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RIDING
THE CREST**

**MELTDOWN
THE REAL
PAIN
BEGINS**

**INTERVIEW
SHIP
BUILDING
INDUSTRY:
THE JOB
GENERATOR**
VIJAY KUMAR
SECRETARY, SHIPYARDS ASSOCIATION

**SE RAILWAY
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**PORTSCAN
GANGAVARAM
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maritime industry
leaders began a
journey to find the
answers for re-building
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Special Report



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Kolkata : Lalit Beriwal - +91 98312 51170 - lalit@allogistics.biz
Haldia : Sachin Thanna - +91 99321 89341 - cfs@allogistics.biz
Chennai : Ashok Thakkar - +91 98400 99099 - ashok@allogistics.biz

A.L. LOGISTICS PRIVATE LIMITED

KOLKATA - 11A, Rawdon Street, "Rawdon Chambers", 1st Floor, Kolkata-700 017.
Tel : 2287 3334, 2280 2819 Fax: 91-33-2289 0101 e-mail : infor@allogistics.biz
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Cover Story 18 Building India Into A Maritime Hub

India's remarkable macroeconomic performance in the last decade has galvanised the niche sectors in the industry to compete with global counterparts and script a success story filled with optimism and perseverance. As the country has it all to become a potential maritime destination, maritime gateway delves deeper to look at ways of reaching milestones and strengthening the maritime industry as the bedrock of India's foreign trade.



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Vijay Kumar

Vijay Kumar, Secretary, Shipbuilders' Association of India, talks about the importance of ship building industry in the economic development.



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"We are the leaders in LCL market"

S K Shetty

Shashi Kiran Shetty, Chairman & Managing Director of Allcargo Global Logistics Limited, reflects on the challenges and opportunities in the logistics Industry.



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As several ships, with Indian crew as their valuable assets, are held captive off the Somalia coast, Indian shipping fraternity brings pressure on the government to take urgent steps to protect the lives of Indian seafarers and Indian ships in the Gulf of Aden.



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Meltdown

THE REAL PAIN BEGINS

The burden of rising shipping costs added with the economic slowdown in the global economy has cast its shadow on the maritime industry too. Yet, this is the time to think and be different to bring that much needed difference in perspective and profits.



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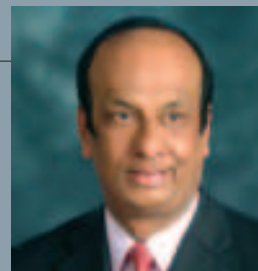
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Face Book - Sudhir Rangnekar

After serving 31 years in the Shipping Corporation of India, Sudhir Rangnekar chartered a new course in professional life in logistics domain.





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Corporate Office:
C-3, Mathura Road, Opp. Apollo Hospital,
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Fax: 011-41673112,
e-mail: co.prop@concorindia.com
www.concorindia.com

Multimodal Logistics Professionals

ICDs - Amingaon: PIC: Mr.Adhir Chandra Das, Tel no.: 0361-2680461,
Mob: 9864050690 e-mail: amj.tm@concorindia.com

Tatanagar: PIC: Mr.B.B.Sinha, Tel no.: 0657-2273164,
Mob: 9334813793 e-mail: tata.tm@concorindia.com

DCTs - Shalimar: PIC: Mrs.Meeta Behera, Tel no.: 033-26780122,
Mob: 9831715408, e-mail: shm.tm@concorindia.com

Majerhat: PIC: Mr.B.K.Rout, Tel no.: 033-24488986,
Mob: 9836115577, e-mail: ctkr.tm@concorindia.com

Balasore: PIC: Mr.S.N.Sarmah, Tel no.: 06782-257056,
Mob: 9864025375, e-mail: concor_bls@sancharnet.com

Fatuha: PIC: Mr.Vijay Kr.Verma, Tel no.: 0612-2615369,
Mob: 9431015403

Durgapur: PIC: Mr.B.Mohan, Tel no.:033-22267110, Mob: 9874141324,
email:bmohan@concorindia.com

PSCT - Haldia: PIC: Mr.Shashi Kiran, Tel no.: 03224-252958, Mob: 9332311177
Kolkata Port: PIC: Mr.S.B.Toppo, Tel no.: 033-24391576, Mob: 9330830203.

[7.N.S.Dock]

Raxaul: PIC: Mr.Prem Ranjan, Tel no.: 06255-224765, Mob: 9431233525

Publisher's Desk



The world went into a tizzy as the financial crisis started impacting global trade. There have been predictions that the collapse of thrift institutions like Lehman Brothers and their wider economic meltdown will push shipping lines into bankruptcy as the cargo volumes and ship financing are showing a downturn. The plunging of the Baltic Dry Index by 82 per cent in the last one year is only one indication that shipping was heading to a severe correction, the pundits said.

While this turmoil may take some time for service industries like shipping to devise ways and means of bailing themselves out of a financial predicament, the industry seems to have prepared itself to wait and watch what the future holds for it. The November issue of **maritime gateway**, the second in order, explores a wide range of related topics, opening a line of thought and discussion. Surprisingly, the trend in shipping line orders shows that the financial market has had nothing to do with the maritime industry and the order books are going agog. Global Trends, a regular feature on topical tidings, dwells in depth on the current crisis.

The cover story vindicates, yet again, a great promise for the maritime sector as industry players from all the verticals and policy makers express genuine hope for a bright future and scope for overcoming hurdles with coordinated efforts. Their participation in the CEO Forum, that marked the grand finale of our **Maritime Insights** television series, has helped in giving a clear mandate to our cause of building India into a potential maritime hub.

In the midst of the ongoing uncertainty, the maritime world had to grapple with the growing piracy attacks off the Somalia coast. Indian shipping fraternity was quick to respond and make a strong plea to the government to protect the lives of Indian seafarers and ships. It is gladdening to note that a beginning has been made by deploying naval ships in the Gulf of Aden, the Eden for pirates. This and more, in our Focus section.

Updates on maritime related activities, features on industry players, their concerns and their word of advice to policy makers offer a lot to mull over. Bharati Shipyard's co-managing director Vijay Kumar's take on subsidy issue, Allcargo's Shashikiran Shetty's views on the challenges in logistics, DP World Chennai CEO Ennarasu Karunesan's growth plan are some of the opinion pieces that set the discussion continuing further.

As Maritime Gateway is already on its sail, we wish the readers and industry experts to join us and make the voyage a fulfilling experience.

With warm regards,

Ramprasada, Publications Director
Ramprasada@gatewaymedia.in

Publications Director Ramprasada

Associate Editor Radhika Rani G

Assistant Editor Jagadeesh Napa

Design Vijay Masa, Lakshmi Dandamudi

Web Upender Reddy V

Head - Business & Events Wilson Rajan

Manager - MarCom Padmapriya C

Marketing & Sales

Mumbai Venkatram Pillai Manager - Marketing & PR

Delhi K N Sudheer Regional Manager

Kolkata Nikhil Doshi Region Head

Chennai W. Sudhakar Manager

International Sowmya Shenoy Sr. Manager

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Phone : 040 2355 0991

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write to : Gateway Media Pvt. Ltd.,
Plot No.761, Road No.39, Jubilee Hills,
Hyderabad-500 033, INDIA

Phone: +91(40) 2355 0991, 2355 0992

Fax : + 91(40) 2355 0994

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**A K Mohapatra**

Former Secretary,
Department of Shipping

As a policy maker in the department of shipping from 2006 to 2008, Mohapatra worked for the progress of the country's maritime industry. He was instrumental in the development of ports, shipping industry, inland water transport, port connectivity and international maritime affairs. He is a postgraduate from Utkal University and an MPhil from Indian Institute of Public Administration, Delhi.

**K Suresh, IAS**

Chairman,
Chennai Port Trust

A 1982-batch IAS officer, he was instrumental in making Chennai Port No. 1 hub port for cars in the country, a mega container terminal in the outer harbour, a growth of over 20 per cent per year in containerised cargo volumes and a licence agreement for a second container terminal. Was the chairman of Tuticorin Port till recently. Continues as the CMD of Sethusamudram Corp. Ltd.

**Ganesh Raj**

Senior Vice President &
Managing Director,
DP World,
Subcontinent Region

His vast experience in the liner and port industries helps identify potential projects and manage them through to successful completion. The Chennai operation underwent considerable progress in performance levels and throughput, growing in excess of 50 per cent in a two-year period when he was the CEO.

**A Janardhan Rao**

President, Indian Ports
Association
Former chairman,
Kandla Port Trust

He worked in various capacities in MMTC Ltd. and Bharat Earth Movers Ltd., served as deputy financial adviser & chief accounts officer in Visakhapatnam Port Trust and Kandla Port Trust. Later, he was deputy chairman of Cochin Port Trust. Presently serves as MD of Indian Ports Association, an apex body formed by major ports in India.

**Dinesh Lal**

Executive Director,
Maersk India Pvt. Ltd.

Lal is also director of Gujarat Pipavav Port Ltd., Gateway Terminals Pvt. Ltd., Pipavav Railway Corporation Ltd., vice-president of EU Governing Board and president of Indo-Belgium Luxembourg Chamber of Commerce. Worked for several freight services. Badminton, vintage cars, watches and farming are his favourite pastime.

**Sudhir Rangnekar**

Managing Director &
Group CEO,
Sical Logistics Limited

He is responsible for Sical's corporate strategy formulation. A chemical engineer from IIT Mumbai and an MBA from IIM, Ahmedabad, he has 30 years of experience with the Shipping Corporation of India Ltd. Held various positions in commercial operations, finance and administration. Spends his leisure reading, travelling and listening to music.

Editorial Advisory Board

The editorial advisory board of Maritime Gateway consists of senior executives and professionals who are experts in their own discipline and with an independent view, they guide the editorial team by giving suggestions on issues that need to be focussed.

**Yogendra Sharma**

Chief Executive Officer,
Adani Logistics Ltd.

He worked for more than 24 years in Indian Railway Traffic Services. As MD of Kutch Railway Company, he completed the 301-km broad gauge line four months ahead of schedule; pioneered PPP in Pipavav Railway Corp. and documented his experience in a book 'Public-Private-Partnership in Infrastructure'.

**Sachin Bhanushali**

President,
Gateway Rail Freight Ltd.

Armed with technical expertise in the domain of freight, Bhanushali has taken his flagship company to great heights. He is also the key advisor to several freight forwarders.

**S S Kulkarni**

Secretary General,
Indian National
Shipowners Association

As marketing manager of Jawaharlal Nehru Port Trust in the early 90s, he attracted trade to the then fledgling port. A man of varied work experience, he gave impetus to the gems and jewellery export industry. Has keen interest in anthropology, philosophy; pursues travelling as a hobby.

**Capt. Ram Ramchandran**

President,
NISAA

He has been closely associated with the Northern India EXIM Intermodal Logistics for more than 20 years. A master mariner with 13 years in the merchant navy and 9 years as the field operations manager with APL, he is also the CMD of Red Eagle Shipping Agencies (RESA).

**Capt. Subhangshu Dutt**

General Manager,
Research & Sp. Projects
Pacific International Line
(PIL), Singapore

With over 35 years of experience in maritime business, he chairs the Singapore branch of the Institute of Chartered Shipbrokers, sits on the panel of Singapore's Maritime & Port Authority's MINT fund approving body and was earlier the CEO of Pacific Shipping Trust Management.

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Corporate Office:

C-3, Mathura Road, Opp. Apollo Hospitals, New Delhi-110076

Tel.: 011-41673093-95, 41673099, 41673088

Fax: 011-41673112 E-mail: co@concorindia.com



A Taxonomy of Trouble

The tax environment is not friendly to the shipping industry. It can never grow if it is treated like any other domestic industry.

Though shipping industry today is growing at a brisk pace, it has not achieved what it was supposed to achieve – increased share of the Indian flag in the EXIM trade. While the tax environment is not friendly to the industry on the one hand, there is a tight bureaucratic

control as far as rules and regulations are concerned on the other hand. This has been reflected in the fact that not even a single dollar is coming into the country despite permitting 100 per cent FDI in this industry since 1986.

A comparison with other maritime nations suggests that there is no tax of any kind apart from the tonnage tax. But in India, around 12 different taxes are being paid by shipping lines, excluding the tonnage tax, that amount to around 4 to 6 per cent of the revenues and sometimes as high as 8 to 9 per cent. This figure is around 2 to 3 per cent in other tax-free or low-tax maritime nations. Much to the dismay of the industry, a majority of these taxes were introduced after the tonnage tax came into effect. Though we do not pay income tax on direct income, it is applicable on indirect income. In addition to this, minimum alternate tax, fringe benefit tax, service tax, and such other taxes are applicable.

“We wish the government treats this industry on par with any international tax-free country.”

Various taxes paid by the shipping industry other than the Tonnage Tax

Direct Taxes	Indirect Taxes
Corporate income tax on other income	Sales tax/value added tax (VAT) on ship supplies/spares
Minimum Alternative Tax (MAT) on profit/loss on sale of vessels	Lease tax on charter hire charges
Dividend distribution tax, Fringe benefit tax (FBT)	Customs duty on import of certain categories of ships, stores, spares & bunkers
Withholding tax liability on interest paid to foreign lenders	Service Tax
Withholding tax liability on charter hire charges paid to foreign shipowners	Excise Duty
Sea-farer's taxation – cost to employer, Wealth tax	Research and Development Cess

This practice has actually defeated the purpose of tonnage tax in the first place.

In leading maritime countries like Singapore and Japan, one happens to find only one tax, i.e. tonnage tax. These countries, through their respective shipping registries, encourage the shipping business by offering tax holidays, and other sops with the aim of bringing in more revenues to their economies.

The Indian shipping industry is doing well in terms of achieving efficiencies in operations. We are using all the tricks under the hat to improve our operational efficiencies. But it is highly difficult to compete with the foreign shipping lines that operate from tax-free or low-tax countries. Tax privileges, which the foreign

shipping firms enjoy, are giving them an edge over Indian firms in the international markets. Hence, to sustain in the long run and to be competitive in the global market, the government could provide a level-playing field for the shipping companies by doing away with all the taxes that are currently being levied.

In the face of this, it is high time that the government has to take stock of the situation and should provide a congenial environment for this industry. We wish the government to treat this industry on par with any international tax-free country. Government has to understand that shipping industry will never grow if it treats it like other domestic industries. [MC](#)

(H K Mittal is the CMD of Mercator Lines Ltd.)



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- The programme is supported by the Indian Ports Association for participation from the major ports of India.

CONTENT

- International trade, economics and regulations
- Strategic management in a competitive environment
- Marketing management
- Supply chain management
- Operations management
- Finance management
- People management
- Knowledge management

PEDAGOGY

- Case-based approach
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| • BMT Consultants | • Government of Goa | • Kandla Port | • Paradip Port | • Star Freight |
| • Chennai Port | • Gujarat Maritime Board | • Kolkata Port | • Parekh Marine Agencies | • Tuticorin Port |
| • Coastal Energy | • Indus Holdings (USA) | • Mormugao Port | • Sea Ports Corporation (Sudan) | • Visakhapatnam Port |
| • Cochin Port | • Ispat Industries | • Mumbai Port | | • Westports Malaysia |
| • Dahej Harbour and Infrastructure | | • Mundra Port and SEZ | | |

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ENQUIRIES

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Email: mdp@iimahd.ernet.in • **Website:** www.iimahd.ernet.in/mdp



Nissan inks MOU with Ennore port to export cars

Nissan Motor India Private Limited signs a memorandum of understanding with Ennore Port Ltd. (EPL) in Chennai to export its vehicles through the port, the first automaker to utilise the eastern gateway port of India as an export base.

NMIPL, the Indian affiliate of Nissan Motor Co., will begin exporting vehicles, primarily to Europe, commencing in the second half of 2010. Exports are expected to be approximately 110,000 units in fiscal year 2011 and are expected grow to 180,000 units in the future. Exports will include models, such as the next generation of Micra, which will be built on Nissan's new A-platform. Nine new models would be manufactured and exported from their manufacturing plant at Oragadam, 45 km from Chennai.

"EnnorePort meets all of Nissan's requirements to export vehicles," said Shouhei Kimura, managing director of

NMIPL. "We are looking forward to a cooperative and successful working relationship with EPL to achieve the highest level of on-time delivery at competitive costs."

EPL will complete the development of a berth with space of 140,000 m for vehicles by the end of June 2010 and give NMIPL priority to use the newly developed marine facilities. The development of a competitive A-platform is one of several business breakthroughs announced as part of Nissan GT 2012, the company's new five-year business plan. India is one of the five leading competitive countries (LCCs) to produce and export the new A-platform

models in Nissan's global manufacturing network. Models will be available in the local market as well.

Ennore Port Ltd. Chairman and Managing Director S Velumani said the signing of the MoU with NMIPL would give a major boost to the port. On the upcoming works, he said, "there are 14 projects worth Rs 6,400 crore of investments which are expected to be implemented in two phases." The company has till now used Rs 2,700 crore for infrastructure development of port purposes, while Rs 1,500 crore for other purposes, he said.

Chennai, the Detroit of Asia: Presiding over the signing ceremony of the memorandum of understanding, Union Minister of Shipping, Road Transport and Highways, T R Baalu said Ennore Port, along with Chennai Port, would be a catalyst "in making Chennai the Detroit of Asia by facilitating seamless exports and imports, and it would be the Engine of industrial and economic development of not only Tamil Nadu but also its hinterland in the other southern States."



Chairman of Ennore Port S Velumani (left) and Managing Director of Nissan Motor India Pvt Ltd. Shouhei Kimura (right) sign a memorandum of understanding in the presence of Union Minister of Shipping, Road Transport & Highways T R Baalu in Chennai.

Mumbai

Marseille sign sister port deal

Mumbai Port Trust has recently signed a sister port agreement with Port of Marseille Authority, France, to strengthen cooperation between the two countries. Mumbai Port and Marseille Authority would exchange expertise in engineering, management, security, city-port relations and sustainable development. Mumbai Port Chairman Rahul Asthana, Marseille Authority Executive Managing Director Jean Claude Terrier and French Consul General Francois Pujolas were present during the signing ceremony.



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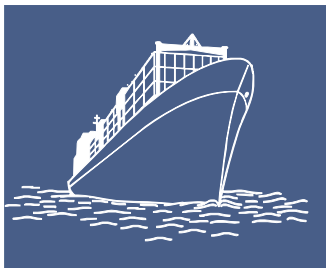
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NEWS

India's largest VLCC

SCI takes delivery

SCI took delivery of India's largest VLCC during an official ceremony at Daewoo Shipbuilding and Marine Engineering (DSME)'s shipyard at Okpo recently.

Union Minister of Shipping, Road Transport & Highways T R Baalu, who presided over the ceremony, named the vessel as Desh Viraat. The vessel, with 3,19,000 dwt, is the largest crude-oil vessel under the Indian Registry. Desh Viraat is the first of two sister vessels on order from DSME for the Shipping Corporation of India (SCI) and will add to the company's ability to meet rising Indian energy demand.

The naming ceremony of two other container vessels (MV SCI Chennai and MV SCI Mumbai) for the national carrier will take place at Hyundai Samho Shipyard.



Vizag harbour

11-m draft ship sails smooth

Nord Endeavour, a vessel with a draft of 11 metres, successfully navigated the inner harbour of Visakhapatnam Port for the first time, on October 10. The ship was carrying 51,000 tonnes of coking coal, a press release issued by the Visakhapatnam Port Trust (VPT) said. This was the first vessel to enter the inner harbour after the widening and deepening of the entrance channel at a cost of Rs 19 crore.

Chennai-Thai link

Puhai launches TSC Service

Shanghai Puhai Shipping Co. Ltd., (wholly-owned subsidiary of China Shipping Group), a partner in the Thailand Straits Chennai (TSC) service, commenced the TSC Service with the maiden call of M V Santa Maddallena calling at DP World Chennai on September 28.

The ports of call of this weekly service would be Chennai, West Port Klang and North Port Klang in Malaysia, Singapore & Laem Chabang in Thailand. The other partners in this service are Sea Consortium and OOCL.

Chen Zhiqing, managing director of China Shipping India Ltd (CSIL) expressed hope to bring more services and enhance their presence in India. China Shipping has been operating services out of India for over seven years and has, since 2006, been functioning out of its own office here.



(Left to Right: Sumant Meherish, general manager of CSIL India, Capt. Avnash Iyer, head Operations, DP World Chennai, Capt. Kong Bin, president of CSIL Dubai, Ennarasu Karunesan, director & CEO of DP World Chennai and Chen Zhiqing, managing director of CSIL India with the direct mainline service.)

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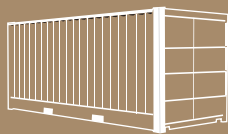
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NEWS

Joint Venture

BHEL, GE Transport tie up

Bharat Heavy Electricals Ltd. (BHEL) and US-based GE Transport, a unit of General Electric Company, has entered into a joint venture to bid for the manufacture of 1,000 fuel-efficient, environment-friendly locomotives requisitioned by the Indian Railways.

According to Indian Railways, the engines are expected to save millions of litres of diesel over the next thirty years. While GE

Transport is supposed to have a majority stake in the venture, Indian Railways will hold a 26 per cent stake if this consortium wins the bid.

While GE will supply the technology and designs for the locomotives from its design centre in Bangalore, BHEL will support the joint venture through its local knowledge and technology, logistics and construction expertise.

Delhi-Chennai sector

Sical adds a third rake

Sical Logistics Limited, India's leading integrated multimodal logistics solutions provider for bulk and containerized cargo, has initiated the operations of its third container train on the Delhi-Chennai sector with the delivery of a third rake. It has further plans to add ten more rakes in its fleet by 2011.

Speaking on the occasion, Ashwin C Muthiah, chairman of Sical Logistics said, "We are pleased at the addition of the third rake to our growing rail business. Its deployment on the North South corridor enables us to offer better services to our customers with enhanced capacity and frequency. We plan to add a fourth rake in our fleet by December '08, to be deployed also on the Delhi-Chennai sector. Our EXIM business will commence by January '09 with the development of the second container terminal at Chennai port, which will further strengthen our competitive position in the container train segment."

Car Terminal

Toyofuji plan

The Japanese vehicle logistics specialist Toyofuji Shipping Co Ltd. has revealed its plans to set up a dedicated car terminal at Chennai. Chennai port is popular for the export of cars made by Hyundai and other car makers.

Toyofuji, in which Toyota Motor has a 50 per cent stake, is looking at a dedicated car terminal by 2011 through which it will handle the export and import operations of all the car makers in India. This includes car terminal operations, marine transportation of vehicles, stevedoring and freight forwarding.

