearance of this phenomenon.

Inefficient processes often lead to a variety of fulfilment issues, such as:

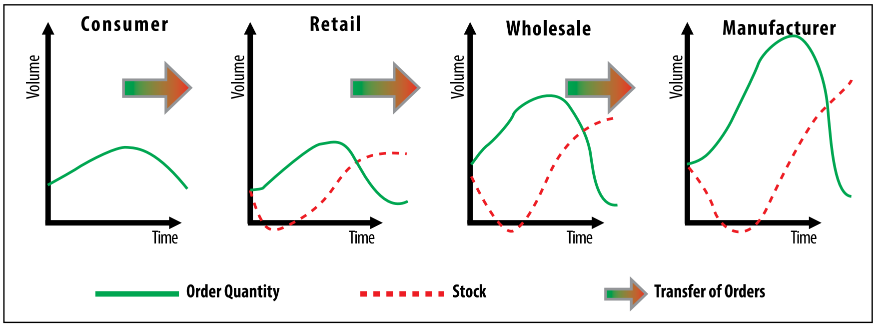
- Missed schedules due to late shipments or long lead times
- High inventory/scrap/rework due to excess purchases, fulfilment mistakes, and early shipments
- Schedules that are wrong, delayed, or not published
- High procurement costs
- High invoicing and accounts payable (AP) costs
- Invoice matching discrepancies
- Material shortages

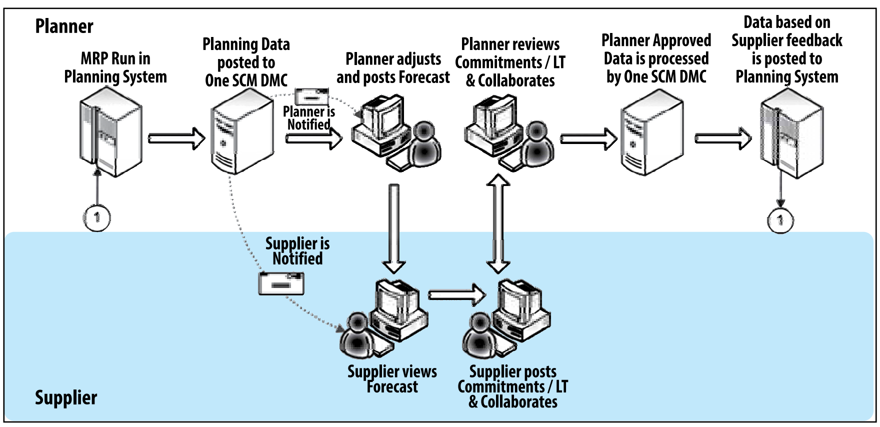
These opportunities help companies to reduce costs in labour and inventory and increase profit margins by streamlining the process – including lead time for delivering products to customers. The cost and time to manufacture each part can be significantly reduced and problems such as shortages, excess inventory, invoice discrepancies, and delays can be significantly mitigated.

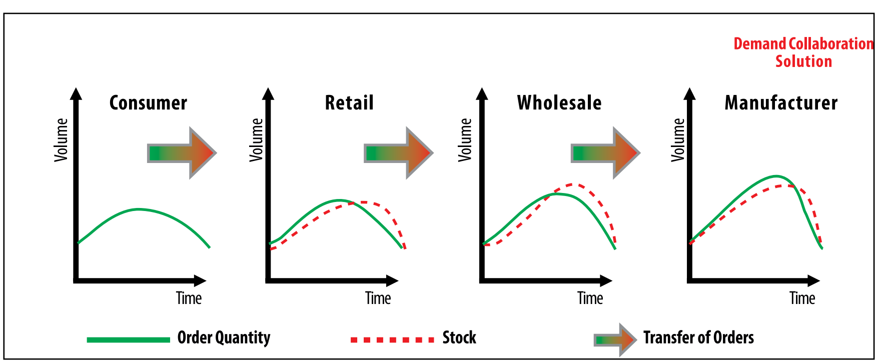
The Demand Collaborator Model

The model mitigates the "Bullwhip Effect" by automating processes to:

- Accelerate problem identification and solutions via automated notifications, significantly reducing delays and human errors in schedules, commitments, and inventory. OneSCM Demand Collaborator







manages by exception, automatically notifying the appropriate users only when an issue needs to be addressed

- Align and communicate workflow and approval processes to ensure that all organisations in the supply chain are in collaboration
- Communicate lead time changes, eliminating delays and errors in schedules and commitment
- Extend resource planning capability for collaboration with suppliers, especially with forecasting demand, viewing supplier commitments, and sending Notes and Attachments
- Create purchase order releases that are visible to companies and their suppliers and are based on real-time inventory and demand data.