FY09 revenue

Concor to maintain profit growth

Cost controls and higher realisations of Container Corporation of India (Concor) has helped it to maintain its growth in profits despite the global economic slowdown which is impacting all the businesses worldwide. Concor's FY08 revenue had risen 9.5 per cent to Rs 3347 crore and net profit rose 7.8 per cent to Rs 750 crore. Second-quarter profit rose 28.7 per cent to Rs 224 crore, while sales rose 10 per cent to Rs 903 crore.

Rakesh Mehrotra, Managing Director of Concor said that although traffic volume growth was slowing down due to global economic slowdown, he was confident the measures taken by various governments globally would "improve things". Speaking on the liquidity crunch he says, "The adverse market situation in terms of credit squeeze and liquidity does not impact us. All our expansion plans are out of our own resources. We have sufficient cash balance on our balance sheet."





NEWS

Spice exports

India posts 14% growth

India's export of Spices increased by 14 per cent in the first six months of FY09. The quantity of exports increased by 8 per cent to reach 2,53,500 tonne while value of the same touched Rs 2660.75 crore. In dollar terms, the exports increased by 9 per cent to \$624.15 million.



During this period, most of the spices have shown an increasing trend both in terms of quantity and value as compared to the same period previous year. However, the export of pepper and mint products have declined both in terms of quantity and value as compared to the previous year. 1,09,000 tonne of chilli valued at Rs 581.18 crore was exported in this period as against 1,08,760 tonne valued at Rs 590.37 crore of the previous year.

Vegetable oil imports

Govt mulls on tax proposal

As global edible oil prices have fallen, it is posing a serious threat to domestic oil producers. Hence, Indian government is considering to impose tax on vegetable oil imports to the domestic industry from the current threat. The government is also considering to lift the ban on export of vegetable oil.

To this effect Union Minister for Agriculture Sharad Pawar said, "Global edible oil prices have fallen and have created problems for producers here. We will soon decide on imposing duty on imports." He further said that the government would consider scrapping an export tax of Rs 8,000 (US\$ 162.3) per tonne on basmati rice next month.

India had dropped the 20 per cent import tax on crude edible oils in April and cut the levy on refined oils to 7.5 per cent to combat rising prices. India mainly imports palm oil from Malaysia and Indonesia, and soybean oil from Brazil and Argentina. This duty is in response to the pressure from the apex body of the vegetable oil traders The Solvent Extractors' Association of India (SEA) demanding for import duty on these products. The SEA demanded a 30 per cent import duty on crude palm oil, 37.5 per cent on RBD palmolein and 20 per cent on crude soybean oil.

Coffee export

Surge in unit value realisation

The unit value realisation per kg, exported in the last fiscal was higher by Rs 12.73 per kg, when compared to the previous year. Maximum quantity of coffee was transacted and shipped out during the last quarter and this has offset the decline in the export quantum during the first three quarters. It has helped to derive the maximum advantage from the higher prices prevailing during that period.

However, the domestic coffee production decreased to 2,62,000 tonnes during 2007-08 compared to 2,88,000 tonne in 2006-07, a decline of 26,000 tonne. Coffee Board explains that the decline in production in 2007-08 was on account of drop in Robusta production by 10 per cent and Arabica by 7.2 per cent. Reports indicate that India's 2008-09 coffee crop would touch 2,93,000 tonne, which will be higher by 31,000 tonne compared to the production of 2007-08.





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Building India Into A MARITIME HUB

India's remarkable macroeconomic performance in the last decade has galvanised the niche sectors in the industry to compete with global counterparts and script a success story filled with optimism and perseverance. As the country has it all to become a potential maritime destination, **maritime gateway** delves deeper to look at ways of reaching milestones and strengthening the maritime industry as the bedrock of India's foreign trade.

by **Radhika Rani G**

India's inherent strength as an emerging market economy is likely to ensure sustained growth though the global economic crisis is likely to slow down the process to 7 per cent this fiscal. Fundamentals of our economy, experts say, continue to be strong. So once normalcy returns, India can still post 9 per cent growth – an average recorded for three years in a row since 2005.

If the maritime sector stood as an invisible growth engine while India was inching towards this GDP milestone, it has come to occupy a place of prime importance ever since our sea-borne export-import trade picked up pace. Needless to say, the country has had a great maritime past along its sprawling coastline, extending trade relations far and wide. Since the world's first dock discovered at Lothal dating back to 3000 BC till the 21st century, India

has come a long way in forging ties through the trade of minerals, ores and manufactured products. In the recent past, liberalisation of trade that led to an increase in exim volume impacted the development of Indian ports leading to global ownership and management of port terminals. It also motivated port operators to transfer a range of port-related activities to private undertakings, to withstand the growing competition within and outside the country.

On the shipping front too, shipping and cargo handling technologies have been witnessing rapid changes. For instance, ship sizes have been getting bigger and in turn, harbours too have been working hard to deepen their channels. The method of working at terminals too has been changing ever since containerised traffic has gained credence and given way to more mechanised equipment and centralised control of cargo. Labour deployment too has seen a change since manning scales have been seeking the services of more educated and skilful workforce.

As for supply chain management, newer technologies are being introduced to ensure fool-proof operations. If GPS systems are being installed on ships, radio frequency identification (RFID) is gaining ground in logistics and transport planning and optical character recognition (OCR) is being used in terminals to speed up the processing of containers.

These growth features are only one side of the coin while the other presents a scenario that calls for improvement vis-à-vis dynamic global standards. Realising the immense scope that the maritime sector has for the country's economic development and yearning to do its mite for initiating a healthy debate and a leap

ahead, *Gateway Media* has begun its maritime journey. Or rather, a journey in the maritime sector by bringing together the voices of the industry on to a platform and exploring the growth options thereof. Our earnest endeavour is to look at ways and means of building India into a maritime hub. The first step in this direction, we believed, was to bring together great minds working in and for the industry – policy makers and industry players who can voice their opinion and come up with directions and suggestions for a coordinated effort to take the issue to the 'Walk the Talk' level. We are talking of the much-talked about television series *Maritime Insights* that marked the beginning of our saga. The six episodes dealt in detail every issue concerning the industry by voicing the opinion and advice of experts and industry players.

In sync with the industry's earnest efforts to make India a potential maritime hub in Asia and possibly the world, the CNBC TV18 series succeeded in initiating a dialogue on the same as it culminated in a power-packed CEOs' forum.

Gateway Media's efforts to catalyse a vibrant maritime future for India were applauded as the industry bigwigs descended on the

venue in large numbers to take part in the intellectual proceedings of the celebrating evening of September 18.

The panel discussion dwelt on issues and the participants strongly felt the need for better infrastructure facilities in the ports sector, cargo-oriented service for the shipping lines, time management for logistics and a slew of other timely additions and subtractions for the entire industry vis-à-vis other thriving maritime businesses in the world. If India has to sail high as a potential hub, a clear vision and navigation are a must, the panel unanimously agreed as it hoped the government to lend its ear and energy to the cause.

CEO Forum

The theme 'Building India into a world-class maritime nation' got the six panelists share their views on policy, financial and technological framework, industry expectations and the ascent up the value chain.

The soft-spoken Shipping Secretary APVN Sarma chaired the panel. The platform was shared by the voices of all the three verticals – ports, shipping and logistics – S S Hussain, chairman, Jawaharlal Nehru Port Trust; Ganesh Raj, senior vice president & managing director, DP World Subcontinent, Yudhishtir Khatau,



“More initiatives from the private sector in ports and delegation of more powers to major ports are needed to create capacities.”

**APVN SARMA**

Secretary, Department of Shipping, Govt. of India.

"This has been a useful forum and I carry back a lot of useful suggestions and ideas. I am confident that we (the shipping fraternity) will be able to rise and build a conducive environment for faster development of the industry."

managing director, Varun Shipping Company Limited, Pakash Tulsiani, chief operating officer, Gateway Terminals India Pvt. Ltd. and Sudhir Rangnekar, managing director & group CEO, Sical Logistics Limited.

Moderating the show was A B Ravi, editor, special projects, CNBC TV18 who set the background for the discussion by presenting the usual concerns of people in the industry:

- Turnaround time in Indian ports is 3-4 days while it is 6-8 hours in Singapore.
- According to a World Bank study, it takes 21 days to process import, export documents.
- It is more costly to move cargo within India-costs \$500 to and from South to North while it costs only \$220 to move cargo from India to Singapore.
- Finally, not enough investment has come into this sector.

"We certainly need to bring the ports to international standards by addressing turnaround time and a host of other aspects," said Sarma, when asked about the maritime vision of India, for making the country the first port of call. As the spokesperson of the government, the shipping secretary felt policies need to be tuned and more capacities need to be built. "Probably much more initiative of the private sector in the ports need to come in and more powers need to be delegated to major ports in the government sector. These are the broad lines which we have to follow to bring the ports to international standards," he said as he opened the line of discussion for the others.

Since the international standards are far above ours, has India missed the

bus, Ravi asked the panelists as everybody got their ears and eyes tied in. Here are a few excerpts from the discussion:

Yudhishtir Khatau: You miss the bus if you didn't have a good driver. You miss the bus if you didn't have enough cargo. As far as India is concerned, we have three of the most critical inputs that are needed in the shipping industry. One is manpower. We are actually manning the entire shipping industry worldwide, both in terms of seafarers as well as in terms of office management and control systems. It is Indians who are doing it whether it is an Indian company or a foreign one.

The second and the critical aspect is the coastline. You got the effective coastline, you got the ability to access, most of India by sea.

The third important aspect is you have massive cargo, which is the raw material to the shipping industry. So, there is no reason why we should be missing the bus. If at all the problem is, it is where the shipping industry catering to India is being housed. You have two very dominant shipping hubs – Singapore on the east and Dubai on the west, both competing for Indian shipping.

So the real question is going to be: Shipping will do well in India irrespective of what India does about shipping. India is going to be a user of shipping. But the only question that we in the shipping industry have is: whether the shipping will be

based out of India, which is what all our objectives are, or whether we will lose it to countries like Singapore and Dubai where the value addition will go.

Ganesh Raj: From our experience, what we feel is that there is a very clear intent that information has to be expanded. Everybody recognises the need and the importance.

Where the shortfall between the intent and actually what takes place is to ensure that we are able to translate that intent into action and the time it takes for us to communicate or get this intent translated. Because today, if you start on a particular project, from the time we start off getting a particular project or conceiving the idea of a project and implementing it, it takes a very long time, 12 to 24 months.

Prakash Tulsiani: We are as comparable as anywhere else in the world because there are large port operators who are willing to come to India and they are waiting, in the sense, if there are any concessions or facilities which have to come up, they are willing to come and bid. We can see this trend in any of the bids which have come up.

So, when we are looking at ports and terminals, I suggest that we create capacities even beyond what are required today. We have to look not only for tomorrow but even for day after tomorrow and this we have to do right now.

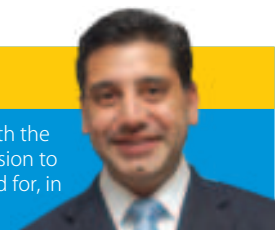
Ravi: The key problem is JNPT growing very fast. There is a lot of congestion problem. How do you resolve this?

S S Hussain: We are even today working beyond our capacity. We have already gone up to 4.06 million

Yudhishtir D Khatau

MD, Varun Shipping Company Ltd

"I would want the shipping ministry to call for a joint meeting with the ministry of finance, major user groups and the Planning Commission to basically discuss the benefits that the shipping industry has asked for, in terms of making it a level-playing field."



TEUs. But because of our efficiency and mechanised handling, we are not refusing anybody. They are coming but for future, we should have planned five years earlier. The time may come when this may not be sufficient. The project delay takes us so much longer. If we can take care of such things, we can be ready.

Sudhir Rangnekar: India is placed with challenges and opportunities on the logistics.

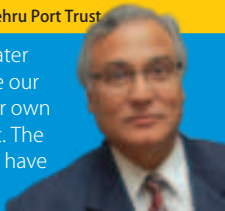
Some of the difficulties are: we plan for yesterday and we don't plan for the day after. The Chinese plan for 10 years ahead. We start planning when the growth has already taken place.

For all of us, time is no cost. Time is available in plenty. I think that sort of an attitude has to change. The government has done enough and tremendously good. But still, it can do much more than what has been done.

S S Hussain

Chairman, Jawaharlal Nehru Port Trust

"We should get greater autonomy to decide our own equipment, our own future development. The government should have more faith in us."



Let me give an example, of the JNPT's deepening and broadening of the channel. Now, this felt need is there for the last five years and again it has gone in a tangent, the reason being that of the tenders which were received, the lowest tender was more than 20 per cent of the estimated cost. Yes, this is a problem in the governmental setup. Ok, one individual is not able to take a decision. But should we not as a committee take a decision and move forward? Why should we lose three and four years for taking that decision? So, the issue of time or rather urgency of action is important.

Ravi: What is the customer telling you?

Sudhir: The customer is telling us that the logistics cost in India is high. Ask all the shippers, the transaction

Delay in planning and implementation is having its toll on efficiency



cost is high. A World Bank study on transaction costs focused on three elements. One is the number of documents for the import and export of a container. It is 8-9 documents in India while internationally, it is 2-3. The second is, the time taken for processing an import and export document. In India, it is 21 days, the best in the world is 3-4 days, so we are far off. Third, in terms of the cost of import and export, in India, the processing cost is 1100 to 1200 dollars. The best in the world is only 390-400 dollars. So, in all these aspects, we are way behind international standards.

Ravi: What are the two or three things all of you would like the government to do in the shipping sector?

Yudhisthir Khatau: I would want the government (the shipping ministry) to call for a joint meeting or a joint seminar with the ministry of finance, major user groups and the Planning Commission to basically discuss the benefits that the shipping industry has asked for in terms of making it a level-playing field. That really would be the single request we have – fiscal in nature, basically cargo support-oriented in nature. If these two issues can be sorted out, Indian shipping will certainly go to the next level.

Ravi (gesticulating to Hussain): On the ports front...

S S Hussain: The ports should get greater autonomy. We are all port

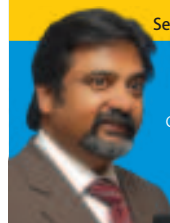
trusts under the Port Trust Act. Since we work as a unit, we should get greater autonomy to decide our own equipment, our own future development. The trust members are created by the government. Hence, the government should have more faith in us – fiscal, financial authority should be given to us so that instead of Rs 50 crore, we can go up to Rs 500 crore. We should be allowed to take our own decisions.

The other point is: coordination among people. Just raise the 20 per cent excess since fast track clearance of projects is very essential. Nobody can wait for 3-4 years for a simple project, when even environmental clearances are in place. Why go from A to Z process again because we are not going beyond a port which is already cleared.

As far as cost estimates are concerned: if we have not done our dredging approvals and whenever we go after one year, the cost will be more, time will be lost and a whole lot is lost by the trade circles. All these three place heavy price on us to pay for that 20 per cent excess. So why not accept the proposals

Ganesh Raj

Senior VP& MD, DP World Subcontinent



"We should have a situation where we can see that policy creators create a policy that is in sync with the ground reality. There should be as minimum a disconnect between the two."

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Cover Story

Sudhir Rangnekar

MD and Group CEO, Sical Logistics Limited

"Create capacities or at least create a conducive environment to ramp up the capacities."



(bidding) because we are going to go much more than 25 per cent the next year.

Ganesh Raj: I think fundamentally we should have a situation where we can see that policy creators create a policy that is in sync with the ground reality. There should be as minimum a disconnect between the two.

The second most important thing is to ensure that policy changes, if required, need to be made at lightning speed. One should not wait for a long period of time before a policy is revisited and changed. When you notice something is wrong, it has to be corrected immediately and that is a critical factor.

Sudhir Rangnekar: Create capacities or at least create a conducive environment to ramp up the capacities. Yes, there is lack of capacities in every sector.

The government should realise the intellectual wealth of Indian nationals. Indians are tremendously intellectually endowed so let's take the advantage of this. Create a creative and innovative manpower in each and every sector and align your laws, rules, regulations with international rules and regulations.

Prakash Tulsiani: Enough has been said about all the reforms and what the government should do. I would say: Create capacity continuously thinking for the very

future. What China has done, we Indians can easily do it.

Two, we have been talking a lot about the waterfront infrastructure. We have not talked about anything on the land side evacuation. Because that (land congestion) will choke a port or a terminal. What we need is roads, railways. We have a dedicated freight corridor on rail that is on track. Let us see that doesn't get derailed. We should ensure it is completed in time. Whatever is required land, acquisition, support should be given so that we ensure that the ports are not choked.

Ravi: Mr Sarma, you have heard the five gentlemen say. Your final comments.

Sarma: I do agree that a lot more needs to be done. It's a good idea to really have the trade and the various stakeholders within the government of India sit together so that we get exposed and other ministries too get inspired. I think this has been a useful forum and I carry back a lot of useful suggestions and ideas. I am confident that we (the shipping fraternity) will be able to rise and build a conducive environment for faster development of the industry.

The forum ends on an optimistic note, with the shipping secretary assuring the panel and the industry to take the issues and the suggestions to the government's notice and to work for the cause of a maritime nation.



Prakash Tulsiani

COO, Gateway Terminals India Pvt Ltd

"We need to create capacities even beyond what are required today. We have to look not only for tomorrow but even for day after tomorrow"



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Meeting of Minds



The grand finale of the Maritime Insights television series saw the big names in the industry teem in large numbers to a riveting evening of debate and discussion. CEOs and managers cutting across all the three verticals of the maritime industry were glad to be part of a fraternity gathering. While the early arrivers perched themselves comfortably at Intercontinental The Grand, Mumbai, others joined just in time to witness a one-of-its kind maritime events – the CEO Forum. Exchange of pleasantries, quick notes, a divine drink and food apart, the evening wound up with some awesome entertainment that literally left an exclamation mark! The esteemed audience was too amazed at the surprises sprung by extrasensory perception specialist Deepak Rao with his mind-boggling mind games. They only wished he could do an en core.



The Gateway Media Team

The episode saga

Maritime Insights was the first ever comprehensive television series on the maritime sector brought out by Gateway Media, in association with CNBC TV18. Each episode catered to a theme covering the three major verticals in the industry, explored issues and sought a pragmatic approach to problems by talking to experts, analysts and policy makers. Aired as a half-hour special every weekend from August 30 to October 5, the insightful broadcast was endorsed as an endeavor well made.



Sector Overview: The episode talks about the growing importance of ports, shipping and logistics. Rajeeva Sinha, wholtime director of Mundra Port & SEZ calls for more competition to reduce monopoly in port sector; S Hajara, CMD, SCI for special taxation regime; Shashikiran Shetty of Allcargo for a change in government mindset and Anil Devli, ED, Shreyas Shipping and Logistics for solving evacuation problem in ports.



Logistics: Dwells on connectivity issues and multimodal framework. Sudhir Rangnekar of Sical Logistics talks of the high cost of processing exim documents, Anil Devli on partnerships for cargo traffic, Rakesh Mehrotra, MD, Concor, on infrastructure, former advisor Ajay Dua on the Delhi-Mumbai industrial corridor and M Prem Kumar, group MD & CEO, Uniworld Logistics feels the urgency of logistics education in India.



Port Sector Scan: Focusses on infrastructure hurdles in ports and the rise of greenfield ports. SS Hussain, chairman of JNPT hints at growing traffic, DP Singh, chairman, Gopalpur Port on government's inability to run ports, A K Chanda, of Kolkata Port on the problems in privatisation; K Suresh, chairman of Chennai Port Trust prides in the auto hub; S Velumani, CMD, Ennore Port and Ganesh Raj, MD, DP World Subcontinent on more capacities.



Integrated Port Development: It explores integrated shipyards and port-based SEZs near ports. Capt. Sriram Ravi Chander, COO, Visakha Container Terminal hails the promotion of container industry through PPP, Prem Kumar of Uniworld, Arup Chatterjee, joint MD, LCL Logistix and Pramod Kumar Srivastava, director, Allied ICD Services support ICDs & CFSs.



Shipping: Throws light on trade prospects and challenges. Shashank Kulkarni, secretary general, INSA feels the need of loans to shipping firms; Yudhishtir Khatau, MD, Varun Shipping on the benefits of tonnage tax; Hajara on a level-playing field; Hans Ole-Madsen, MD, Maersk Line hints at ships registering under foreign flags and shipping secretary APVN Sarma on the Shipping Trade Practices bill.



CEO Forum: Industry experts – Shipping Secretary APVN Sarma, S S Hussain, Ganesh Raj, Sudhir Rangnekar, Yudhishtir Khatau and Pakash Tulsiani deliberate on the theme 'Building India into a World-Class Maritime Nation'. They feel the need of improving infrastructure and building capacities at ports.

NOTE: Readers interested in watching the Maritime Insights series can request for a copy of the DVD by sending an email to wilson@gatewaymedia.in

Information Gateway Unveils

A trend-setter that truly fits the bill of a global trade magazine.



APVN Sarma, Shipping Secretary, releasing the magazine.



Yudhishtir D Khatau
MD, Varun Shipping Company Ltd.

Maritime Gateway was launched at a gala event in Mumbai on September 18. APVN Sarma, secretary, department of shipping, Govt. of India launched the magazine in the presence of leaders from the maritime industry. The august audience hailed the magazine as a trendsetter. "The industry needs such a quality magazine both in terms of content and presentation," they said as they wished good luck to the Gateway Media team.

As it sets out to cover ports, shipping and logistics in great detail, Maritime Gateway focuses on quality reporting and cutting-edge analysis of the industry. That a glance at the magazine is certain to raise eyebrows is only humble saying. "My first impression is very positive well designed and excellent print quality," hails Julian King, director of EWP Communications Ltd. and the famed GreenPort portal. "As a former publisher myself of an international renowned magazine (Cargo Systems), I am very pleased of the first edition," he adds as he promises to give his a 'considered view' after a thorough reading.

Our aim and effort to stimulate discussion among industry players on subjects of vital importance started paying off. "Your concern on the issue of Port Infrastructure is equally shared by us and together, we can make a difference," says Amit Chaudhri, chief manager of ICD, Tughlakabad.

Prized Comments: **A K Mohapatra**

Former Shipping Secretary & Editorial Board Member

"I welcome the presentation of awards to recognise people who have achieved excellence in different sectors of maritime activity. But I am more delighted that Maritime Gateway is being launched. I have always felt that there is a gap of knowledge and research in shipping and port sector and for that matter, all aspects of government enterprise. A lot of activity is taking place in maritime states but the information flow among all of us the industry, the government and other participants is not adequate. Therefore, if an attempt is made today to bring about a magazine, this is a welcome sign."

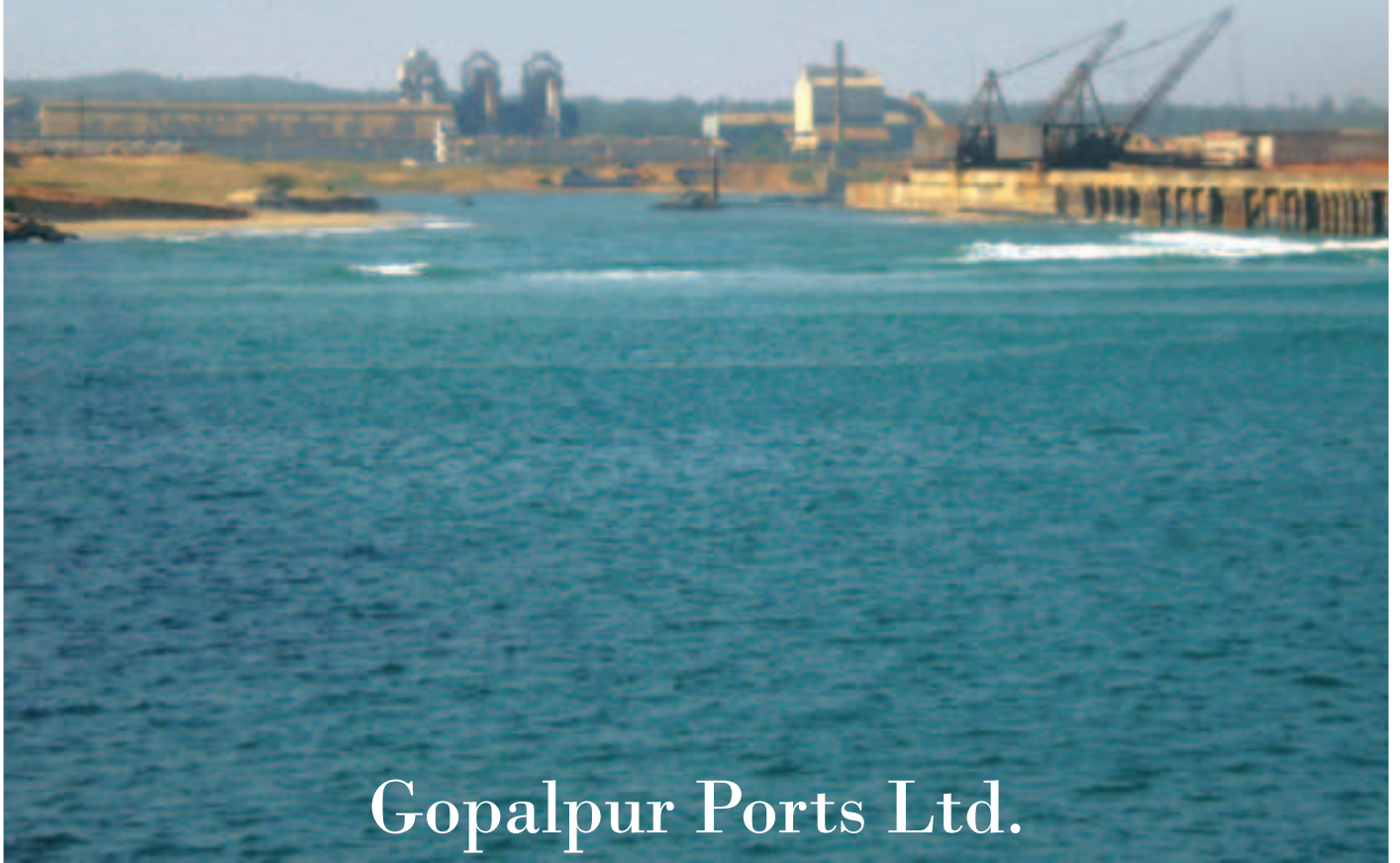
I was very happy that we now have a magazine like the (Maritime) Gateway which is dedicated to the shipping industry. I think it was high time that we had a publication that could bring the shipping message and the need for communication and media in the shipping industry out in the public.



K Suresh
Chairman,
Chennai Port Trust

"It was a great function. Also, the CEO Forum on Building India into a Maritime Hub was a good concept. For the first time, I could see a lot of awards being given to different categories of people in different fields. It is recognition of their work. The Gateway has really shown a great way."

Building India's Infrastructure



Gopalpur Ports Ltd.



ORISSA STEVEDORES LIMITED

Touching New Height • Expanding New Horizons

Gopalpur Ports Limited

Arjeepalli, VIA Chhatrapur -761020

Ganjam, Orissa India

tel: +91-6811-263499, 260099

fax: +91-6811-263383

e-mail: info@gopalpurports.com

www.gopalpurports.com

Major Port

Jawaharlal Nehru Port Trust



SS Hussain, Chairman of Jawaharlal Nehru Port Trust receiving the award from **APVN Sarma**, Secretary, Department of Shipping, Govt. of India.

Highlights

- Improved cargo throughput by 24.41 per cent.
- Highest growth rate YoY among all the major ports.
- Lowest turnaround time of 1.79 days.

JNPT situated in Navi Mumbai, is one of the major maritime gateways in India. Also called Nhava Sheva, the port is an integration of three container terminals and dry docks. It handles dry bulk and break bulk apart from the containerised cargo.

Global bids have been invited for a 330-metre extension to berth north side of the port at an estimated cost of Rs 600 crore while procedural work to launch the fourth container terminal and

marine chemical terminal at a cost of Rs 4100 crore is on. These capacity augmentation projects hope to scale up JNPT's performance.

Celebrating The Best

The Annual Indian Maritime Gateway Awards were instituted to recognise and reward innovative and successful practices of Indian maritime players. They highlight the progress achieved by the maritime community, which is poised to be a major player at the global level.

Private Port

Mundra Port & SEZ Limited

Highlights

- Recorded an impressive growth of 45 per cent in cargo handling YoY.
- A growth of 24 per cent in the net profit.

The biggest private port in the country, Mundra Port & SEZ Limited is one of the sophisticated and fastest growing ports in India. Located strategically near the hinterland of North-western and Northern India, the port caters to the exim needs of business enterprises in Gujarat, Rajasthan, Punjab, Haryana, NCR, Himachal Pradesh, and Uttar Pradesh. It has also grown as bunkering hub with 120 vessels lifting bunkers from here per month.

The growing importance of Mundra Port is evident from the increase in traffic from the hinterland during 2007-08. Seven railway sidings, two dedicated diesel locomotives and 64-km private rail line have made the port easily accessible and this has eventually led to increase in the throughput.



Sandeep Mehta, CEO of Mundra Port receiving the award.

The awards for 2008 attracted prominent port, logistics operators, shipping companies, freight forwarders and the who's who of the maritime industry. The 10 award categories, covered all the major operators in the sector. The jury was headed by **AK Mohapatra**, former shipping secretary and assisted by **AB Ravi**, editor, Special Projects, CNBC TV18 and **Mohan Krishnan**, senior vice-president, IMRB-BIRD.



Shashi Kiran Shetty
CMD, AllCargo
Global Logistics Ltd.

"The function was pretty well organised. The Gateway Media team has set a new benchmark. The magazine looks up with good selection of stories. I would like Maritime Gateway to be a platform for all shipping, ports and logistics issues wherein the industry opinion matters."

Amit Chaudhri
Chief Manager,
Concor,
ICD/Tughlakabad

"Winning an award was a great experience. I think we are already very late in starting this (awards presentation). The initiative taken by the publication is laudable. Infrastructure growth and cutting down of bureaucratic delays can be highlighted."



Prakash Tulsiani, COO and Arvind Bhatnagar,
CEO of Gateway Terminals receiving the award.

Container Terminal

Gateway Terminals India Pvt. Limited

Highlights

- Highest berth productivity.
- Handled largest single parcel size in record time.
- Sophisticated technology in operation.

A joint venture between AP Moller Maersk and Concor, Gateway Terminals signed a license agreement with JNPT to build and operate for the next 30 years a modern common user container terminal at Nhava Sheva. It has a throughput capacity of 1.3 million TEU and runs with modern equipment such as 8 post-Panamax twin pick cranes with an 18-wide outreach, 29 energy efficient RTGs, 3 rail-mounted gantry cranes, reach stackers, empty handlers and a fleet of tractor-trailers.

GTI set several records, including fastest ICD operations of 180 TEUs in 15 minutes and highest berth productivity of an average of 145.37 moves per hour.

Largest Terminal Operator

DP World Pvt. Ltd.

Highlights

- Five Container Terminals in operation.
- Sixth and largest under development.
- Highest Cumulative Throughput of 4.232 million TEU.

DP World, the largest container terminal operator in India with five terminals operating at Chennai, Nhava Sheva, Mundra, Cochin, and Visakhapatnam, and the sixth and the largest coming up at Vallarpadam, Kerala, is one of the largest marine terminal operators in the world, with 45 terminals and 13 new developments across 29 countries. With a global capacity of more than 54 million TEUs, it works to enhance customers' supply chain efficiency by effectively managing container, bulk and other terminal cargo through 'integrated port management' which brings together container terminals, cargoes, free zones, infrastructure developments and consultancy services.



Ganesh Raj, senior vice-president and MD,
DP World Subcontinent receiving the award

Shipping Line

Great Eastern Shipping Company Ltd.



Ashley Dinning
Chief Financial
Officer, Port of
Pipavav

"The publication is certainly world-class and there is a lot of opportunity in India for a publication of its nature. The awards night was a great night, very well run. We are ecstatic about winning the award. We are happy to be involved with Gateway Media."



Jayesh Trivedi, vice-president, legal & company secretary of Great Eastern Shipping Company Ltd receiving the award.

Highlights

- Youngest Fleet.
- Recorded growth of 60 per cent in net profit YoY.
- Huge expansion plans (new tonnage).

GE Shipping boasts of the healthiest fleet of all the shipping lines under the Indian Flag. With interests in cargo transportation and offshore services, GE Shipping has been making conscious efforts in keeping its fleet young. It has recorded a growth of 60 per cent in its net profits YoY for 2007-08.

Its net profit for the second quarter of 2008 rose to Rs 506.2 crore compared with Rs 342.8 crore recorded a year ago, a 47.7 per cent rise. Being only next to the SCL in size of fleet and size of operations,

GE shipping is the first private shipping line to see the opportunity in the offshore business.

Logistics Company

Allcargo Global Logistics Limited

Highlights

- Highest Tonnage per acre.
- Recorded an impressive 48 per cent growth in its net profits YoY.
- Gone global through acquisition of ECU Hold NV.

Allcargo is one of the fastest growing integrated logistics services providers. With its network of warehouses and container freight stations, Allcargo brings a holistic approach in providing third party logistics services to its customers. In addition to serving in the Indian market, it has also gone global through its acquisition of ECU Hold NV.

Allcargo reported net sales of Rs 631.5 crore for the second quarter of 2008 compared to Rs 403.9 crore in the last fiscal, an increase of 56.3 per cent. It also plans to set up greenfield projects, one each on the east and west coast of India, in a year's time.



Shashi Kiran Shetty, CEO of AllCargo Global Logistics Ltd receiving the award.

Jayesh Trivedi
Vice President,
Great Eastern
Shipping Company
Ltd.

"The event is a timely one. Giving awards to the best performers is a good motivator. One looks forward to honouring the best. To be associated with such kind of people really helps and synergises our whole thing."





S S Hussain

Chairman, Jawaharlal
Nehru Port Trust

"The CEO Forum is a grand function. I personally feel it is a good initiative. I hope larger and topical issues will be reflected in the coming issues of the magazine."



Sandeep Mehta

CEO, Mundra Port

"The event gave us an opportunity to network with all the major players in the industry. The magazine raised very important issues. You can cover features on capacity, infrastructure development and important issues which face us."

Ganesh Raj

Senior Vice-President &
MD, DP World
Subcontinent

"The CEO Forum was an excellent presentation. The entire panorama of delegates from the shipping fraternity have come here. I look forward to a lot of quality editorial content coming from the magazine."



A.K. Bhattacharjee, senior general manager of Gateway Distriparks receiving the award.

Container Freight Station Gateway Distriparks Limited

Highlights

- Recorded 45 per cent YoY increase in cargo handling.
- State-of-the-art infrastructure.
- Customer-friendly service.

One of the fast emerging players, Gateway Distriparks has strategically positioned its container freight stations in Mumbai, Chennai and a newly commissioned CFS at Visakhapatnam. It has invested Rs 350 crore via its subsidiary, Gateway Rail Freight, to run container trains.

The company's profit rose 12.04 per cent to Rs 205.75 million from Rs 183.64 million in the same quarter the previous year. It provides logistics solutions to fulfill the needs of the international trading community as well as the shipping industry with its state-of-the-art infrastructure and customer-friendly service offerings.

Inland Container Depot Container Corporation of India Ltd.

Highlights

- 57 ICDs and 8421 wagons.
- Largest ICD at Tughlakabad.
- Highest cumulative throughput.

Concor has been associated with the logistics industry since decades. With its vast establishment, pan India network and one of the largest ICDs in Asia at Tughlakabad, Concor has been providing highly customer-focused services. It posted net profit of \$87 million for the first half of this fiscal, up 17.5 per cent from \$74 million for the same period a year ago. Concor provides a number of value-added services for its customers through its ICDs and links its ICDs to all the major ports through its mammoth train network.



Amit Chaudhri, chief manager, ICD/Tughlakabad, Concor receiving the award.



Ashley Dinning, chief financial officer, Port of Pipavav receiving the award

Environment Protection Gujarat Pipavav Port Limited

Highlights

- Environment-friendly coal yard design.
- Unique design and protection from coal dust.
- Eco-friendly RTGs.
- Development of surrounding green belt.

India's first private port, Pipavav is the first to commission 'the only one of its kind' environmental coal yard in the country. The unique features include a material handling system at the berth, covered conveyor system, coal storage areas supported by concrete roads, a bund and a synthetic wind barrier & water curtain surrounding the coal storage yard to contain coal dust, mobile sprinklers & thermal sensors to

monitor coal temperatures and reduce any risk of coal fires. Pipavav also installed the necessary infrastructure to reduce pollution and contamination in and around the port.



Arvind Bhatnagar
CEO, Gateway Terminals
India Pvt. Ltd.

"The event gave us an opportunity to meet all old friends and make new ones in the shipping and logistics industry, who are all very important. The magazine raised certain very important issues and this is a good trend."



Prakash Tulsiani
COO, Gateway Terminals
India Pvt. Ltd.

"Professionally done. A good way to launch the magazine in the maritime industry. Good to see the energetic team of Gateway. As far as issues are concerned, what the industry needs today is infrastructure and everything will move."

Newsmaker Mr. Gautam Adani

Highlights

- Ranked 91 on Forbes' List of 'The World's Billionaires 2008'.
- Instrumental in increasing the port throughput.
- Helped increase the turnover by 44 per cent.
- Has developed ports at Dahej and Dholera apart from Mundra.

Gautam Adani, a trader, exporter, industrialist, infrastructure developer and a management guru with 24 years of varied experience, is the man behind today's Mundra Port and the development of the area surrounding it. Not contented with just Mundra, Adani has been instrumental in developing the ports at Dahej and Dholera.

Under his stewardship, Mundra port recorded a 12.4 per cent increase in net profit and 43.9 per cent in revenues during 2007-08. He set up Mundra port by influencing the Gujarat government to create a vibrant port policy, which has become the model policy for many states now.



Sandeep Mehta, CEO of Mundra Port, receiving the award on behalf of **Gautam Adani**.

A K Bhattacharjee

Senior General Manager,
Gateway Distriparks

"Perhaps, this is for the only time when someone was awarded, especially from the CFS side, for performance. If you want to be a maritime nation, it is not enough that we talk, we have to substantiate it with communication and this magazine is going to do the job."



portraits by
yogesh dhabale

Shipbuilding Industry

The Job Generator

With global shipbuilding industry experiencing a crest in demand, order books of shipbuilding yards across the world are flowing to the brim. In this scenario, **Vijay Kumar**, Co-Managing Director, Bharati Shipyard Ltd. and Secretary, Shipbuilder's Association, shares his thoughts on Indian shipbuilding industry in general and Bharati in particular with **Ramprasad** of Maritime Gateway. He strongly urges the government to renew the subsidy and highlights the importance of this industry in the economic development of the country.

Q: In spite of having a long history, Indian shipbuilding industry today has miniscule presence in global market. What do you think are the reasons?

A: Initially, government did not allow private investment in this industry as it considered this a strategic and it retained it with the public sector. It allowed private players to build medium size vessels like 10,000 tonners only in 1990 when the industry was de-regularised. Prior to this, private industry was allowed to participate in only small vessels like 3,000 tonners. It was only in middle 90s that they were permitted to build even larger vessels.

Once we were allowed to build larger vessels, the associations took up another major issue with the Ministry. They are no import barriers for the shipping industry. People are allowed to import new ships,

second-hand ships and even 25-year old ships without any import tariffs and custom duties. There is not a single item of transport, be it a wheelbarrow, motor cycle, or a car that was allowed to import without custom duty. At one point of time car industry had 200 per cent of duty for certain categories of cars. But there has never been such customs duty or tariff barrier imposed for this industry in the last 50 years and hence shipbuilding industry has been suffering due to this.

Realising this gaffe, government introduced the subsidy in 2002 to support the private sector. And from there you can see what happened. The capacities were ramped up rapidly resulting in order book shooting up by 1000 per cent, turnover by 400 per cent and employment by 1000 per cent. The global share of the Indian shipbuilding industry recorded a 300 per cent jump from 0.3 per cent in 2002 to 1.3 per cent today. But unfortunately that policy expired in 2007. As an association, we are trying our best to convince the government that it has to be continued. If you look at Korea, Japan, China and their shipping fleets, anywhere between 90-99 per cent, would be locally made. Where

Vijay Kumar,
Co-Managing Director,
Bharati Shipyard Ltd.

as in India, it is the other way round – over 90 per cent would be foreign built. I think that makes the story.

For the purpose of extension of the subsidy scheme, the government had formed a committee in 2006 with Admiral Tiwari as chairman of the committee and I was one of the members on the committee. We submitted a report to the Ministry of Shipping and Ministry of Finance. But Ministry of Finance felt that the report was biased and termed it as a report by interested parties. So, that needed to get all the facts and figures to be validated by a third party. We got KPMG to the task and it made a detailed report on various aspects. Primarily on what would be the impact of shipbuilding industry on the national economy? What are the cost-disadvantages that ship builders have? What are the support structures that are being given by the other countries? What would happen if the subsidy scheme is extended? To this effect, what KPMG found out was a revelation to us.

Q: Does the shipbuilding industry really need subsidy in the wake of the current demand?

A: Shipbuilding is a different type of industry unlike cars, scooters etc. –

they are manufactured first and sold later. In shipbuilding you first make the sale and then build. Look at this scenario. If a major shipping line on the international scene three years down the lane is looking at a particular type of cargo to be moved from Port A to Port B and that has been committed. Then it places the order expecting that the correct quality vessel will be delivered on time. If it is not delivered the company may face huge problems. So no shipping company will be willing to take such risks. It always tries to go where it is assured of delivery. It implies that this industry has a typical conservative approach – custom built product, reputation for delivery quality and time which we do not have. No country which is growing and trying to get into shipbuilding has that history behind it. What is the methodology by which the mindset can change? Whatever the risk the shipping company perceives has to be offset. Only way to offset is 20 per cent discount on the market price. It is like investment in laying roads where 20-30 years down the lane it pays back. Similarly this needs government investment for 10 years. Then as KPMG has cited, from 2017 the support in the form of subsidy will be neutralised on a cumulative basis by the taxes and

duties the industry has to pay. By 2022 year-on-year the government would get 22,000 crore. This explains why every maritime country supports this industry in such a big way.

Q: What type of vessels are Indian shipyards looking at?

A: Till now, as we do not have large capacities, we were building more of service type vessels than cargo vessels. Today, Indian shipyards are looking different and many of us are now planning to build very large ships. Bharti, ABG and Goodearth are talking about building 200,000 tonners in direct competition with Korea and China.

Q: Several new shipyards are in the offing. What would be the shipbuilding scenario?

A: Lot of shipping companies are trying to get into shipbuilding. SCI and Mercator are looking at backward integration while steel makers like Essar, Tata, Jindal are doing forward integration. This is for higher value addition and a very natural growth. This is good for the industry. The biggest driver for heavy industry is shipbuilding. It drives steel, forging, casting major equipments like engine, engine blocks.

Q: What is the status on Bharati Shipyard's current capacities and your current contracts? Do you have any expansion plans?

A: We have an order book of Rs 4,500 crore and we are working on five new shipyards. Four of them are from small to medium size where we will build service ships and smaller cargo vessels. The fifth shipyard, an offshore facility that is first in the country, will be capable of building the largest size vessel. We are planning a sixth facility in Mangalore for which we have acquired environmental clearance. And we have also taken a joint venture on 50:50 basis with Apeejay shipping of Kolkata for developing two major shipyards on the east coast. 

What happens if the government supports this industry?

In the next 10 years time Rs 18,000 crore worth of investments that is committed by new players as well as old players will bring in a further Rs 2,22,000 crore of investment in the downstream industry. You can find what kind of investment multiplier this is. For every employee directly employed in the shipbuilding industry, 6.4 per cent employment will be generated in the downstream industry. As a result of it they say in 10 years time the shipbuilding industry and the ancillaries will generate 2.5 million jobs which is much more than jobs that have been generated in the manufacturing sector in all the states put together in the last seven years.

Today, Vietnam has announced a policy that within 2012 they will have 5 per cent market share in global shipbuilding (India would probably move to 3 per cent if we get the government support). The reason they give for such aggressive support to this industry is to alleviate poverty. That is what this industry can do. If you look at the GDP growth of Korea, Japan, and the growth of their respective shipbuilding industries, you will find that both the patterns are similar.

Gangavaram: Deepest



Ports have been the unsung heroes in India's efforts to increase its global presence. Not anymore, as an array of new generation ports are being hailed and acknowledged as the stars of maritime trade with their tremendous potential to drive the country's economy.

Gangavaram port is evidently the first in the league to propel India's foreign trade, discovers Maritime Gateway Bureau.

INTERVIEW

Q: What is the status of the Port?