The figure below illustrates the 'Demand Collaboration' process, which is compatible with any MRP system platform and multiple data collection systems. In essence, Demand Collaborator is the "missing link" needed to maximize the potential of a company's robust MRP system: it adds the automation needed to seamlessly communicate forecast data with suppliers so they can use that data to fulfill demand, as well as alerting immediately when there is a problem.

The figure below provides an illustration of the dramatic improvement in results that can occur when a demand collaboration solution is implemented to work with the company's planning system (Compare with figure 1). Here, the Bullwhip Effect dampening is approaching zero, since lead times are based on real-time demand data and communication with suppliers is optimised at all points throughout the supply chain.

As demand increases, ordering and stock responds in a proactive manner based on accurate feedback from your planning and data systems and suppliers. This results in stock levels that closely match order quantity, which is synchronized with actual demand.

Mitigating the bullwhip effect with demand collaboration

Conclusion

With companies investing significant time and money into their robust planning engine, there is a need to maximize the potential of such systems. If companies are not able to view real-time demand and forecast data from their suppliers and seamlessly update their systems based on this data, no planning system can solve the problems created by reactive planning with dated information.

The 'Demand Collaborator' provides a proactive solution to the pitfalls of the Bullwhip Effect, by integrating with suppliers' data to automatically generate purchase order releases based on real-time customer demand and supplier inventory. It also utilizes the following features to accomplish this functionality:

- Automatic pushes of MRP data to your suppliers
- Configurable, automated, and easy communication channels
- Web-based architecture and easy-to-use interface, facilitating collaboration and greater adoption from system users
- Completed feedback with automated creation of PO releases based on supplier commits

With automation and timely, effective communication, planners and suppliers can respond easily and quickly to changes in demand forecast in real time. This, in turn, drastically reduces the occurrence of oversupply and shortages to mitigate the Bullwhip Effect. mg

The author G Ramesh is the Vice President, TAKE Solutions

Dates for your diary

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

TOC Container Supply Chain exhibition and conference

December 09-11, 2013

Venue: DWTC, Dubai, UAE.

The TOC Container Supply Chain exhibition and conference is the global meeting place for ports, terminals, shipping lines, 3PLs & shippers. The exhibition is a showcase for port and terminal technology and operations and the conference focuses on collaboration within the container supply chain.

More information:
www.tocevents-me.com

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

More information: www.indiamaritimeweek.com

Intermodal India 2013

November 15-17, 2013

Venue: Bombay Exhibition Centre, Mumbai

Attend for: Nehru Centre, Worli, Mumbai

The event is designed to help professionalise the sector by bringing together leading suppliers of Logistics and Transport and matching them to key buyers of these services. Intermodal India offers hundreds of exhibitors from all over the world, presenting new products, the latest equipments and technology innovation.

More information:
www.intermodalindia.com

CSCMP Annual Global Conference

October 20-23

Venue: Colorado Convention Center, Denver

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

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

Asian Logistics and Maritime Conference

November 07, 2013

Venue: Hong Kong Convention and Exhibition Centre

The Asian Logistics and Maritime Conference (ALMC) brings together logistics services providers and users, including manufacturers, traders and distributors, to exchange market intelligence and explore new business opportunities in the region. This year, discussions will focus on regional trade flow, in particular that between the ASEAN and China; and retail revolution, in particular the rise of e-commerce and its impact on logistics and supply-chain management.

More information:
www.
asianlogisticsconference.com

Containers India 2014

April 24-25

Venue: Mumbai

Some of the world's most admired speakers examine:

- How will future global and regional cargo flows change?
- What are the emerging transhipment opportunities?
- How the supply/demand balance will change?
- What Port / Terminals are doing to add value?
- How much further the containerisation process can go?

More information:
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