A: In Phase I, Gangavaram Port Limited has commissioned five berths in total: One iron ore berth with along side depth of 19.5 metres; one Coal berth with along side depth of 19.5 meters, three Multipurpose berths with alongside depth of up to 15.5 metres, along with most modern and fully mechanised cargo handling system. Gangavaram port with its deep water berths and mechanised cargo handling equipment is capable of handling vessels super Capesize Vessels of up to 200,000 DWT (Dead weight Tonnage) making it the deepest port in India.

Gangavaram port with five berths, associated material handling facilities and Port Railway Terminal has commenced trial commercial operations in August 2008 by handling the vessel M.V. Timios Stavros on 03 August 2008 for export of Steel Products. Subsequently GPL handled the first Coal Vessel by berthing M.V. Ikan Sembak on 04 August 2008 for discharge of Coal (Steaming) cargo. Gangavaram Port had also handled four vessels carrying project equipment for the Port between November 2007 and March 2008. Gangavaram Port started handling vessels at the port from November 2007 onwards when the first vessel carrying project equipment called at the Port. Till date,

Gangavaram Port has handled 4 vessels carrying project equipment for the port and 12 gearless Panamax vessels for trial commercial operations.

Q: What kind of technology was used in building this port?

A: Gangavaram port has installed the new generation and completely mechanised material handling system at the port for faster and efficient handling and evacuation of cargo with minimum handling loss. Mechanised cargo handling equipment including Loaders, Unloaders and Mobile harbor cranes have been installed at berths to load and discharge cargo from vessel. High speed conveyor systems have been installed to convey cargo to

and from berths to stackyard. Stackyards have been planned with modern and high capacity stackers and reclaimers to stack and reclaim cargo. Port railway terminal has been planned with separate sidings for inbound cargo with wagon tipplers and with wagon loaders for loading outbound cargo from the port. Mechanised system will be monitored by Program Logic Control (PLC) system.

Q: Describe the USP of the Gangavaram Port Project?

A: Gangavaram Port has been developed as the deepest port in India (With a water depth of 21 m). It will be able to handle efficiently vessels of up to 200,000 DWT capacity,

Greenfield Port

India's vast coastline, dotted with major, minor and intermediate ports, has been witnessing buzzing activity ever since the country liberalised trade norms in the early 1990s. Since then, port traffic has increased tremendously and this fiscal, the container cargo traffic in the 12 major ports grew 19.3 per cent touching 6.6 million TEUs, spurred by the demand for raw material and finished goods. Even as the ports grapple with issues such as ramping up capacity and efficiency to meet the surging demand and their targeted throughput of 9 million TEUs by 2011, the newborn ports seem to be the answer to all the physical, financial and policy constraints facing the port sector.

Among the early ones in the array of Greenfield ports that promise to change the dynamics of Indian maritime trade is Gangavaram port coming up on the shores of Andhra Pradesh in the East Coast. Situated 15 km (or 6 nautical miles) south west of the Visakhapatnam hub, the new generation port, that started functioning in August 2008, aims to be a major trading hub in Asia. Being an all-weather, multipurpose, deepest port in the country with a depth of 21 metres that can handle Capesize vessels of up to 200,000 DWT sets it apart from the others in terms of potential and efficiency, says the port management.

The coastline at the location forms a natural bay with Yarada Hill at the North and Makkoma Hill at the South and with a natural lagoon in the middle. This



New Generation Equipment In Place

As Gangavaram port works its way to becoming one of the best greenfield ports, what becomes clear is: vision and sheer hardwork make a difference between the best and the better. **Sanjay Gupta**, director-commercial, gives an account of the unique features of the port. Excerpts from an interview:

which will be a first for any Indian port. These vessels will be able to carry much larger parcel sizes resulting in substantial logistics and ocean freight savings for port users.

The sophisticated cargo handling system will enable faster and efficient handling and evacuation of cargo with minimum handling loss. Cargo handling equipment being installed in Phase I development include, Ship loader (One Loader with

Rated Capacity of 4500 tonnes per hour) for bulk exports, Ship unloaders

(2 Unloaders with Rated Capacity of 2400 TPH each) for bulk imports, Mobile harbour cranes (2 Cranes with Rated Capacity of 1500 TPH each) for bulk/break bulk cargo, associated conveyer system for transportation, stackers & reclaimers for stackyard operations and Wagon loader (Rated Capacity of 1500 TPH) & Wagon

tipplers (Rated Capacity of 24 Tips per hour) for handling Railway rakes.

All these facilities and equipment have been designed to meet the highest standards in terms of pollution control and safety.

Q: What is the profile of the major users of this port?

A: Gangavaram Port with its deep water (21-m water depth) coal, iron ore and

multipurpose berths and fully mechanised material handling system will be able to provide efficient cargo handling services for a variety of bulk cargo groups including coal, iron ore, fertilizer, limestone, food grains, steel products, petrochemicals etc. Potential users will include existing and planned steel plants, merchant thermal power plants, petrochemical plants, fertilizer importing companies and cement companies.



natural lagoon formation, which houses the port, provides a deep draft that helps it operate round the clock, all through the year. Also, since it is well connected to the Middle East, Southeast and East Asia, the port can cater to the needs of importers and exporters in the associated hinterland.

The port is a special purpose company floated by D Venkata Satyanarayana Raju, the former co-founder of India's fourth largest IT services firm Satyam Computer Services Ltd. Taken up on a Build, Own, Operate, Transfer (BOOT) basis, DVS Raju & Associates hold 51 per cent in the project, the Andhra government 11 per cent, Malaysia-based Integrax Berhad 20 per cent and the remaining stock was offered to a US-based international funding company.

The Master Plan

The port is being developed in a total land area of 2800 acres, keeping in view the future requirements of the maritime industry. The design includes flexibility to develop the port in a phased manner and to expand it further over the next 50 years. The fully developed port will have 29 berths in total and can handle 200 million metric tonnes of cargo per annum. It is designed to handle all types of cargo – dry bulk, wet bulk, break bulk and container cargo with dedicated cargo-centric zones. With east coast ports being predominant in handling dry bulk cargo such as iron ore and coal, Gangavaram port also gives special importance to the dry bulk segment. Dedicated dry bulk handling berths are being developed in the first phase

to cater to the ore exports and coal imports. The port will come equipped with Single Point Mooring system for handling very large crude carriers (VLCCs) through sub-sea pipelines connected to a tank farm on shore. Further to this, Gangavaram Port's master plan also envisages provision for Marine Oil terminal and high value facilities like ship building and repair facilities.

A huge backup area is designed to house the stack yards, coal blending facilities, covered storage sheds, tank farm, container freight station, etc. with rail and road access directly to these facilities. The coal and iron ore stockyards have storing capacities of one million metrics tonnes each.

Phase 1 Development

Phase 1 development of the port is intended to provide the berthing and handling facilities for dry bulk cargo and other cargo. This phase of the plan covers five berths that can handle export of iron ore and import of coal and can handle 35 million metric tonnes of cargo per annum. The coal and iron ore berths have a deep draught of 19.5m along side the berth. The table highlights the details of the Phase 1 berths.

Gangavaram port is being developed in a total land area of 2800 acres. It has been designed keeping in view the future requirements of the maritime industries.

Phase 1 Berths

Berths	Dimensions	Water depth
Coal Berth	320 x 25 m	19.5m
Iron Ore Berth	340 x 25 m	19.5m
Other Dry Berth	275 x 31 m	15.5m
Multipurpose Berth	281 x 31 m	15.5m
General Cargo Berth	242 x 28 m	14.0m

Connectivity

Rail and road connectivity are developed as part of the Phase 1 developments. Gangavaram Port has its own Port Railway Terminal (which is fully operational) within port limits to handle cargo coming by rail. A 2.5-km railway line has been laid from the port to the main broad gauge national network of Chennai-Visakhapatnam-Howrah corridor. Gangavaram port has its own independent railway siding with six interchangeable lines for receipt and dispatch of rakes. A 3.8-km, four lane expressway has been laid from the port to National Highway – 5 (NH-5) connecting Chennai and Kolkata.

Advantages

Even before the start of operations, Gangavaram became popular for the perceived benefits that it would offer once the operations commence. The port has installed sophisticated material handling equipment to reduce the loading and unloading time which in turn will reduce the

vessel waiting time and turnaround time. The high-speed cargo handling equipment provides faster cargo evacuation and proximity to national rail and road networks provides better logistics solutions. Some of the direct benefits that the port users can avail are:

- Reduced per tonne ocean-freight owing to larger parcel sizes at deep-draft berths
- Reduced waiting time and faster turnaround of vessels owing to highly efficient port operations and latest environmental-friendly cargo handling equipments
- Cost-efficient logistic solution owing to high-speed cargo evacuation systems and proximity to national road and rail network
- Competitive tariffs
- Reduced transportation cost because of proximity to anchor customers.

In addition to these benefits, there are many indirect benefits that the port can provide to the society and environment. Employment

generation, reduced pollution through usage of environment-friendly equipment, improvement in quality of life, etc. are some among them.

Business Potential

Gangavaram Port is strategically located and well connected to attract cargo from the enormous hinterland primarily from Andhra Pradesh, Madhya Pradesh, Orissa and Chattisgarh. With good connectivity to the port, there is potential for numerous new businesses to sprout in this vast hinterland. Trying to match up to global standards, the port is poised to herald a new beginning in India's maritime trade. Poised to become India's gateway port and a major trading hub in Asia, Gangavaram Port holds great promise to change the contours of India's maritime trade with the world. 

Highlights

- All weather deepwater port capable of handling Capesize vessels
- Master plan for 29 berths
- Single point mooring for VLCCs
- Marine oil terminal
- State-of-the-art cargo handling equipment
- Shipbuilding and repair yard
- Dedicated iron ore and coal storage yards



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“We are the leaders in LCL market”

Though Indian logistics industry has come of age, bottlenecks still remain and hinder the growth. As an integrated logistics operator, **Shashi Kiran Shetty**, Chairman & Managing Director of Allcargo Global Logistics Limited, talks about the challenges faced by the industry in an exclusive interview to Maritime Gateway's **Jagadeesh Napa**. He also touches upon the company's activities and future plans.



Shashi Kiran Shetty, CEO, Allcargo Global Logistics Ltd.

What is your take on the current logistics scenario in India?

Shetty: The word logistics today includes a wide range of operations and businesses. Everybody uses this word today including the transportation companies, clearing and forwarding companies, courier companies and multi-modal transportation companies. There is nothing wrong about that, but we have seen customers often getting confused to get the real logistics services which is moving cargo from one location to another and ensuring that it reaches the destination safe, in time and in the most efficient way. Logistics is a diversified industry and there are multiple activities within this industry that include transportation of goods (by road, rail, sea and air), warehousing, clearing, multiple documentation procedures, duty payment at the destination etc. These are multiple activities that a logistics player can take up. There are companies who are specialised in one or two of these areas while there are others who involve in the entire gamut of activities. Due to the nature of these activities the logistics industry is quite fragmented. This fragmentation is not only seen in India but also in other parts of the world.

What are the broad challenges faced by the logistics industry?

Shetty: As far as the challenges are concerned, every logistics player, irrespective of whether it is integrated or specialised, faces some common challenges like infrastructure, red tapism, and keeping pace with the demands of the customers. The cost of movement of goods being high, everybody wants things to be done in a speedy way. There is always this element of emergency when it comes to movement of goods. Thus, there is a huge challenge to deliver goods within the stipulated time as nobody likes the delay. This is especially true in India because of the infrastructure bottlenecks and bureaucratic delays.

Please throw some light on the operations of Allcargo.

Shetty: We started as a port handling company with our own equipment. I have a shipping background. I started my career with a shipping agent company where we represented large shipping lines like Maersk Line, erstwhile CGM, Nedlloyd, etc. Then I had the opportunity to start a port handling company. After running the handling business for 10 years at the Mumbai port, we expanded to Nava Sheva and few other locations outside Mumbai. Allcargo was founded in 1993. Allcargo is predominantly a consolidator carrying Less than Container Load (LCL) cargo from 19 locations in India to around 5,000 destinations all over world. Today we are the market leaders in this business. As a multimodal operator, we were the first ones in India to venture into LCL business which was



being handled by shipping lines themselves at that time. And then we grew in this business and acquired ECU Line 2006. We are also in the business of container freight stations. We have three container freight stations operating in JNPT, Chennai and Mundra with the one at JNPT being our flagship CFS with throughput of 12,000 TEU a month. CFSs at Chennai and Mundra on an average handle 4,000 TEU and 1,200 TEU respectively. Another CFS at Indore is getting ready and will be operational from November. This is a completely land-bridged CFS operating between JNPT and Mundra port. All the containers will be moved by road and there will be around 120 trailers moving up and down the route. We have organised a logistics conference in Indore and interacted with the customers. People are happy that a private sector CFS is coming up at Indore (CONCOR already has a CFS at Indore) and they are aware of Allcargo's quality of service. And we are looking

forward to see how it works out in a profitable manner. Apart from containers, we also handle project cargo or over dimensional cargo. Project cargo handling is a very specialised and technical business. It needs lot of study, understanding of the terrain, understanding of the freight market, engineering expertise of how to move/handle ship-rail, ship-barge combinations. One needs to have the expertise of how to move this cargo using inland waters.

How did the ECU Line acquisition happen?

Shetty: We have been working with ECU Line from 1995 as exclusive agent in India and ECU Line was representing us in Europe. After working with them for four to five years we have set up joint ventures in Singapore, Dubai and few other locations. That's how relationship became strong with them. At some stage we knew that the promoters of ECU Line would exit and that happened in 2005. We invested 50 per cent to begin with and after a year we acquired the entire stake by going public. That was the time when Indian logistics market was looking up and valuations were good for the logistics companies. ECU Line is at least five times our size and employs about 1,500 people outside India and has close to 105 offices in 62 countries. In the last two and a half years, we put in lot of efforts to

“There are considerable risks associated with project cargo and one needs to have a thorough understanding of all the factors that can influence the movement of this cargo.”



restructure the management, streamline the businesses, brought in a lot of best hands to manage the financial, HR and IT parts of the business. We have been able to contribute significantly and the company is doing well today.

Are there any future acquisitions or expansions?

Shetty: We are always looking for further acquisition opportunities. But they happen only when the valuations are right and there are synergies. We are looking out and if anything significant happens, we will do it. Growth is important and at the same time the right opportunity in terms of best fit and costs.

Do you have plans to enter the private rail business?

Shetty: As of now, we do not have any plans to enter that business. But one day we may decide to do that.

“We are now expanding our CFS and ICD business. We want to have pan-India network of ICDs and hopefully one day down the lane, we would have CFS and ICDs operating near every major port.”

We are also in talks with other rail operators to partner with them. But it is not necessary to invest. We will invest if required.

What role does technology play in this business?

Shetty: Technology plays a very important role in the movement of cargo. All the work that we do are mostly automated, our vehicles are fitted with GPS units and automated reports generated and sent to customers online thus enabling them to track and trace their cargo and plan their schedules accordingly. We also do a lot of exchange of documents through EDI with customers and they can log into our system and post their documents.

Do you face hurdles in clearing of goods from the customs?

Shetty: Our involvement in the custom clearance is small because we

don't do freight forwarding. Custom clearance takes little longer on the import side than on the exports side. But what we certainly wish to see is that the export cargo should be exempted from custom clearance.

The reason why custom clearance is done on the export side is that the customs department cannot depend on the declaration made by the exporter regarding the content of the cargo. As there are various incentive schemes declared by the Government of India for exporters, they have to provide declarations on their cargo. But the customs department cannot depend solely on the exporter's declaration. Thus, different certifying authorities were brought in to certify the cargo.

There are people who manipulate the system but they comprise only 5 per cent. The remaining 95 per cent however are forced to undergo the rigorous process. We, as an industry, always suggested the government to increase its intelligence and penalise severely those who get caught so that they don't repeat such things. But because of this 5 per cent don't let the 95 per cent suffer. These are the steps that we ask the government to take to make the processes efficient. **ME**

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A.P.V.N Sarma (Center), Hon'ble Secretary, Ministry of Shipping
presenting the Annual Indian Maritime Gateway "Container Terminal
of the Year" Award to Arvind Bhatnagar, (right)
CEO and Prakash Tulsiani, COO, GTI



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The Pursuit Of Pirates

Somalia's warlords, who overthrew a dictator in 1991 and then turned on each other, are now turning on sea vessels on the high seas. As several ships, with Indian crew as their valuable assets, are held captive off the Somalia coast, Indian shipping fraternity brings pressure on the government to take urgent steps to protect the lives of Indian seafarers and Indian ships in the Gulf of Aden.

by Radhika Rani G

Puntland in Somalia is upbeat about its *nouveau riche* status made possible by pirates or rather heavily armed prodigal sons returning in high-powered speedboats from their 'heroic' escapades. The semi-autonomous breakaway region of this famished nation of 8 million people now hosts lavish wedding parties with the buccaneers going for multiple marriages, distributing the loot and ransom amidst family and friends, flashing latest weapons, rocket-propelled grenades, global positioning systems and gizmos like satellite phones, mobiles, laptops, even SUVs and basking in the newfound respect that they command as patriotic 'coastguards' of the territorial waters.

While their overflowing pockets have made them dear to their clan, the sea rovers are making matters dearer for the world at large. As per a recent study, the surge in piracy has raked in nearly \$30 million in ransom money from 60 ships hijacked since the start of 2008 alone. "This is a very lucrative trade, and Somalia lies on some very important trade routes from Asia to Europe, through the Suez Canal," says Roger Middleton of London's research body Chatham House. The alarming trend of waylaying ships is causing jitters in international trade circles calling for dire attention to this country that has a barely functioning administration and security force.

The Distress Call

Not that piracy is a new trend. "It is a perceived threat, a silent war that has been there as long as shipping," says Shashank S Kulkarni, secretary general of Indian National Shipowners' Association (INSA). "Only, the mode of attack has changed. If the pirates were earlier targeting cargo, they are now holding the crew hostage and demanding huge ransom, running into millions," adds Kulkarni. Today, nearly 13 ships and 250 crew members are in their captivity while the fate of a few ships is not known.

Nearly 60 ships pass the Arabian Sea lane between Yemen and Somalia every day transporting Gulf oil shipments, that comprise 12 per cent



SOMALIA PIRACY

- SEPT 15:** Japanese-owned Chemical Tanker Stolt Valor, with 18 Indians on board, hijacked.
- SEPT 18:** Greek ship Centauri, with a crew of 25 hijacked south of Mogadishu.
- SEPT 21:** Spain sends aircraft and troops to counter Somali pirates in the Gulf of Aden.
- SEPT 24:** Russian Navy's missile frigate Neustrashimy too joins anti-piracy efforts.
- SEPT 26:** Ukrainian vessel MV Faina, carrying military equipment hijacked. Pirates demand \$20 mn as ransom.
- SEPT 27:** Japanese-owned MV Stella Maris, hijacked on July 20 with 21 crew members, released after payment of \$2 million ransom.

September

October

of the world's crude oil. The growing traffic has helped pirates make an average of \$1 million per vessel seized and hold the ship for about five weeks before letting it go. Six groups comprising over 1,200 Somali youth are involved in this highly organised and lucrative business, started 15 years ago, in response to dumping of waste and illegal commercial fishing by other countries.

Another 10,000 to 15,000 people are directly involved in supporting their activity as boat repairers, food suppliers and security guards.

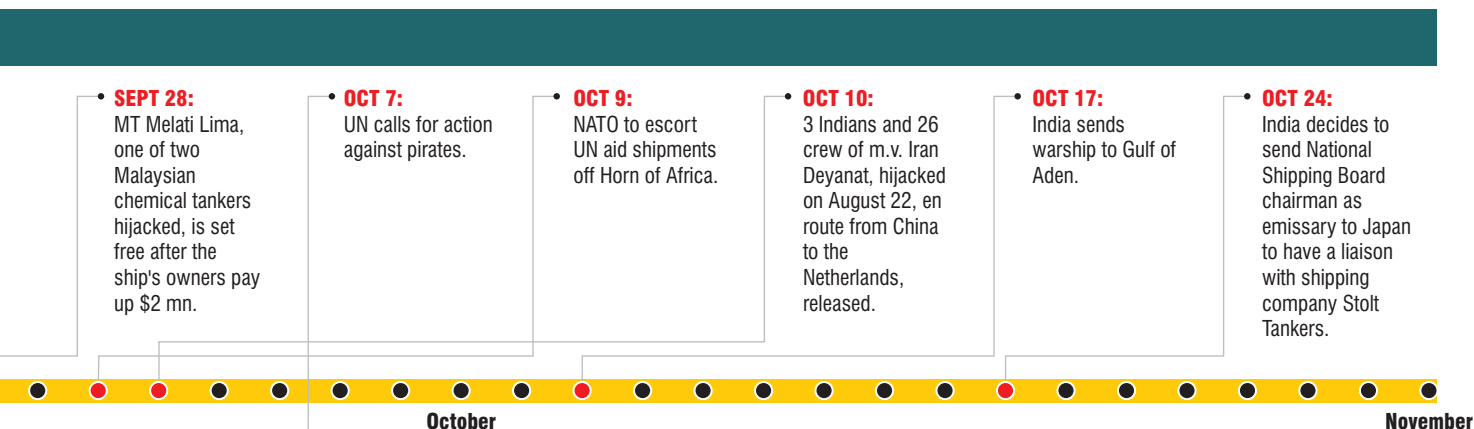
Almost all the maritime nations seem to have woken up to the seafarers' SOS. Following shipping associations' plea for the safety of the crew, the International Maritime Organisation and the United Nations have called for sustained coordination between all naval forces operating in the area. A recent IMO meeting adopted a Resolution 1838 (2008), that calls upon "maritime states to deploy naval vessels and military aircraft to actively fight piracy off the coast of Somalia." This is a renewal to the mandate granted in its earlier Resolution 1816 passed in June this year that authorises foreign naval vessels and aircraft cooperating with the transitional government in Somalia to enter the country's territorial waters to repress piracy and armed robbery at sea.

As the lives of 18 Indians on board the Japanese-owned Stolt Valor in



the Red Sea are at stake for a ransom of \$2.5 million, the pressure is surely building up on the Indian government. The three ministries of shipping, external affairs and defence have taken stock of the situation and have deployed Navy warships, carrying helicopters and marine

commandos, to guard Indian flagships transiting through the trade route from Salalah (Oman) and Aden (Yemen). "The government gave permission for formal anti-piracy patrols by our warships in the region, which will be carried out in coordination with Directorate



General of Shipping. The intention now is to work closely together with foreign navies in an international task force to thwart piracy,” says a defence official.

INSA held a meeting with the PMO early October to convince the government about the urgency of the situation. “The key issues are two – the inherent danger of going through the Gulf of Aden in the wake of the delicate situation and the increased compensation or remuneration to be given to the crew passing through that area,” informs Kulkarni.

Bracing Up

The safety of the seafarers is any day the topmost priority, says A R Ramakrishnan, director of Essar Shipping. “Considering the risk, the anxiety among the crew and their families is but natural. Since maritime security is a question of international law and arrangement within nations, the Government of India has done its best to deploy a task force,” he adds. While the United States has already deployed allied warships in the region, the 27 EU states are deploying three frigates, a supply ship and three surveillance ships. Spain has a military plane hovering in the region and France a naval ship.

A common suggestion for deploying marshals or arming the crew is not a

Counter-piracy exercise

- The UN passes two Resolutions, 1816 in June 2008 and 1838 in October 2008, requesting countries to take all possible means including deployment of naval ships and air force to fight and eradicate acts of piracy.
- Six NATO navies from Britain, Germany, Greece, Italy, Turkey and the US are conducting anti-piracy duties.
- The vessels will also help escort UN World Food Programme



(WFP) food shipments 30,000-35,000 tonnes of aid into Somalia each month until the European Union can set its own operation afoot, in December.

- Russia, which sent warship 'Fearless' to the Gulf of Aden last month, is asking Somalia for carte blanche (Complete freedom or authority to act) to use force in its territorial waters.
- Indian Navy for the first time deploys a warship to conduct anti-piracy patrols in the Gulf of Aden to protect merchant vessels.

FACTS

60

ships pass through the Gulf of Aden every day

\$2 million

is the average money pirates make on each ship hijacked

1500

Somali youth are involved in pirate activities

77

attacks, 31 vessels hijacked in the Gulf of Aden in 2008

>200

crew, 10 vessels still in captivity

viable option though, Tony Mason, secretary general of the International Shipping Federation, tells Maritime Gateway. “Arming of merchant ships, as suggested by the Task Force, will

almost certainly put the lives of ships’ crews in even greater danger and is likely to escalate the level of violence employed by the pirates,” he says. “It would also be illegal under the national law of many ships’ flag states and in many of the countries to which they are trading.”

Since confidence levels of the crew can go for a toss in such a situation, emergency drills are a morale booster for them. Given the limitations of the absence of a coastguard in the disturbed area, the crew could ensure that both night and day patrolling are strong enough to quell any attempts by the enemies, say mariners themselves. “You can only prevent the pirates from entering the ship but once they are on board, it is the end of the game,” says Subhash Chada, a senior merchant mariner, who has been a part of several voyages along the sea lane.



Governments must issue clear rules of engagement to allow naval forces to intercept and take appropriate action against these violent pirates, and the ‘motherships’ from which the pirates are operating. They must also ensure that pirates and armed robbers are brought to justice in a court of law.

-Tony Mason

Secretary General, International Shipping Federation

Since the master and the crew are the first line of defence for any ship, mariners should be vigilant, he says. According to him, proactive measures prove to be effective in defending the vessels. A sharp lookout for suspicious small boats operating near the ships, increasing the velocity and manoeuvring of the ships to avoid the invading pirates and repelling the boarders with water from fire hoses serve well to deter any attacks, he adds.

But for now, far greater urgency is required by governments and their navies, says Tony Mason, particularly those in the Coalition Task Force who are in the best position to restore security to this critical trade artery.

The Larger Question

However, the issue draws attention to a more pertinent question of

maritime ethics – the exploitation of the poor nations by the rich and the visible consequences thereof. Even as the pirates call themselves patriots justifying their activity, experts say Somalia's rich natural resources have been scourged by other countries ever since the country collapsed in the early 1990s.

European countries have been dumping industrial wastes in the lawless nation's territorial waters. For instance, disguised fishing boats from Italy are reported to have abandoned hazardous wastes and taken away huge catches of fish that Somalia shores are endowed with. Poaching of fish has definitely devastated the country, the experts say. Though Somalia, like other maritime nations, has legal rights over its exclusive economic zone up 200 nautical miles, lack of a strong navy has led

to reckless ravage of its mineral resources.

This has angered the fishermen who, eventually, joined armed pirate mafias run by Islamist rebels and started attacking ships off the coast. According to Peter Lehr, a Somalia piracy expert at the University of St. Andrews in Scotland, Somalis collect up to \$100 million a year from pirate ransoms off their coasts. And the Europeans and Asians poach around \$300 million a year in fish from Somali waters. If such impunity can be checked, piracy too could be controlled to an extent, experts say.

However, even before piracy can become an institutionalised business threatening the closure of the sea lane, the powers that be could evolve an international joint initiative to address the issues, lest the world pay a heavy price. **MG**



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SE Railway Gaining Steam

South Eastern Railway, the prime logistics service provider for iron ore and coal, needs to improve its freight capacity to sustain the growth of the steel industry and the entire mineral sector of eastern India. **Maritime Gateway** reports.

Given the large-scale demand for coal and iron ore for domestic consumption from the eastern part of the country owing to greenfield and brownfield expansion of steel plants, the South Eastern Railway (SER) has undertaken broad initiatives to boost its freight carrying capacity. As the first step, the railway has enhanced its existing carrying capacity limit of wagons meant for hauling iron ore and coal.

Concurrently, SER is also planning to add more wagons to its present strength. Besides, it is taking measures to ensure optimum availability of wagons in its operating region. The operational periphery covers the mineral-rich states of West Bengal, Jharkhand and Orissa. However, SER faces an important challenge in terms of track saturation and wagon availability. The onus is more today as railways have become the prime means of transport of raw materials to the steel industry.

Growing demand and targets

SER's responsibilities have increased significantly due to the greenfield sponge iron ore units that have sprung up in recent years in its operating region. Also, there has been a growing demand for iron ore from integrated steel plants such as Tata Steel and units of the Steel



Authority of India Limited (SAIL) within SER limits. The demand is expected to remain buoyant from integrated producers, given their large-scale expansion plans. According to West Bengal Industrial Development Corporation, the iron and steel sector alone has attracted significant investment proposals in West Bengal. At present, there are proposals for setting up at least 10 greenfield steel plants in the private sector in various capacities involving an investment of Rs 1,10,000 crore apart from expansion of public sector steel plants in the state at a cost of Rs. 20,000 crore.

Known as the 'Blue Chip' of the Indian Railways, SE Railway is a premier freight carrier of the Indian Railways contributing a voluminous share of traffic through iron ore, coal, dolomite, limestone and other wide range of mineral ores, finished steel products and general cargo. While the railway board has set a freight target of 124 million tonnes for the financial year 2008-09, SER has set its own target at 125 million tonnes. Insiders say they are confident of achieving it. An official says, "SER has been meeting targets with the existing infrastructure during both normal and crisis periods."

Capacity addition initiatives

The officials are keen to take necessary measures to sustain and consolidate the growth. They have already initiated a slew of effective measures to overcome infrastructure bottlenecks and meet the growing traffic, the first one being increase of existing capacity limit of wagons to offset wagon shortages. As per the high-level decision of the Ministry of Railways on enhancement of carrying capacity (CC), the SER can now load additional quantities in BOX-n wagons (meant for carrying iron ore and coal) as stipulated by the CC plus formula. CC plus four means carrying capacity plus additional four tonnes of cargo per each wagon. Certain commodities, particularly iron ore, can go up to CC plus eight. Recently, the railway has brought CC-plus-two carrying capacity into operation.

The railway has been passing through stages of wagon shortage over the years, especially in the category of BOX-n wagons for hauling iron ore and coal. Adequate wagon availability with the railway could enable it to achieve 50 per cent growth. The railway proposes to fill up the gap by increasing the number of wagons to 50,000, of which two-thirds would be of BOX-n type. At present, there are 47,000 four-wheeler wagons in SER, of which four per cent are defective and 24,000 are BOX-n wagons. Surprisingly, despite the growing freight traffic demand over the years, the number of wagons in SER declined from 48,056 units in 2002-03 to 47,271 units in 2003-04.

“Catering to the requirements of higher traffic demand would pose a challenge to the railways.”

South Eastern Railway Facts:

13.5%

rise in freight loading (62.39 m tonne) during April 1 to Oct 10 this year

124

million tonne freight target for 2008

47,000

four-wheeler wagons available

To ensure the optimum availability of wagons until the arrival of the new ones, SER plans to reduce the time of detention of wagons in various plants. These measures would help in the better utilisation of wagons. Detention of wagons at SAIL plants remained a contentious issue with the railways and SAIL for some time. Records show that load-to-load detentions and load-to-empty of BOX-n wagons in steel plants is as high as 43 to 100 hours, against the permissible norm of 21 hours. However, with the Ministry of Railways agreeing to provide additional rakes to SAIL to reduce detention time, the situation for SER is expected to become comfortable.

systems at terminals, adding new terminals, ensuring timely completion of projects and enhancing handling capacity.

Line-doubling

Apart from capacity addition, overcoming line capacity constraints given the utilisation rate of 120 per cent seems to be a prime challenge for SER to achieve growth targets. For example, there are severe line capacity constraints in the Rajkharwan area, one of the important iron ore-loading belts.

To create fresh line capacity, the railways has undertaken projects involving doubling of line capacity,

Cargo Handled	2007-08 (million tonnes)	2006-07 (million tonnes)
Registered Freight	111	100
Iron Ore	67.32	56.33
Coal	18.52	18.28

Priority allocation

To manage the problem of wagon shortage, SER has undertaken a marketing initiative for the better allocation of wagons on first-come-first served basis. Wagons would be allocated according to the two lists of 'normal' (for two days a week) and 'premium' (five days in a week) categories. However, finished goods at steel plants would receive the highest priority. The premium and non-premium denote the priority and non-priority categories respectively.

For better wagon availability, the railway has adopted additional strategies such as ensuring engine on load systems at all loading points, adding major train unloading points and efficient train examination points, introducing round-the-clock functioning of terminals adopting mechanised loading and unloading

gauge conversions and adding up of new lines. Important line-doubling projects have been planned through the mineral-rich belt of Barbil-Barajamda in Orissa and the third line of Manoharpur-Goalkera route. Prominent gauge conversion projects include Bhojpur-Bangriposi project. SER is also undertaking construction of road overbridges in West Bengal, Orissa and Jharkhand.

The way ahead

According to projections, freight traffic would continue to remain buoyant since SER transports mineral ore, finished steel products and other cargoes for both the domestic and export markets through Kolkata Port and Haldia dock complex. But catering to the requirements of higher traffic demand in the face of infrastructure constraints in line capacity would pose a challenge. **MG**

THE REAL PAIN BEGINS

Rising fuel costs, glut in new tonnage orders, and now the global economic downturn. The shipping industry the world over presents this gloomy picture and Indian shipping is no exception. Though order books are reasonably doing well, the industry prepares itself to face the prevailing uncertainty. Maritime Gateway takes a look at the situation.

Amidst the financial crisis that is hitting world trade hard, including the maritime sector, the obvious question being asked is can the shipping industry take the bull by the horns. Since the industry is already reeling under the burden of rising shipping costs, the current economic slowdown, that was waiting to happen, does not warrant an optimistic picture. Yet, this is the time to think and be different to bring that much needed difference in perspective and profits.

The Baltic Dry Index, considered as the barometer of the global economy, has nose-dived in the last three months indicating strongly the onset of an economic recession. The index, which measures freight rates of bulk goods like iron ore, coal etc. has touched as low as 2990 points on October 2 compared to the levels of 8900 points in July. The index fell initially on account of the slump in Chinese demand (due to the closure of steel mills in view of Beijing Olympics). As China currently sits on huge reserves of iron ore, the slump in the demand is expected to continue in the short term.

The financial market crisis has added another jolt to the already suffering industry. The liquidity crunch has affected the industry in many ways. To start with, it has directly impacted the business operations by reduced cargo exported from Asian markets to US and European destinations. With consumer confidence levels going for a toss, the demand for the imported goods and the consumption patterns in these markets have changed drastically. The reduced demand has in turn affected the shipping freight tariffs as fewer consignments are being exported. Shipping tariffs have taken a plunge on many routes. For instance, the average rate for shipping a standard container from India to Europe was between US\$ 1050 to US\$ 1100 just a few months ago. But it has come down to around US\$ 650 to US\$ 700 in October. Pankaj Shah, Honorary Secretary, Federation of Freight Forwarders in India (FFFAI) admits that the demand for Indian goods from American and European markets have fallen by 5 per cent to 7 per cent during the months September and October.

Shipping Industry

Clarkson's data suggests that the downturn in shipping has started since the beginning of 2008 and the demand for container shipping has plunged by 50 per cent between January and October this year. While the container shipping seems to be worst affected, the energy segment which includes crude and LNG movement seemed to maintain stability in fares. For instance, Rajasthan sandstone, exported in containers and popular in US and European markets, has witnessed a sharp decline in demand of about 80 per cent in the last two months.

In the face of this, the shipping stocks have taken a beating at the bourses. The shipping firms were at dismay and could do nothing except look helplessly at the free fall of their stock prices. The situation is same with the 3PLs whose stocks are listed on Bombay Stock Exchange and National Stock Exchange. Shashank S Kulkarni, Secretary General of Indian National Shipowners' Association, feels that the industry as a whole will not be affected seriously. He says, "The earning of the shipping companies as a whole will not be

affected significantly since most of the major companies are deploying their ships on long-term contracts with varying periods." He however adds that if the downturn continues to prevail and markets remain weak over the long term, shipping firms will have an adverse impact on their earnings. Kulkarni further says, "Eighty per cent of the outstanding loans of the shipping companies are foreign currency related, the turmoil in the international financial market will make the foreign currency loans tighter in the days ahead."

The year 2009 will be much tougher than 2008, warns Tobias Konig, managing partner of Hamburg-based shipping investment firm Konig and Cie GmbH. "Most of the European banks have closed their books for ship financing in 2008. There will be no new business in ship financing for the rest of the year," he said during the recent India Shipping Summit in Mumbai.

Admitting that funding would be difficult in the coming days, B K Mandal, Director, Finance, Shipping Corporation of India, says shipowners will have to look at bigger internal contributions to buy ships. "Loan availability is getting scarce and the quantum of availability is drying up. So, we have to rely more on internal resources to fund ship purchases compared to loans."

Shipbuilding

This downturn has not left the shipbuilding industry untouched. With a boom in the global trade and surge in oil exploration activity, shipyards the world over were running with fat order books. The financial meltdown has stripped many economies off their excess liquidity and shipowners who placed orders for new tonnage are unable to pay their dues, thus deferring their payments or withdrawing the orders. For instance, on fears of global downturn, a European shipping line cancelled its US\$ 836 million order which it placed with Daewoo Shipbuilding & Marine Engineering Company in August 2008.

As it is, shipbuilding capacity of India is 2,81,000 DWT – quite undersized when compared to global shipbuilding standards and inadequate given the country's requirements. Further to this, financial institutions, which are in the midst of the crisis, are reluctant to fund the shipyards for their working capital requirements. A buoyant industry upbeat about the future till a couple of months ago, shipbuilding is already witnessing reduced demand and lesser number of orders is trickling in. As the asset prices are fast dropping, the shipyards will have to satisfy with lower prices for new orders. An industry analyst predicts a drop of up to 50 per cent of the prices that

and the industry hopes that demand will rise again improving the export trade. The shipping and logistics industries are banking on this to taste as much cake as possible.

Analysts in the shipping industry find it difficult to foresee when the industry can come out of the crisis. Because, it is again difficult to predict for how long this trend (downturn) will continue. While a recent 3PL study in Europe predicts that the crisis will end during 2010, it is again not easy to foretell the exact impact of this crisis.

Meanwhile, Prime Minister Dr Manmohan Singh asserts that the Indian economy has the resilience to sustain a medium-term growth

Steady against the tide

Major shipping firms in India seem to be bullish about their new tonnage orders in the face the financial meltdown. While smaller shipping lines have postponed their expansion plans, bigger firms like Shipping Corporation of India, Great Eastern Shipping and Essar Shipping have stuck to their expansion plans. These firms are less affected by the liquidity crunch as they have arranged for their fund requirements well in advance and the deliveries are spread over a period of three years from 2008 to 2011. The SCI has already placed orders for 32 ships worth US\$ 1.87 and has not withdrawn single order till date. The situation is same with Great Eastern Shipping and Essar Shipping. Great Eastern has placed orders for 14 ships worth US\$ 780 million and Essar has placed for 12 ships worth US\$ 630 million and both are going ahead with their plans. What's more, SCI is also looking forward to place orders for 40 new ships worth US\$ 3 billion.

shipyards were commanding a few months ago. The silver lining to this scenario is the drop of steel prices. Steel has come down by around 20 per cent from its peak levels and this should compensate to some extent.

The way ahead

Many shipping analysts predict the current economic downturn is a normal thing as the shipping industry has always experienced cyclic effects. There are others who foresee a further economic downturn and a probable recession that would last for some years to come. While many 3PLs agree that the economic downturn has already eaten into their margins, many others are optimistic that they would reach their forecasted targets for 2008. Christmas season is fast approaching

momentum in the range of 9 per cent, though the short-term outlook looks 'cloudy' due to the impact of the global economic crisis. Though great turbulence in the world economy has choked credit flows and predictably spilled over to the stock market, a coordinated global response, he says, can weather the storm.

However, Asian banks will have to step up activities to solve the problems which the shipping industry in Asia will face in the years to come, say experts. Hopefully, funding agencies will come up with flexible and innovative structures to fill the gap in financing and compensating for higher financing costs to help the shipping industry tide through the current financial turmoil. **MB**



Singapore Ship Finance

Riding The Crest

Ship Finance is emerging as the fastest growing maritime sector in Singapore, as the island nation is heading towards realising its vision to be an international maritime centre on par with London. It is driven by an estimated US\$ 300 billion worth of financing for new buildings and second-hand acquisitions. This growth has fuelled demand for a suite of financing instruments to meet the different needs of the Shipping sector, says **Sowmya Shenoy**.

Shipping is a highly capital-intensive industry, which requires a large amount of capital all the time to replace and expand the shipping fleet. The demand for ship finance is fuelled by ship orders. The rise in tonnage 'outsourcing' in the shipping industry over the last two decades

has also propelled the shipping fleet to expand more rapidly, creating a greater demand for ship finance. The share of shipping capacity chartered-in by the top 10 container liner operators in the world has increased from 15 per cent in 1993 to 50 per cent by the start of 2007. Given the large capital required in shipping

fleet replacements and expansions, container liner operators look to ship capital provider companies to help finance capacity requirements, and thus enabling them to focus on their core business activities.

DVB Bank AG, one of the world's largest ship finance banks, recently

estimated that syndicated loans account for the largest share of 40 per cent of global ship finance. The remaining 60 per cent of ship finance is in the form of non-ship mortgage loans and others. The German KG scheme has been very successful and a sustainable source for financing. Today nearly two-third of the world's container ships are financed by the German financial institutions.

Maritime Finance Incentive

The Maritime Finance Incentive (MFI), introduced by the Maritime and Port Authority of Singapore (MPA) earlier this year, is one of the latest initiatives to enhance the maritime services. It grants tax exemption on the qualifying income of ship investment vehicles and a 10 per cent concessionary tax rate on qualifying income of ship investment managers. These measures helped in attracting more investments to this domain.

Tay Lim Heng, Chief Executive, MPA says: "In recent years, local and overseas financial institutions have been showing increasing interest in financing the maritime sector through Singapore." The MFI scheme is therefore a timely initiative for private and public equity searching for new products, as well as for shipping companies seeking alternative means to finance their growth.

Among many attractive tax benefits of the scheme, a generous feature is



tax exemption on qualifying income for the entire life of any vessel acquired by an Approved Ship Investment Vehicle (ASIV) within its incentive period. For instance, if an ASIV acquires a vessel, charters it for 20 years and disposes of thereafter, lease income on the charter will enjoy tax exemption for the entire 20 years. The tax certainty provided by this unique feature will increase the attractiveness of such investments to potential investors and spur ship investment management companies to set up such investments in Singapore.

Shipping Banks

There are three local banks in

Singapore: Development Bank of Singapore (DBS), OCBC Bank and United Overseas Bank. The world's largest shipping banks which include Bank of Nova Scotia, Den Norske Bank, Nordea Bank, Royal Bank of Scotland among others are active in Singapore ship finance market. Most of the established names in international ship finance banking have an office in Singapore, as their hub for the entire Asian region. The attractive features of bank loans for shipping companies are that they are relatively inexpensive, have a flexible structure and can be arranged quickly. Commercial and mortgage banks provide direct bilateral bank loans to ship owners



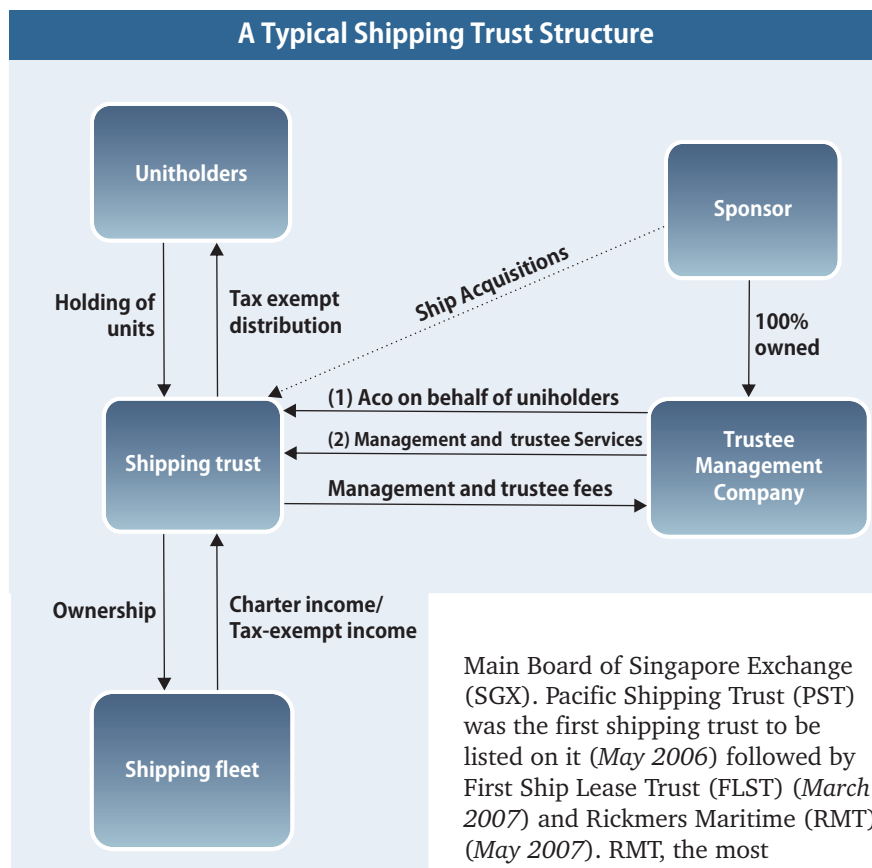
taking a spread of their profits. In large loan transactions, a syndicated loan may be structured to spread risks among banks.

In recent years equity financing activity in the shipping community has increased. The fundamental concept behind private external funding is to raise capital through private placements with securities sold to a few private investors, giving them an ownership stake in the company. Investors in private equity deals can be venture capitalists looking for investments with potential growth.

Ship Funds like Navigation Finance Corporation (NFC), Fortis Bank Maas Capital and American Marine Advisors (AMA) are investment vehicles designed with the purpose of enabling equity investors to invest in merchant ships. Investors will have equity participation in the ship investments and bear the risk of commercial success of the venture.

Shipping Trusts

Singapore shipping trusts are business enterprises set up as trusts instead of companies. They are regulated under Singapore's Business Trusts Act and Securities and Futures Act. Shipping trusts buy and lease vessels for as long as 10 years in return for a steady stream of lease payments from shipping firms. These payments are unaffected by short-term changes in freight rates and fuel prices. As DMG & Partners Securities' senior vice-president of research Terence Wong points out, "Shipping trusts are protected from the movements in the shipping industry,



where the booms and busts are notoriously pronounced."

In Singapore, shipping trusts enjoy tax benefits similar to real estate investment trusts (REITs), in that income from abroad as well as dividends are not taxable. Shipping trusts typically offer higher yields than property trusts because ships have a lifespan of 25-30 years versus land with typical 99-year leases for office buildings and malls owned by Singapore REITs. Presently, there are three shipping trusts listed on the

Main Board of Singapore Exchange (SGX). Pacific Shipping Trust (PST) was the first shipping trust to be listed on it (May 2006) followed by First Ship Lease Trust (FLST) (March 2007) and Rickmers Maritime (RMT) (May 2007). RMT, the most aggressive among the shipping trusts, has increased its fleet by more than three-fold since its IPO in May 07. PST has enlarged its fleet by 61 per cent with its recent acquisition of two 4,250 TEU containerships and FSLT is confident about doubling its fleet in the next two years.

A few concerns that the investors of this industry may face are declining value of US dollar (since the payouts are typically in US dollars), counterparty risk and prolonged industry downturn. Lack of awareness among investors is yet another issue that needs to be addressed.

Despite the economic turmoil, the outlook for shipping remains positive in the long term. The demand for financing the huge order book remains. In February 2008, the order book stood at close to US\$ 500 billion. Despite the huge demand for finance, the financiers are expected to be more cautious when lending as it will be at a much higher price. By doing so, financiers will be more selective as to whom they lend. **MG**

Shipping trusts buy and lease vessels for as long as 10 years in return for a steady stream of lease payments from shipping firms. These payments are unaffected by short-term changes in freight rates and fuel prices.



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Dubai Maritime City The Business Axis

Taking cue from Dubai's proud maritime tradition, Dubai Maritime City, acclaimed as the world's first purpose-built maritime centre, aims to address the requirements of the global maritime community through its unprecedented fully-integrated facilities.

June 2005

February 2006

September 2008

As the first purpose-built maritime centre and the largest of its kind, Dubai Maritime City is an exclusive business axis for the region and also the international maritime industry. Its adaptable, multi-functional environment caters to the commercial, industrial, residential and recreational needs of the community. This man-made peninsula on which the project stands is over 2.27 million square metres in area and is strategically located between Port Rashid and the Dubai Dry Docks.

Designed to encourage a community lifestyle; the infrastructure, landscaping and overall environment of Dubai Maritime City will create a relaxed yet modern setting that will leave a lasting impression on the people who live and work here, says Ahmad Bin Harib, regional sales manager of MEA & Indian Subcontinent. According to him, the maritime city promises to be a multi-functional environment that balances the working and living conditions of the community with its many facilities for office, residential, retail, recreational and leisure purposes. The maritime city is an autonomous municipality with its own jurisdiction.

Added to this, its world-class services and pro-business stance make it a favorite destination and a centre of excellence for global maritime businesses.



Aerial view of the Maritime Center and Landmark Tower

“Dubai will be a one-stop destination for ship repair and maintenance, yacht manufacturing & repair and ancillary industrial maritime parts, supplies and services.”

Features

Maritime Center: Designed to meet the requirements of the global maritime industry and comprises a structured collaboration of office towers solely for maritime business.

- Five office towers designed and developed by Dubai Maritime City
- Anchored by the Landmark Tower at the head of the peninsula
- Maritime Club – conference, corporate hospitality, sports & leisure facilities
- Creek Plaza – retail promenade for shopping and dining
- 5-star business hotel, serviced apartments, business center
- Prime sea facing plots available for maritime companies for development

Harbour Offices: Comprise a series of high and mid-rise towers that form a magnificent entrance to Dubai Maritime City as a whole.

Harbour Residences: An essential component of the integrated city, the freehold residential towers at Dubai Maritime City will be a premier residential address.

Dubai Maritime City Campus: A maritime training and research centre to complement the various needs of maritime tenants and related businesses of DMC. It could lead the way for Middle East training requirements.

Marina District: It is a cluster of mixed use activity areas. This area offers potential for use by charter and transit activities adding another dynamic to this marina development.

Industrial Precinct Managed by Drydocks World – Dubai:

Drydocks World – Dubai, formerly known as Jadaf Dubai, is the Arabian Gulf’s oldest ship repair and industrial marine yard. The new state-of-the-art facility when complete, Dubai will be a one-stop

Dream Destination

- First ever purpose-built hub for maritime business and commerce
- Built on a manmade peninsula spread over 2.27 million sq. meters
- Located between Port Rashid and the Dubai Dry Docks
- The largest maritime development of its kind anywhere in the world
- Excellent infrastructure of road network, mass transit system and landscaping

destination for ship repair and maintenance, yacht manufacturing & repair and ancillary industrial maritime parts, supplies and services.

As an investment destination, Dubai Maritime City features a wide range of economic packages that make it one of the most attractive in the region, particularly among international investors and business organisations seeking to expand their presence in the Middle East. A tax-free business environment and free-zone benefits, on top of highly responsive government support and effective and efficient port structure, are just a few of the economic incentives Dubai Maritime City offers. **MG**

Chennai Container Terminal

The Eastern Star

While east coast ports are known for handling dry bulk cargo, container business has been picking up significantly off late. Chennai Container Terminal stands out tall among all ports facing the Bay of Bengal and commands 60 per cent of the container handling in South India. Process re-engineering and concerted efforts have made it the world class container terminal that it is today.

Containerisation of cargo is not popular on the east coast as it is on the west coast. While there are many reasons for this, the major reason

being that east coast ports largely handle dry bulk cargo like coal and iron ore and hence container cargo takes the back seat. Even exporters from the associated hinterlands are

realising off late the benefits associated with containerisation. Another important reason is that proper infrastructure is not yet developed to handle containers in



bulk at the all the ports on this side of the coast except for one – Chennai Container Terminal.

The container terminals on the east coast include Kolkota, Haldia, Paradip, Visakhapatnam, Chennai and Tuticorin. Of these, the biggest container terminal on the east coast is the Chennai Container Terminal. It has an important role to play in moving the container traffic on the east coast. Chennai Container Terminal (CCT) is located in the Chennai Port complex which is famous for export of cars apart from iron ore and coal. It is the oldest container terminal in the country. After taking it over from the Chennai Port Trust in 2001, PO Ports undertook a host of measures and pumped in fresh investments on the terminal to improve its efficiency and to make it a world-class terminal. Old processes were re-engineered and the personnel worked persistently to successfully achieve international benchmarks applicable for container terminals.

Today CCT is capable of handling fifth-generation vessels that can carry 6,400 TEU. CCT has tremendously improved on the efficiency and productivity fronts through investing in world class equipment, process automation and concerted efforts of teams working at the terminal. It handled a record 1,01,121 TEU in the January 2008 and this shows the teams' commitment to take CCT to new heights in the future.

e-Terminal

CCT is also leading on the automation front not only on the east coast, but also against the all major ports on the west coast. CCT is the first terminal to have an in-house electronic solution to the documentation requirements of the trade. It has automated the Form-13, which it calls E-Form-13, for both export and import cargo movement. Form-13 is a document required by

every container terminal for the purpose of routing the individual cargo containers correctly. With the automation of Form-13, CCT has reduced the vast amount of repetitive paper work the shippers have to fill and eliminated the long winding process of physical transfer of documents at each stage.

On the terminal operations front, CCT has upgraded to Radio Frequency (RF) Link. All its RTGs are connected to a central control room through the RF Link and are monitored online.

Other automation processes include bar coding of all containers arriving into the terminal from various CFSs. It is also planning to integrate the E-Form-13 with the customs and Port Community Systems to enable seamless flow of information between various stakeholders.

“Old processes were re-engineered and the personnel worked persistently to successfully achieve international benchmarks applicable for container terminals.”



Transshipment Hub

Realising the importance of the role that containerisation is going to play in the coming years, Chennai Port Trust has begun to gear up to attain the status of International Transshipment Hub. Thus, it has started a second container terminal operated by PSA-Sical and has plans to add a container terminal every five years till 2027. CCT being the first and oldest container terminal in the port complex, it enjoys the benefits of the first mover advantage. The port is consolidating the position of CCT through developing direct services from Chennai to Europe. While Maersk Line is already running a weekly service with a capacity of 5,100 TEU to the east coast of US, many international shipping lines are showing interest to call at Chennai. Thus, CCT has positioned itself to become the first transshipment terminal in India. [MC](#)



'Our customer relationship goes a long way'

Q: Chennai Container Terminal is a front runner in automating terminal processes. What are the processes lined up for further automation?

A: Today what differentiates container terminal operators is the ease of doing business they provide to the shipping lines, CHAs and the trade community at large. What underlines all these is an efficient process that ensures the seamless flow of information. After the successful implementation of e-form13 and auto-approval facility by Customs at CTT, we have a few more processes lined up for automation: extending CCTV coverage to the terminal yard with additional cameras, Mobile EIR generation and an ITV monitoring system.

Q: What are the other measures that are taken up at your terminal to increase the efficiency levels?

A: The infrastructure facilities within the terminal are of world-class standards. CCT has joined the 'Million TEUs' Club in 2007 this speaks of its high performance standards. Taking future growth into account, we have already placed orders for two twin lift QCs and are engaged in strengthening the wharf in order to accommodate the two

Chennai Container Terminal has posted significant progress

in a very short time. Having achieved the one million TEU mark in 2007, it is all set to become a world-class container terminal.

Ennarasu

Karunesan, CEO, DP World Chennai, reflects on the growth achieved so far as well as the future plans.

new QCs. The yard space available is a definite constraint which has been overcome so far by process re-engineering. However there is a limit to how far this can be stretched without impact on service to the trade, and at some point of time we will need to look at getting additional yard space from the Port which today is not available.

Q: What are the customer service initiatives that CCT has undertaken?

A: Building a long-term relationship with customers has always been CCT's focus. To keep in constant touch with our customers, we come out with quarterly newsletters addressing information pertaining to developments in the terminal and the trade at large. We also organise annual trade meets in Chennai, Bangalore and Guntur to meet and interact with our customers and their customers. These meets give them a forum to address their concerns with us, and enable us to work on solutions that fit their requirements.

Q: Can you tell us about the major container lines calling at your terminal?

A: The major container lines calling our terminal are Maersk Line, APL, Shipping Corporation of India, Hapag Lloyd, CMA CGM, NYK, K- Line, Hyundai, PIL, Evergreen, Wan Hai, MSC, OOCL and MOL among others.

Q: Chennai Port Trust has ambitious plans to achieve the status of International Transshipment Hub. How does CCT fit into this strategy?

A: Our vision is to be the terminal of choice for the EXIM trade in South India and our market share figures prove that we are the preferred choice for the South India hinterland. Chennai is already recognised globally in the World top 100 leading ports, and our target is to exceed our customers' requirements, widen Chennai's reach on the global trade map and act as the main driver for containerisation in South India.

From a past scenario, where more than 80 per cent of the containers were being transhipped to the neighboring ports, today the transshipment percentage is only 55 per cent. Chennai Container Terminal has transformed Chennai into a mainline Hub Port with connectivity to 58 global ports through eight direct/mainline vessels calling at Chennai.

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Subsidy

An elusive treat?



Subsidy to the shipbuilding industry has many positive and far-flung effects on the economic development of the country. It is necessary for the policy makers to look at the bigger picture to understand the importance of this industry in terms of multiplier effect and economic value addition.

A recent conference on Indian Shipbuilding has highlighted the urgent need to renew the shipbuilding subsidy that expired on August 14, 2007. Organised by the Federation of Indian Chambers of Commerce and Industry (FICCI) in association with Shipyards Association of India, the conference was aimed to highlight the benefits of the subsidy and urge the policy makers to renew it. The shipbuilding industry in India had benefited immensely from the government subsidy granted for the period from 2002 to 2007 and thus ramped up their order books during this period. As this subsidy expired, the industry is lobbying hard to revive it to enjoy the benefits.

The shipping ministry, though initially indifferent to this lobbying, has agreed to this and is in the process of drafting a fresh subsidy proposal. To this effect, T R Baalu, Union minister of Shipping, Road Transport and Highways, said that his ministry had recently held interactions with stakeholders and is formulating a new and modified shipbuilding subsidy scheme. The minister

also circulated a cabinet note for comments from various related ministries. But the basic question that bothers these ministries is: Should the shipbuilding industry really need a subsidy?

Government Stand

It is necessary to understand the government's view point before finding an answer to this question. The government contends that the recent years saw a surge in demand for new ships. The increase in global trade and offshore business has led to huge demand for the shipbuilding yards worldwide and the same is the case with the Indian yards. The subsidy during 2002-07 has further helped the shipyards to move into profits. Thus, they are currently self-sufficient and can survive without the government support. If not the shipping ministry, the finance ministry sticks to this opinion.

The Counter Arguments

Well, this seems to be a valid argument. It looks reasonable in the short term. But does it cover the long-term interests of the country? The industry feels that the answer is a flat 'No'. The government's viewpoint fails to address the competitiveness of the Indian shipyards against the globally established giants like Korea, Japan and the emerging giant China. More importantly, this argument fails to recognise the multiplier effect the shipbuilding industry can produce. No study has been carried out in India till date to gauge the economic benefits of

A comparison of old & new subsidy

Previous Subsidy

Duration: 2002 to 2007

30 per cent discount on the contract value of the ocean-going merchant vessels which are more than 80 metres in length sold to Indian companies, and on all the vessels sold to foreign companies.

Expected New Subsidy

Duration: 2007 to 2010

20 per cent discount on the contract value of only the export orders bagged by the domestic shipyards through a global tendering process.

Note: Details are being worked out by the Ministry of Shipping.

the multiplier effect. Many industries like component makers (which include small and medium enterprises in heavy engineering and light engineering), precision instruments, ship design, R&D, ship financing, IT/ITES and ship-repair industries are dependent on shipbuilding. A boom in shipbuilding will mean a boom in all these downstream industries and leads to huge employment generation across the spectrum. India being into shipbuilding for nearly six decades, it looks like no efforts were undertaken to understand the resulting economic benefits from this multiplier effect.

Justification for the Subsidy

One must also understand that this is a boom period for shipbuilding and once the boom subsides, the ground reality will be quite different. Indian shipyards today are doing full business not because of the inherent capabilities but mainly due to non-availability of berths at global shipyards. This means, if the global shipyards expand their facilities, there would be very little orders left for India. This is because, the Indian shipyards were predominantly into building smaller vessels and they do not have the reputation to build the larger ones (ships of more than 100,000 DWT). Thus, a helping hand from the government is very much required until they earn the reputation. An ideal situation, where Indian shipyards can compete with the international shipyards, has to be created and direct subsidy should be the first step in this direction. In addition to subsidy, a host of other financial and non-financial incentives could elevate this industry to world-class standards. In return, the government gets revenue in the form of taxes and duties from the shipbuilding and downstream ancillary industries.

Coming back to the question as to whether the industry really needs a subsidy, it is quite obvious from the above view points that it is a win-win situation for both the government and industry. While the industry can grow,

build capacities and earn reputation, the government would benefit from the taxes and duties from the industry. All the downstream industries would be benefited through increased revenues and economies of scale, which in turn will lead to huge employment generation and economic value addition.

A powerful tool

A KPMG study shows that the Indian shipyards, despite the huge demand, have a cost disadvantage of 32 per cent to 37 per cent as against the global shipyards in South Korea, Japan and China. Direct subsidy can be considered as the most powerful tool to offset this (at least partially, if

not in fully) and defend the industry from the global competition. With all the investments pouring in and new shipyards sprouting, Indian shipbuilding today is ready to take off. But until it earns the reputation and create a niche for itself in the global market, a direct subsidy on the contract price can boost the industry into the necessary orbit. The government can use all or a combination of tools at its disposal to shield them from the rough weather of the global competition. India has already missed the bus once during the shipbuilding boom in the 1980s. Can India afford to miss it again? 

Shipbuilding incentives declared by various maritime nations

Vietnam

- Initiated Shipbuilding Industry Development Program 2002-2010
- Vietnam government arranged 400 million euros as grant from EEC in 2004 to an association of 20 Vietnam shipyards
- Provided Vinashin with soft loans and investment incentives
- Allowed the corporation to retain total corporate income tax and capital-use tax for the period from 2002 to 2010 for re-investment in capital.
- Exemption on import tax for equipment and transportation facilities which are part of production line.
- Exemption on export and corporate income taxes and land rent.
- Government covers working capital up to 50 per cent of registration working capital of SOE.
- Infrastructure of new shipyard projects is subsidized and the others in portfolio is covered as a credit from development fund within a period of 12 months and grace period of two years.
- Restricting import of second-hand ships.

Philippines

- "Filipino Investing in the Philippines" (FIP) program was initiated to promote the local shipbuilding and shiprepair industry
- Tax and duty free importation of capital equipment;
- Tax credit on domestic capital equipment;
- Income tax holiday of four to six years, total period not to exceed eight years;
- Additional deduction for labor expense;
- Simplified customs procedures for imports and exports;
- Employment of foreign nationals in supervisory, technical, or advisory positions;
- Tax credit for taxes and duties paid on materials and supplies used in export production;
- Exemption from tax and duties of imported spare parts and supplies used for export production.

Malaysia

- Partial / full relief from payment of income tax
- Exemption of income tax on 70-100 per cent of statutory income for five years
- Investment Tax Allowance (ITA) i.e. 60-100 per cent of qualifying capital expenditure incurred within five years deducted from statutory income
- Deduction of 70-100 per cent of statutory income in one year
- Vendors in shipbuilding can also apply and avail for tax
- exemption of 100 per cent statutory income tax for five years and an ITA of 100 per cent for five years to offset against 100 per cent of their statutory income

Kalmar, the global provider of container and heavy duty materials handling equipment, automation applications and related services, is a formidable name in Indian ports, terminals and intermodal facilities, growing stronger by the day with its value-added services

Kalmar India, headquartered in New Mumbai, is proud of the fact that every fourth container or trailer transfer around the world is handled by a Kalmar machine.

Says S Jayachandran, director-Kalmar Business, India, "Kalmar India has a complete marketing and after-sales support to cater to the customer's requirements. To further strengthen our position in the growing market, we are infusing more manpower." The company, part of the Cargotec Corporation, is a global provider of container and

heavy duty materials handling equipment, automation applications and related services used in local transportation, terminals, ports, distribution centres and ships. Kalmar is a formidable name in cargo handling and heavy material handling in India. Jayachandran says that with its innovation and research and development, Kalmar has been able to provide the best solutions for cargo handling worldwide. With its vast product line ranging from forklifts to empty container handlers and reach stackers to RTG, Kalmar, he says, has optimised solutions for every need in material handling,

enabling the users to operate with a high level of efficiency and reliability. In fact, Kalmar is the largest manufacturer of reach stackers in the world.

Since the company is also the specialised manufacturer for all types of container handler machines including terminal tractors, RTG, STS and so on, it is evolving as a versatile player with clear understanding of customer needs in each segment of container handling, says the official. Today, more than 68,000 machines are working in various seaports, container depots, and railway yards



Reaching New Heights

by **Sadhana**



around the globe. This makes Kalmar a world leader in container handling equipment. Praveen Waychal, DGM-Sales & Marketing, says Kalmar has been able to see a wide growth as it has a fast after-sales support by means of having parts stocked locally. For non-available parts, Kalmar promises to make available them in 24 hours from the supply hubs provided the part weighs less than 25 kg. For India, the supply hub is Singapore.

Kalmar has product supply centres in Finland, Sweden, Malaysia, Netherlands, and the USA, 12 sales companies and more than 150 dealers around the world. Today, more than 68,000 Kalmar machines are in operation in environments ranging from sub-zero Arctic climates to tropical humidity, heat and dust. Kalmar's global experience and understanding of local conditions has enabled it to serve customers in all corners of the world, say the officials.



The company believes in the selection of the best systems available from the respective manufacturer for critical aggregates like engine supplied by Cummins/Volvo, transmission by Clarke, axles from Kessler and hydraulic system from Rexroth. The state-of-the-art Kalmar hydraulic system offers ORFS couplings to eliminate leakage. Generally, there are less number of hydraulic couplings.

The machines are made considering the toughest working conditions for which they are supposed to work. The load capacity, fuel consumption, working life are always considered under severe working conditions, Waychal says.

The company philosophy of total solution provider is demonstrated by services like total fleet management, contract maintenance, technical expertise service, spare parts support, training and education to name a few. According to the officials, "Kalmar always believes that even the best product can be made even better for better performance." For the same reason, it invests heavily on R&D. These investments are also justified with the growing needs of more energy-efficient and environment-friendly machines.

The product range is complimented by a large range of value-added services such as maintenance contracts and fleet management. Production plants are situated in Sweden, Finland, the Netherlands, Malaysia, China and the United States. The US contributes mainly to its growth potential globally.

The global market potential for Kalmar products is estimated to be over Euro 6 billion. In terms of port operations, Asia represents the strongest growth area. While the service market is still handled primarily by customers' own service operations, the situation is changing rapidly. More and more of Kalmar's equipment sales are now accompanied by a contract for maintenance and service.

Kalmar to supply Port of Gothenburg

Cargotec's Kalmar business division has been awarded a three-year service contract to supply empty container handling capacity to the Port of Gothenburg's container terminal in Sweden. The company sees it as a breakthrough in providing customer-focused solutions.

The Port of Gothenburg has asked Kalmar to supply its container terminal operations with empty container handling capacity, equivalent to seven DRF100 reachstackers, for the next three years. The DRF100 engine features low emissions, smooth, automatic gear shift and ergonomic driver controls.

"The port has a mixed fleet of Kalmar straddle carriers, fork lift trucks, reach stackers and terminal tractors. We feel that this new contract is a breakthrough in providing customer-focused solutions," says Svante Alveronn, general sales manager, Sweden, of Kalmar Industries.

The reachstackers will be supplied with Kalmar's Remote Monitoring Interface (RMI), a system that enables the operation of a large number of machines to be monitored remotely by a single operator in the terminal control room. RMI allows the control room staff to monitor operations in real time, being aware of alarms, driver acknowledged information and operational data.

Contact Address

Cargotec India Pvt. Limited
(Kalmar Business Division)
6th Floor, A Wing, Shree Nand Dham,
Plot No- 59, Sector-11, CBD Belapur
Navi Mumbai 400 614
Tel : +91-22-67736666
Fax : +91-22-27582227
website : www.kalmarind.com
e-mail : praveen.waychal@kalmarind.com

Gateway Terminals in India has taken out a service contract to include both maintenance and operations of the 29 Kalmar RTGs operating at its Nhava Sheva container terminal. This development offers significant potential. 

IT in Logistics

Avoid Data Replication

Implementation of IT and automating processes is the latest buzzword across the supply value chain. Maritime Gateway explores the various advantages of employing such efficiency drivers in the logistics industry.

by Jagadeesh N

According to 2008 Third-Party Logistics Study carried out by Capgemini and Georgia Institute of Technology, information technology is a high priority for the users of third-party logistics services. The study found that IT capabilities are extremely important to integrate various logistics services provided by 3PLs. The IT solutions such as web-enabled communication solutions and visibility tools are found to be very popular among the 3PL providers, exporters and importers.

Business Differentiator or Necessary Evil

Indian logistics industry today can be termed as a highly fragmented and highly competitive industry with a huge business potential. The competitive pressure has forced the players to adopt IT implementation to build competitive advantage. Initially, process automation was viewed as a business differentiator. But somewhere down the lane, this opinion went through a metamorphosis and today many small and medium players view it as a necessary evil rather than as a differentiator for gaining competitive advantage. The major reason for this

change in opinion may be due to their lack of understanding of the big picture and the role IT plays in increasing efficiency.

To make this possible, more onus lies on the IT solution providers to develop centralised systems which integrate the processes to provide customised solutions, increase efficiencies and reduce costs. Amar More, Global Head Logistics Practice, Kale Consultants, pointed out at a recent conference that the current phase of IT systems in logistics is transaction-based. These systems are based on business transactions, are highly technical and focus on cost reduction. More points out that the industry should move on from transaction-based systems to stakeholder-centric systems which focus on stakeholders in business and are long-term growth-oriented.

Islands of Automation

In spite of all the automation that is taking place, a holistic view would reveal that all the automation has happened in silos systems. There is little or no integration between businesses across the supply chain and between businesses and government departments.

Percentage of revenue spend on IT
(Rs. Cr.)

Segment	Current Revenue (INR Cr.)	%age spend on IT	Current spend on IT
Freight forwarding	11,000	0.6%	66
Airports	5,050	1.13%	57
CFS	6,500	0.5%	36
ICD	6,500	0.1%	7
Ports	10,365	0.35%	36
Warehouses	3,000	1.80%	54

This has led to the problem of information being replicated at multiple stages. All the information about the cargo has to be fed again and again at different stages between the factory and port for export goods and vice versa for import goods. "The same shipment data is entered at least five times during goods transport and this adds to the inefficiencies in the logistics processes," says Sumeet Nadkar, Head Logistics SBU, Kale Consultants.



There is no central system to capture the data and use it at all the stages in the supply chain. A look at the Singapore port and the inland supply chain would reveal that they use single window operation and single time data capture. Cargo information is fed once and the same is used across various departments. Prakash Thakore, Vice President, Projects and Logistics, Eastern Cargo Carriers Ltd., states that the basic problem in India is that business and government departments use different information formats at each stage of processing, thereby making it incompatible for other stages. Ensuring uniformity regarding the usage of information formats at both levels government departments and logistics services providers could save a lot of time and costs at each stage.

The Long-Term Approach

IT solution providers like Ramco Systems and Kale Consultants are vying with one another to provide enterprise-wide applications that ensure minimal data replication. Such solutions aim to provide connectivity between processes as well as integrate different business entities like forwarders, clearing

agents, consolidators etc. At a higher level, the software vendors look at providing IT solutions-based software as a service model which will further embed the IT implementation with the corporate strategy of the 3PLs.

If one takes a look at the broad picture, IT can be used to cater to the business needs at all the levels of the management. This includes strategic needs for the top management, tactical needs for the middle management and operational needs for the lower levels. 3PLs should look at IT implementation as long-term perspective and should take a long term approach to implementation. The fundamental barrier to implementation is the initial cost which can at times be prohibitive. However from a long-term perspective, reduced operational costs and improved efficiencies will offset the initial costs.

Therefore, it is essential for the organisations to take a long-term approach. It requires a change in their mindsets; instead of viewing IT and automation as a necessary evil, they should try to leverage them for gaining competitive advantage over their competitors. **MG**

Some of the IT solutions currently available

Kale Consultants

CSP®	- Integrated Enterprise-Wide Cargo Solution
CSP-RES®	- Reservation & Space Control Management
CSP-OPS®	- Operation & Load Management
CSP-ULD®	- Comprehensive ULD Management
CSP-AMBER®	- Complete New Generation Cargo Revenue Accounting
CSP-MERCURY™	- Comprehensive Cargo Ground Handling Solution

Ramco Systems

- Ramco 3PL and Transportation
- Ramco Integrated Freight Management System

Four Soft Limited

4SeTrans	- Multi-modal Transport Management System
4SVisiLog	- Web-based Supply Chain Execution Engine
4SCustoms	- Global Customs Compliance Solution
4SeLog	- Warehouse Management System
4SePOM	- Order Management System
4SiDrive	- Business Intelligence Application
4SiFreight	- Multi-modal Logistics Suite
4SiLogistics	- Application for Multi-national Logistics Business

Suraj Informatics

- Ports Automation
- Gate Automation
- Rail OCR
- Real-time Location System
- Warehouse Management
- Cargo Logistics Management
- EDI Connection
- RFID / RTLS

Cyberlog Technologies

Cyber-SCM	- Integrated Supply Chain Management Solution
Cyber-Order	- Order Management System
Cyber-Freight	- Freight Management System
Cyber-View	- Customised extranet for clients and Track & Trace

Preventing failures

Players across the logistics industry have to wake up to the fact that automation has to happen across the entire supply chain so as to improve the efficiency of the supply chain. **Sumeet Nadkar**, Head Logistics SBU, Kale Consultants, speaks on this issue in an exclusive interview to **Maritime Gateway**.



Q: What is the current landscape of IT implementation in logistics industry?

A: The Indian Logistics industry reflects the great Indian paradox: India being the IT shop of the world, the IT adoption in the Indian logistics industry is extremely poor. In fact, the recent survey done by Kale to assess the IT adoption amongst the Indian logistics industry shows that most of the segments of industry spend less than 1 per cent of the revenue on IT which is a far cry from the leading global logistics firms that spend around 4 per cent of their revenue on IT.

Q: There is a feeling that automation is happening in islands of processes instead of a seamless integration. Your comments on this.

A: Yes, this is quite true. In fact, most of the industry still operates in manual or semi-automated mode. The same shipment data is entered at least five times during goods transport and this adds to the inefficiencies in the logistics processes. Moreover, automation is mostly done for pure compliance purposes and using systems to save costs or improve customer satisfaction is still not a priority amongst the Indian logistics companies. The ability to

communicate seamlessly with customers' and vendors' systems is missing amongst majority of the logistics companies like forwarders, warehouses, CFS operators etc.

Q: Where do you see Kale in this evolving industry?

A: Kale is a focused service provider in the Airline, Logistics and Travel (ALT) industries.

Kale has developed and successfully delivered cargo automation solutions to leading global airlines and airports. Learning from the 'time-sensitive' air cargo business, Kale is keen to replicate the best practices of air cargo transportation in other modes of transport and with other participants of the logistics value chain. Keeping this motto in mind, Kale has developed path-breaking solutions for the large, unorganised freight forwarding segment, the container freight stations, the airport operators, 3PL and warehousing

companies. Kale's solutions are built on the philosophy of "preventing failures rather than reporting failures".

The one thing that differentiates Kale from any other generic IT company (or system integrator) is its commitment to the Industry and propinquity with the Industry associations and industry improvement initiatives. Kale is working with several industry bodies in India and globally to create cargo community systems. Kale is developing the right partnership with global giants to alleviate the pain areas of Indian IT companies and raise the automation levels in India beyond global standards.

Q: Current automation systems are reactive in nature than being proactive decision support systems. Where do you place your products on this continuum?

“Kale is keen to replicate the best practices of air cargo transportation in other modes of transport and with other participants of the logistics value chain.”

A: As explained above, this philosophy of design has been pioneered by Kale. In fact we have looked at each and every process while designing the system and have thought of means to prevent failures in processes rather than purely reporting processes which is what most of the applications not only in India but globally do. At Kale we are dedicated to create best practice 'industry solutions'. This entails harnessing our learning from the industry (based on interactions with clients and at industry working groups) coupled with integration of the most apt technology to create systems that help clients prevent service failures. For example, in our freight forwarding system, in the sales automation module there is a mechanism whereby if a sales person does not act on a lead for a configured number of days, an automatic email/SMS alert goes to supervisor; similarly our airport solutions give an alert to the airport warehouse staff if a shipment is not palletised x hours before the flight departure. We believe we are at the leading edge of this paradigm.

Q: Are there any challenges that you face in this business apart from competition?

A: Challenges are part and parcel of any business, but we determine our objectives as much larger than the rat race of market share. We want to leverage our global industry expertise in transforming the logistics industry in India. The biggest challenge before us is the 'mindset' issue. Logistics companies until recently have been taken over by the mindset: "It may be working abroad, but it will not work here." We need to change that to "If it works abroad, it will work here as well". Another challenge is the historical low spending on IT. People still view IT as an expense rather than an investment that will yield fantastic returns much more than what the investments in other resources that the Indian logistics companies prefer to do with a myopic view.

Q: What innovations or developments do you expect in the near future in this domain?

A: One thing that is definitely happening is the movement towards becoming "One Stop Shop". Most logistics companies are moving towards increasing the array of logistics services to the customers. This is helping companies in rationalising the costs across several businesses like forwarding, CFS, warehousing and offering more competitive pricing to the customer and investing in infrastructure like IT to further improve the service levels and customer satisfaction. You will see usage of Mobile technology bringing in more process innovations like automatic shipment alerts to customers and workflow on mobile devices. You will also see innovations in the area of seamless integration of supply chain partners happening. We also see "Software as a Service" (SaaS) model of IT deployment bringing in "Automation Parity" in the Indian Logistics industry.

Q: How do you think the scenario can be leveraged?

A: We sincerely feel that with the inefficiencies and high logistics costs that India bears today (about 13 per cent of GDP), there is a huge potential to bring it down through usage of technology. Even a fraction saved will mean billions of dollars to the Indian Logistics industry which will further improve the state of industry. We want to leverage our expertise in Travel and Transportation to bring in new levels of automation to India,

We are confident that providing IT solutions to major cargo value chain participants in India will help us in improving the state of automation. However, we are also well aware of the fact that we have a working group comprising IT vendors, government agencies, industry associations and media of course and unless logistics is given an 'industry status', it will be a Herculean task to get to where we want the Indian logistics industry to be. **ME**



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The Challenge Seeker

The multi-faceted personality talks about himself in an exclusive interview.

Sudhir Rangnekar started his life's journey into unknown seas yet rode on the crest of every wave of opportunity. After serving 31 years in the Shipping Corporation of India, Rangnekar chartered a new course in professional life in logistics domain. Read about a man who likes to outperform himself.

CURRICULUM VITAE

Sical Logistics Limited, 4th Floor, Spic House,
88, Mount Road, Guindy, Chennai 600 032

EDUCATION

B Tech Chemical Engineering from IIT Mumbai (1971)
MBA, IIM Ahmedabad (1973)

EMPLOYMENT

1976 to 2007 – worked with the Shipping Corporation of India .
Served 31 years in various capacities. Has been the board member for the last 10 years.

1993-96 – Managing director of IranoHind Shipping Co., Tehran.

CURRENT POSITION

Managing director and group CEO of Sical Logistics Ltd., Chennai since August 2007. In charge of overall operations, financials and human resources.

Sical has a turnover of about Rs 680 crore in core logistics area and is in the business of providing integrated logistics solutions covering shipping agency, stevedoring, customs house agency, trucking, warehousing, railways, ICD/CFS operations, rial/road terminals, offshore and dredging.

HOBBIES

Reading, travelling and listening to music.

FAMILY

Married to Chitrakleha, a homemaker. Has two sons: Asheesh, an engineer MBA from IIM Lucknow, currently working with Capgemini; Aditya, a B.Com, MBA from Mumbai University, working with Deloitte.

Sudhir Rangnekar

MD and Group CEO, Sical Logistics Limited

Q Why did you choose chemical engineering?

A: First, let me tell you why I joined IIT. My elder brother who is three years my senior was in IIT studying civil engineering. I was in high school then. He used to tease me always that I am a *buddhu* and could never get into IIT. I got provoked and took it as a challenge. A sort of competitive spirit made me get into IIT with flying colours – I stood 12th in the all India rankings. The first hundred ranking students had the option to choose whatever stream they wanted. I found it very difficult to choose the right stream as I had no clue on how many branches does IIT have and which branch one should take. When I tried to take the opinion of my father who was a Post and Telegraph employee with a modest middle-class background, he pleaded innocence and suggested that I should look around for friends and relatives for guidance. Then it struck me that many of my relatives from maternal side were chemical engineers who were doing very well. During those days, chemical engineering topped the list of choices. So it was my choice too. My understanding of chemical engineering was that it had something to do with chemistry. But in the long run I found it to be more akin to mechanical engineering than chemistry.

Q When you completed B.Tech what was your mindset?

A: My immediate thoughts were to go for a PhD. I was bent towards technical expertise and excellence. But things went the other way. One morning, I found on my hostel notice board a note by someone offering a spare application for IIM Ahmedabad. I was ignorant of what IIM could offer me and depended on my seniors for advice. Everyone encouraged me to seize the wonderful opportunity. So I appeared for the entrance exam. At the same time, some of the students from my locality who were appearing for the entrance examination of Jamnalal Bajaj Institute asked me to help them in their studies. While helping them I also appeared for the exam. I got selected in both the institutes and was faced with the dilemma of choosing one. Another option before me was to join Standard Alkaline for a salary of Rs. 800 per month. I walked straight to the Executive Director, HR of the company and put before him all the options I had and sought his advice. He put an end to my confusion by advising me to join IIM Ahmedabad. Well, I took the advice and never regretted.

Q Though you see a stroke of luck in all these moves, you must also have put in some hard work?

A: I put in my heart and soul into everything I did. Even in early days of my college I used to get the highest marks in a subject like Biology, wherein my dissection of frog used to be perfect. I think hard work pays.

Q First job?

A: Even after management degree I was keen to take up an engineering job. That made me join Engineers

India Limited. After working there for three years I realised that in an engineering company you have to compete with the engineers who are postgraduate and doctorates. For a faster career growth I had to move on to another company. Then I got an opportunity to join Shipping Corporation of India with an additional attraction of going back to Mumbai.

Q Who was your role model?

A: Of course, we have great role models in the Indian history who are worth emulating. They are placed absolutely on a high pedestal. But always, I tried to outperform myself. So, instead of having an external role model I compete with myself.

Q Any interesting experiences during your stint at SCI?

A: I can narrate one incident which made a lasting impression on me. Sometime in mid-80s during the Diwali season there was an accident on one of the tankers. There was an explosion in the engine room and 4-5 people were charred to death. I was the executive assistant to the then chairman who was abroad during the time of the incident. The chairman directed me to act as a point of interaction for media, kin of the deceased and the maritime fraternity and it was a terrible experience. That incident taught me how to remain calm and composed while fulfilling the necessary obligations. I still wonder, how I as a young man, got over such an extremely grievous situation.

Another experience that made a lasting impression on me was when I was the Managing Director of IranoHind, a shipping company established in Tehran. When I left Iran three years later, I felt that I was more than half Iranian. I was the only non-Iranian to be part of the then President Rafsanjani's delegation to India which was a moment of pride for me.

Q How do you start your day and end it?

A: Well, I wake up around 5:30 am and go for a walk, though I am not able to manage it everyday because of my extensive travel. The walk gives me enough time to introspect and reflect on myself. It keeps me fresh throughout the day till 9:30 pm when I retire from work for the day. I used to like non-vegetarian food but of late have

“Be Innovative. Do not get bogged down with one solution. Think of optimum solutions and no problem will be impossible to solve.”



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developed tremendous love for vegetarian food. I relish the wonderful idlis and dosas prepared by my guest house cook in Chennai. I do not feel the pressure of work.

Q What do you do when you are not working?

A: I read a lot whatever comes my way. I am fond of travelling. I listen to a little bit of Indian classical music now and then. Rarely do I watch movies recommended by my wife.

Q What is that you like in people and you dislike?

A: I like people to be free, frank and absolutely clear in their communication. I dislike people who purposely do not communicate properly. I believe in apologising when you do something wrong unintentionally. At least I do that.

Q How do you describe yourself?

A: Sincere, hard working, goal-oriented, one who enjoys meeting people and enjoys every moment of life.

Q Any moments that made you feel low?

A: It happens sometimes when your free expression and frankness does not get appreciated.

Q What did you learn in SCI as an engineer and manager?

A: A lot of learning happened in SCI. Government organisations give you tremendous opportunity to move around, get exposed to different areas and their functions. In SCI, I really handled every function as director of tankers, container shipping, coastline passengers, IT, administration and finance. I was sent to Oslo to do a Diploma in Shipping Management. Went to Cambridge twice. So lots of training opportunities. I represented SCI in international forums. I do not think private sector can offer a wide range of opportunities at one go. Public sector is perhaps the fountainhead for capable people. I really value my

experience of 31 years which has become tremendously useful in my post-SCI career.

Q In your Post-SCI period you chose to lead a logistics company rather than a shipping company. Why?

A: Logistics is the other side of the same coin. You need to have an integrated approach with ports, shipping, ICDs, warehousing, railways and logistics moving together. Logistics should be considered as an industry and all of us are various links in this industry. The objective is to make the entire logistics chain more economical. Having learnt about ports and shipping, the new business gives me tremendous opportunity to learn about railways, trucking, ICDs, CFSs and port management and also carry forward my experience into this business. The faith of the promoters, investors and shareholders to put me as in charge of business gave me confidence to operate.

Q Advice to young managers.

A: My school teacher used to take a prism in hand and tell the students how it shows different colours when it is rotated. Likewise, if look at a problem from one direction you will find only one solution. But you keep on changing the direction, you will get multiple solutions. As children we believed a mathematical problem has only one solution. So we used to laugh at this explanation. During college when we were doing quadrilaterals we realised there can be multiple solutions to a problem.

Another thing our teacher used to tell us when we failed to solve a rider in maths was to think of the man who invented the rider. When he, as a human being, could think of the problem and a solution, what stops you from getting the solution?

I would like to pass on this wisdom to young managers. Do not get bogged down with one solution. Think of optimum solutions and no problem is impossible to solve. **ME**

Bettering Your Best

A new executive MBA programme beckons shipping managers to hone their strategic leadership skills in shipping and offshore sectors and identify business opportunities within a company's value chain

A master's degree in business administration opens up worlds of opportunity for people, helping them understand various managerial tools and techniques and improve their skills. An MBA course has been, of late, benefiting even middle-rung management cadre in their respective streams. Recognising its importance for the advancement in career, the BI Norwegian School of Management has tied up with NTU-Nanyang Business School in Singapore to offer an executive MBA in shipping, offshore and finance.

The joint programme, being introduced from January 2009, is for experienced people who already have a position in a company within the global maritime cluster, says Kristin Omholt-Jensen, director BI Shipping, BI Norwegian School of Management. "The programme is tailor-made for the maritime business. We are looking for participants from all over the world since this is a global part-time programme focusing on business opportunities, importance of finance and understanding of the companies strategies," informs Kristin.

The course is structured in a way that the participants get to spend equal amount of time spent in Oslo and in Singapore two weeks of three modules in each location. "The



18-month practical oriented course has a special focus on shipping and offshore fundamentals in a global world, strategies and choices, leadership and execution," elaborates Prof. Peter Lorange of the business school. Aspiring executives from global shipping and offshore industries and from the cluster surrounding these industries – lawyers, cargo owners, shipyards, investors, banks, customers and suppliers can attend the programme. CFOs, CEOs, successors and future leaders' of companies within the maritime cluster too can enhance their skills, Kristin adds.

So, for all go-getters aiming high, this could be the right time to take a plunge. [MC](#)

Contact details:

Ramona Zuzarte

Manager, Nanyang Executive MBA Programme Nanyang Business School BLK S3-B2A-09 Nanyang Avenue, Singapore 639798

Phone: +65 6790 4042 www.execed.ntu.edu.sg

Kristin Pileberg

Program Manager BI Norwegian School of Management, Nydalsveien 37 0442 Oslo, Norway

Phone: +47 46410076 www.bi.no/emba/shipping

Quick Facts

- Part-time executive MBA
- Duration: 18 months (6 two-week segments)
- Start date: January 2009
- Application deadline: Rolling admission
- General management courses
- Tuition fee: Euro 42.500
- Application fee: Euro 100
- Campuses: BI Executive School in Oslo and Nanyang Business School in Singapore

Target group:

- Ship and offshore owners, the management group and their board of directors
- Senior staff in cargo-owning companies
- Senior financial officers
- Senior managers who approach shipping and offshore businesses suppliers, customers, shipyards, lawyers, investors, advisors or consultants
- Senior executives from companies within shipping and offshore cluster
- Board of directors of companies within the maritime cluster
- Senior executives of ship financing, ship investment and private equity companies

Admission Criteria

- A bachelor's degree or an equivalent
- Two letters of recommendation documenting the participants' skills and motivation
- Significant work experience
- Fluency in English
- An interview by the Admission Committee

Capt. Deepak Tewari **elected CSLA Chairman**

Capt. Deepak Tewari of MSC India has been elected chairman of the Container Shipping Lines Association (India) for 2008-09. Also elected at CSLA's 14th Annual General Meeting (AGM) held in September were Anil Devli of Shreyas Shipping as vice-chairman, Capt. M. G. Thakur of 'K' Line as honorary treasurer and Capt. Dinesh Gautama of Sea Consortium as honorary secretary.

The members of the Executive Committee for the period are Capt. R. P. Shroff (APL), Marc Bourdon (CMA CGM), Glen Fernandes (Hapag-Lloyd) and Capt. Alpesh Sharma (OOCL).

And co-opted to the Executive Committee are Capt. Ashok Malkani, Jayamb International (Bengal Tiger Line) and Capt. Sandeep Bakshi (Emirates Shipping Line).

Rizwan Soomar **to head Maersk India**

Rizwan Soomar was named as the new country manager for Maersk's India and Sri Lanka from December 2008 as part of the world wide restructuring programme. Rizwan was serving as the Maersk Line's country manager in Egypt prior to this.

He will be succeeding Hans-Ole Madsen, the current head. After a six-year stint as managing director, Maersk India, and regional head for South Asia, Hans-Ole Madsen will take up a senior position at APM Terminals International BV, the container terminal operating unit of AP Moller-Maersk. Madsen could not be reached for comments.

Capt. Subhash Kumar, **new deputy of Chennai Port**



Capt. Subhash Kumar has been appointed deputy chairman of Chennai Port Trust by the Ministry of Shipping, Road Transport and Highways. He takes charge from November 5. He was earlier deputy chairman of Cochin Port Trust for three years from July 2005.

Capt. Subhash Kumar displayed excellent administrative skills during his earlier tenure, according to a press release.

Omprakash Agrawal **to lead BCHAA**

Omprakash Agrawal of Nagarkot Forwarders Pvt. Ltd. was elected president of the Bombay Custom House Agents' Association (BCHAA) for 2008-10 at the 23rd Annual General Meeting (AGM) held in Mumbai in September.

He replaces R Radhakrishnan of Clearship Forwarders.

Among the other key office-bearers elected for the period were Nailesh Gandhi (Express Transport Pvt. Ltd.) as Senior Vice-President, and Rajiv Desai (Dawn India), George Joseph (Rank Shipping Agency) and Pankaj Shah (PMP Corporation), as vice presidents.

Nimish B Desai (N H Desai & Co.) will be honorary secretary, while Ashish Pednekar the honorary treasurer.

Vijayan C D'Souza **to head MANSA**

Vijayan C D'Souza, senior vice president of JM Baxi & Co., has been elected president of the Mumbai and Nhava Sheva Ship-Agents' Association (MANSA) for 2008-10.

He replaces Capt. S P Rao, director of Forbes Patvolk, who had been at the helm during 2006-08.

Also chosen at MANSA's 30th Annual General Meeting (AGM) in mid-September are Thomas Varghese of Seaworld Shipping and Capt. Piyush Pal Singh of Shaan Marine Services, as vice presidents. While Varghese has been re-elected, Singh is newly designated.

The other executive committee members elected are: Capt. L S Sahi, Capt. R Chandramowleeswaran, Capt. B Mahapatra, Capt. Hiren C Ved, K P Unnikrishnan, Capt. Arun S Pillai, Brian R Alexander, Capt. Dinesh Gautama and Capt. Vivek Singh Anand.



3rd Southern Asia Maritime

Emphasis on port development

There is an urgent need to develop port and container infrastructure to accommodate the growing import-export trade in India, emphasised S S Hussain, chairman, Jawaharlal Nehru Port Trust. He was presiding over the opening ceremony of the third Southern Asia Ports, Logistics and Shipping 2008, organised by Transport Events, Malaysia, in Mumbai recently. The event covered issues related to infrastructure in Indian ports and logistics.

Speaking on the occasion, Sabyasachi Hajara, chairman and managing director, Shipping Corporation of India highlighted that while India's liner trade is only 18 to 20 per cent of the total volume of Indian sea trade, it is much higher in terms of value. He further spoke about the strengths and weaknesses of the major ports and insisted on their preparedness to handle the surge in the containerised cargo.

Chairman of Chennai Port Trust K Suresh put forth the plan to make Chennai Port an international transshipment hub. He emphasized that Chennai is fast emerging as a world class container terminal and would



JNPT Chairman S S Hussain inaugurating the 3rd South Asian maritime meet in Mumbai.

soon be able to accommodate large box ships of more than 8,000 TEU. Speaking on private equity, Vishal Sharma of Tuscan Ventures said private equity is slowly catching up in the maritime industry.

India Shipping Summit

Call for swift action

The fourth annual India Shipping Summit, held in Mumbai from September 29 to October 1, with over 500 participants from 21 countries, ended with a positive call for action and encouraging prediction for India's maritime growth. The summit focused on India's future as a global maritime player, finance to help it enter a new era, infrastructure opportunities, and the offshore oil and gas markets. Other topics included shipbuilding in India, maritime technology and the changing regulatory arena, energy transportation, and the industry's crewing crisis. The event also included awards presentation.

Capt. J C Anand, chairman of Indian Register of Shipping (IRS), was honoured with a special Lifetime Achievement award. Indian National Shipowners'

Association (INSA) was named Policy Maker of the Year. S Hajara accepted the award for Deal of the Year, on behalf of the Shipping Corporation of India, for "killer instinct and vision in its recent tonnage acquisition." Yudhishthir Khatau, managing director of Varun Shipping Co., scooped the coveted Entrepreneur of the Year award. Bharat Sheth, managing director of Great Eastern Shipping Co. Ltd, and Vijay Sheth of Great Eastern Offshore shared the award for Innovator of the Year. Capt. Sandeep Mehta, CEO of Mundra Port, received the Infrastructure Developer of the Year award, and Hans Ole-Madsen was named International Maritime Player of the Year for his pivotal role as Maersk India's Managing Director.

Ship Building Conference

Govt to revive shipping subsidy

The government plans to revive the shipbuilding subsidy scheme, which offered several subsidies to the industry but was stopped in August 2007. “We have already held interactions with stakeholders and are formulating a new modified shipbuilding subsidy scheme,” Minister of Shipping, Road Transport and Highways T R Baalu said on the sidelines of a conference on shipbuilding, organised by the Federation of Indian Chambers of Commerce and Industry (FICCI) in New Delhi on October 7 and 8.

A cabinet note has been circulated for comments from various ministries. The note spells out that the revised subsidy scheme would be on the pattern of the previous one, which had expired on August 14, 2007.

“We are also making efforts for the fiscal structure to offset the disadvantage the shipbuilding industry is currently facing so that the industry in India grows to world standards and we can attain self-sufficiency in the sector,” Baalu said.

Baaluu said under the National Maritime Development Programme (NMDP), the government has already



Delegates at the FICCI Conference on Shipbuilding in New Delhi.

decided to set up two international size shipyards. “We are discussing the modalities regarding land and other infrastructural facilities with the state governments. We have already received nine proposals for east coast and three proposals for west coast,” he said.

Trade Meet

DP World celebrates performance



DP World Subcontinent MD Ganesh Raj, Chennai CEO Ennarasu Karunesan and their customers during a recent trade meet in Chennai.

To commemorate the achievement of over one million TEUs and its seventh year of operations in Chennai container terminal, DP World Chennai held a trade meet at Chennai recently heralding a renewed beginning. Ganesh Raj, Senior VP& MD of DP World Subcontinent said “Our commitment to Chennai is strong, and reinforced by the recent buyout of the remainder 25 per cent stake in the terminal.” CEO of DP World Chennai, Ennarasu Karunesan thanked customers and terminal users for helping them achieve the milestone.

Guntur Meet: DP World organised a trade meet at Chennai recently to ascertain the problems of exporters and service providers of tobacco and agro products. Ennarasu Karunesan said seven main line services to the UK, Europe and the US are being operated as fixed weekly services and Guntur traders could benefit as their clients are mostly placed in these countries.

Seatrade Middle East Summit

Awards for achievers

Nearly 700 senior executives from maritime companies across the region attended a gala presentation dinner for the sixth annual Seatrade Middle East and Indian Subcontinent awards held at the Intercontinental Hotel in Dubai recently. Dubai-based port operating group DP World was the big winner. CEO Mohamed Sharaf was named Personality of the Year for the continuing successful expansion of Jebel Ali and the group's other port interests worldwide, while the Container Terminal Operating Award went to DP World – UAE region.

Guest of Honour Jamal Majid Bin Thaniah, vice chairman of DP World, had earlier kicked off the proceedings by presenting an upbeat assessment of future container traffic growth in the region, calling upon other ports in the region to upgrade their facilities and levels of service to cope with the extra volumes.

Lifetime Achievement Award went to veteran George Edward Chapman, who had begun container operations at Port Rashid back in the 1960s when the terminal was



DP World CEO Mohamed Sharaf (second from left) receiving the Personality of the Year award during the Seatrade Middle East Summit in Dubai recently.

under agency control. Captain Jimmy Sarbh, former Asia Chairman of P&O Ports, won the Seatrade Outstanding Achievement Award for having built up P&O's dominant position in the Indian ports industry before it was taken over by DP World.

138th Anniversary

KoPT to get more dredgers

Amid celebrations of long service to the nation, Kolkata Port Trust (KoPT) comes to terms with the challenges posed by its dock complexes and seeks a viable solution.



Shipping secretary APVN Sarma addressing an audience during KoPT celebrations in Kolkata. (Left) KoPT chairman Dr. A K Chanda makes a point.

KoPT will get four additional dredgers for clearing the channels at Haldia Dock Complex where siltation is causing severe problems for cargo movement, Secretary of Shipping APVN Sarma announced at the 138th year celebration of the KoPT, the country's second-largest handler of cargo. "Two high capacity dredgers are expected to arrive this month. Another two are expected to arrive in the next one and a half month. Currently three dredgers are operating in the area," Sarma said in Kolkata on October 17.

Later in the day, during a lecture, Dr. Jayanthanuja Bandyopadhyaya, professor emeritus at the department of international relations, Jadavpur University, said the economic turmoil effect on the Indian economy is less since the opposition has put pressure for more government control on banks and financial institutions."

KoPT chairman Dr. A K Chanda, Ambassador of Nepal Dr. Durgesh Man Singh, Consul General of Japan in Kolkata Fujio Samukawa and Ruma Pal, former judge of Supreme Court took part in the celebrations.

NOVEMBER

23-25

International Freight Week

Abu Dhabi, United Arab Emirates

The region's only event covering the entire transport and logistics industry, will focus oil & gas, tourism, finance & banking and trade & logistics. www.internationalfreightweek.com



26-28

INMEX China 2008

At Guangzhou, China

Shipbuilding, ship repairs, marine services and engineering, offshore engineering, ports and port development are featured in this leading business event. www.inmexchina.com

DECEMBER



03-04

Indian Ports & Shipping 2008 (international conference)

At The Ball Room, Hotel Taj President, Mumbai

The sixth edition of Bombay Chamber of Commerce and Industry's (BCC&I) flagship biennial event, themed 'The Maritime IndustryCatalyst for Economic Growth' will focus on desirable financial policy solutions covering taxation, regulatory issues, macro-economic policy and structural reforms that would aid capacity-building, besides addressing expansion plans of the maritime industry. www.transporevents.com



14-15

4th Seatrade Middle East Maritime

At Dubai International Convention & Exhibition Centre, UAE

Held every two years, the exhibition & conference ranks among the industry's top 10 events and 250 companies are likely to take part. Shipping operators and financiers from the world including China, France, Germany, Holland, India, Singapore and the UK will converge to assess the impact of global financial market turbulence and the economic downturn on the Middle East maritime industry.

<http://www.seatrade-middleeast.com>

JANUARY

21-24

World Maritime Technology Conference (WMTC 2009)

At Mumbai

The event themed 'Perceptions and Visions' organised by the Institute of Marine Engineers (India) aims to bring professionals from various countries, organisations and disciplines of marine industry on a common platform to exchange ideas on the latest developments in the maritime world and seek a way forward for working together. www.wmtc2009.com



EVENTS

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

DEC 09-10

Asia Ship Finance & Leasing Forum 2008
At Renaissance Hotel, Shanghai, China

The international summit serves as an investment and marketing platform for shipowners, shipping trusts, agencies, operators, banks, financiers and lawyers. www.asiashipfinance.com

DEC 10-11

4th Annual Ballast Water Management Conference
London, UK

Regarded as the must-attend event bringing together shipowners/operators, system developers, port operators, regulators and scientific experts to environmental challenges, the conference will focus on global and regional regulatory developments that will impact operations; showcase the latest www.ballast2008.com

JAN 26-29

Managing Marine Cargo Claims
London, UK

The annual 3-day event offers shipping professionals from both the wet and dry industries valuable insights into the intricacies of marine cargo claims.

www.maritimetradeshows.com

JAN 28-29

2nd Optimising Ship Maintenance
At Hamburg, Germany

Explores the solutions available to overcome the practical challenges of implementing a maintenance management strategy and thus optimising operational efficiency.

www.acius.net/conferences

FEB 18-20

TranSec India Expo
Mumbai, Maharashtra

The meet brings leading technologists and thinkers together to discuss the security of high throughput mass transit systems and other pressing issues within the transport arena.

www.transec.com

THIRD EYE

At home in a container

We have never really thought of a shipping container as a viable home space. Right? Because these huge metal boxlike objects are primarily used to hold heavy cargo on ships. Of course, they are and this means they are also waterproof, secure and could even be modified as living spaces – the homes that we are talking about. Already, middle class homeowners and even builders are evincing interest in converting these boxes into cosy little homes. The cost of upgrading these cubicles and fitting utility accessories such as bathrooms, gardens and even wash areas is turning out to be cheaper than constructing a new house. These mini-homes may not work well for a large family but they can sure be great as home offices, extra living and storage spaces. So, want to try?



⤴ Here is a shipping container home built to be utilitarian and cheap.



>>
These container boxes in Amsterdam, created by stacking them up five storeys, serve as a dorm for university students.

<<
It's all plush and splashy inside.

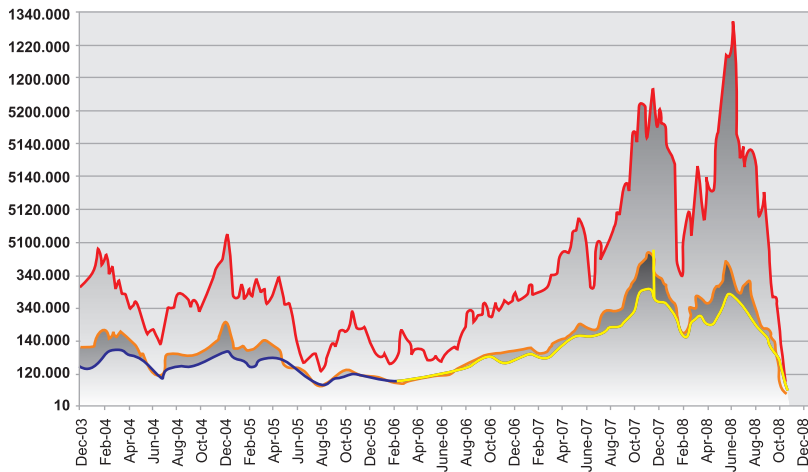


√ √ These multicoloured container homes in London with windows and tiny balcony gardens make a container farm a futuristic housing hive.



Melting Index

As on October 24, 2008, the Baltic Dry Index, a measure of dry bulk shipping rates, has fallen more than 90 per cent from its May month level. It fell down to abysmally low level of 1,149 points on October 24 as compared to 11,793 points on May 20. This drastic slide has made the business miserable to many shipping line operating in dry bulk segment as the prices have been pulled down much below their operating costs. While demand for commodity prices are slowly down world over, this severe downturn in the index is also partly because in the face of the financial meltdown, many shipping firms could not convince the banks to accept the letters of credit issued by other banks.



Legends for the graph of Baltic Dry Index

BCI - Baltic Cape IndexBPI Baltic Panamax Index
BHMI - Baltic Handymax IndexBSI Baltic Supramax Index

Facts

- Every year 1,00,000 tonnes of oil leaks from ships during normal operations in ports and harbours due to machinery failure and human error.
- Cost of insurance claims rose 86 per cent during the last five years. Reasons? Lack of yard space, JIT (just in time) stocks, more complex main engines and cost of steel.
- The typical cost of transporting a 20-foot container from Asia to Europe carrying over 20 tonne of cargo is about the same as the economy airfare for a single passenger on the same journey.

Time Charter rates of Dry Bulk and Tankers

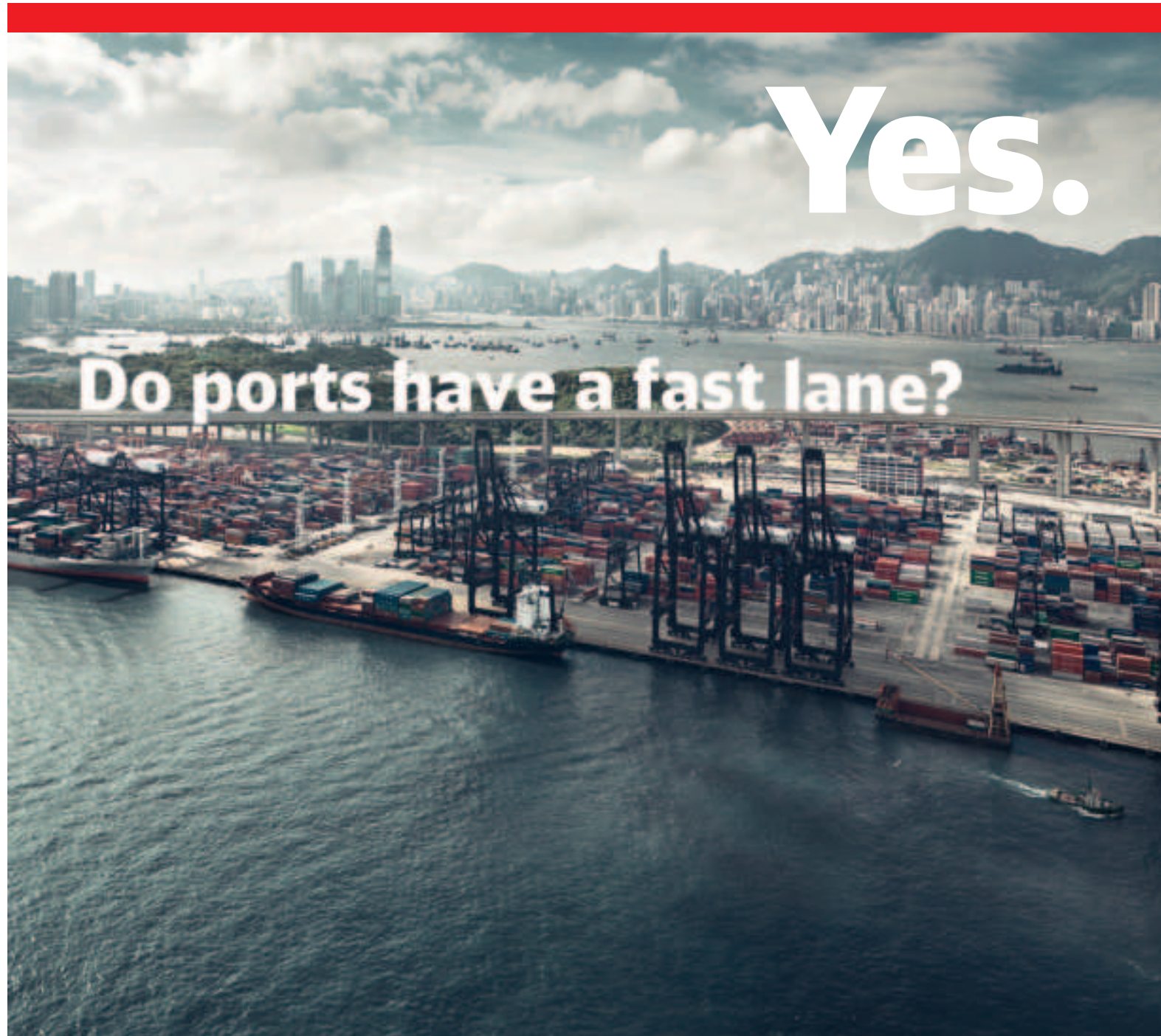
Time Charter Market (US\$/day)

BULK - 1 year	17. Oct. 2008	08 avg	07 avg
Capesize	26,500	133,820	106,900
Panamax	18,500	65,940	52,300
Super Handymax	15,000	53,820	45,700
Handymax	13,000	45,720	39,850
Handy	11,250	34,610	28,150
TANK - 1 year	17. Oct. 2008	08 avg	07 avg
VLCC	70,000	76,910	55,550
Suezmax	50,000	47,730	55,000
Aframax	39,000	36,680	33,150
Panamax	32,500	29,020	29,300
Handymax	23,000	23,880	25,900
Handy	22,000	22,210	23,300

Stock Price Movement of Indian Shipping and Logistics Firms

COMPARISON OF SHARE PRICES

Company	Closing Price in Rs.		Percentage Fall (%)
	22-Oct-08	3-Jan-08	
Shipping Corporation of India	119.95	314.5	61.86
Essar Shipping	37.75	183.25	79.34
Varun Shipping	45.75	106.1	56.88
Great Eastern Shipping	177.05	535.35	66.92
SKS Logistics	13.65	77.9	82.48
Sical Logistics Ltd.	33.4	349.5	90.44
Allcargo Global Logistics Ltd.	718.9	939.15	23.45
Container Corp. of India Ltd.	726.25	1914.05	62.06
Transport Corp. of India Ltd.	47.75	171.05	72.08
Gati Ltd.	36.7	193.95	81.08
ABG Shipyard	990.35	990.35	82.84

The background image is an aerial photograph of a large port facility. In the foreground, several large container ships are docked at a pier, with numerous colorful shipping containers stacked on the ground and on the ships. Several large gantry cranes are visible, used for loading and unloading the containers. In the background, a dense city skyline is visible across a body of water, with mountains in the distance under a cloudy sky.

Yes.

Do ports have a fast lane?

DB Schenker: Ideal timing port-side.

We abolish traffic jams. Thanks to optimized unloading, systematic customs clearance and the cleverly organized fast-tracking of containers to their ultimate destination, we can quickly and flexibly transport your ocean freight. To discover how to win pole position port-side, go to www.dbschenker.com/yes or write to us at infoindia@schenker.com



Conserving our Natural Resources
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DP WORLD

Nhava Sheva

Winner of the 2008 Award for Environment Protection
Seatrade Middle East & Indian Subcontinent Awards