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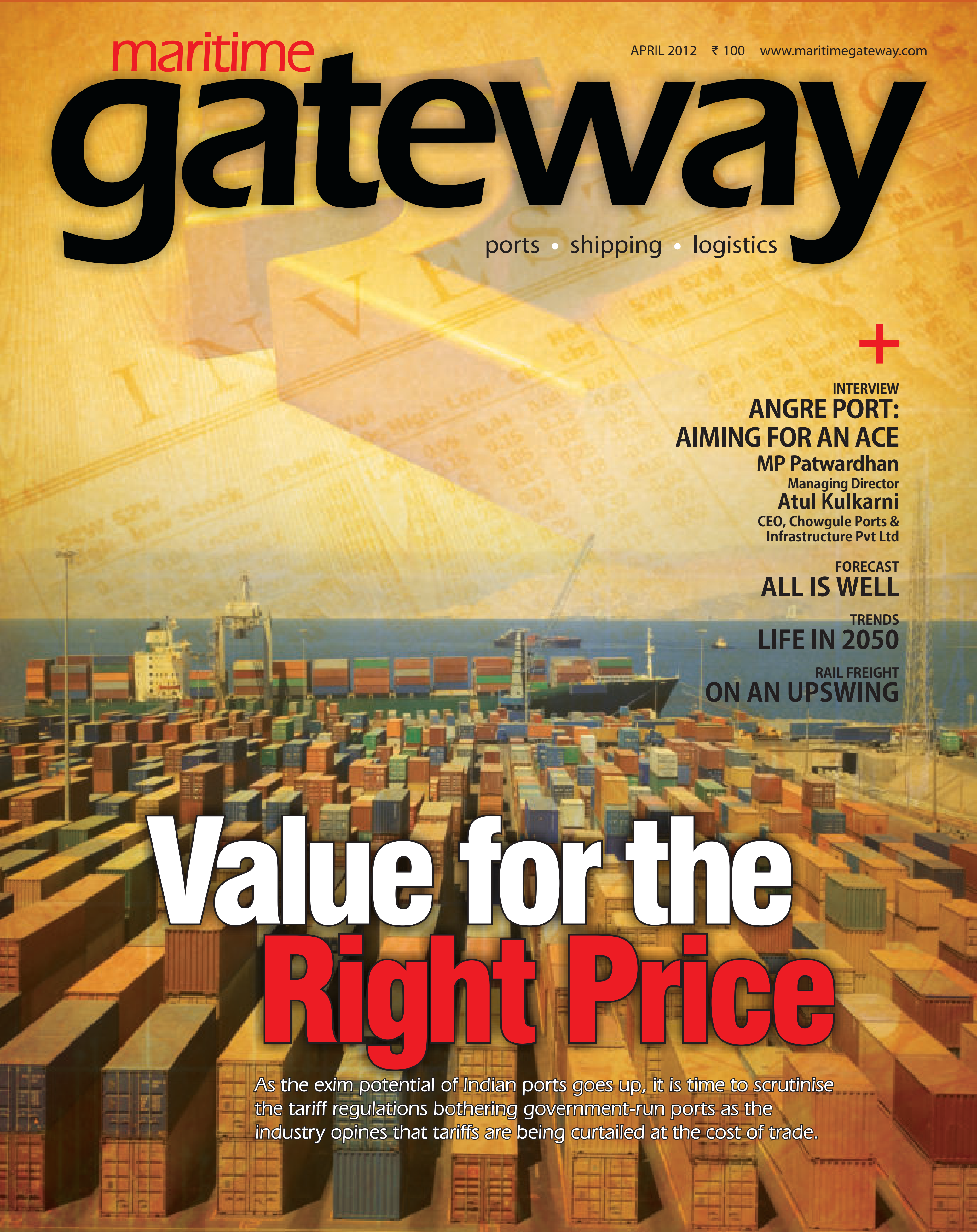

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INTERVIEW
ANGRE PORT: AIMING FOR AN ACE
MP Patwardhan
Managing Director
Atul Kulkarni
CEO, Chowgule Ports & Infrastructure Pvt Ltd

FORECAST
ALL IS WELL

TRENDS
LIFE IN 2050

RAIL FREIGHT
ON AN UPSWING

Value for the Right Price

As the exim potential of Indian ports goes up, it is time to scrutinise the tariff regulations bothering government-run ports as the industry opines that tariffs are being curtailed at the cost of trade.

Transparency Precedes Trust

Transparency - They say is the most neglected asset in the industry. Well, not for APM Terminals Inland Services South Asia, which comprises of 7 container freight stations. With a total bonded area covering 3.3 million sq.ft, empty depots at more than 10 locations that feature state-of-the-art dry and reefer workshops, we are backed by a strong trucking fleet that manages shunts and primary transportation.

Powered by a dedicated team of over 280 skilled professionals we serve every major shipping line, Importers and Exporters offering the most advanced integrated solutions in inland logistics. Guided by the principles of fair trade practice, we provide you with superior service that encompasses the highest standards of safety and security and seek the most valued and rare commodity - your trust.

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Lifting Global Trade
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FROM THE PUBLISHER

When Pearls of Asia Meet

China, as part of its resolve to be the Asia leader and thereby the world, has been working its strategy to rule the seas. The string of pearls starting from ports in Pakistan, Sri Lanka, Myanmar to Bangladesh is the Asian dragon's much publicized threat factor for India, seems as it is, more like a noose than a necklace.

Against this backdrop, when the two Asian powers – which could otherwise be pearls of sea by themselves given their vibrant maritime sectors – meet, the world strains its eyes and ears to read in between the lines and listen in between the lips! But much of what takes places at the diplomatic swings is a hush-hush for the media.

So, when India and China set up their maiden maritime dialogue in the Capital recently, it was a much watched love-hate affair of the neighbours. However, the outcome seems to be positive and according to sources, the 'maritime cooperation talk' was a confidence-building exercise between the two giants waiting to sway their 'blue water' capabilities.

While peace and tranquility formed the primary, or rather the customary point of agenda of a bilateral working mechanism, counter-terrorism dialogue in the wake of China's claims of Xinjiang militants being trained by Pakistan, formed the crux of discussion between the external affairs ministers. "Every possible issue was raised," reported S M Krishna after meeting his counterpart Yang Jiechi.

Greet and the Discreet: China's Foreign Minister Yang Jiechi meets India's Premier Dr Manmohan Singh and External Affairs Minister S M Krishna.

Meanwhile, reports of Beijing focusing its presence in the Indian Ocean with a new military base in Seychelles and mining rights in south-central Indian Ocean are gaining ground. As a brave front to respect its own sovereignty, India too has been trying hard to secure sea lanes of communication (SLOCs) through policing waters from Madagascar, Mozambique and the Gulf of Oman in the west to the Malacca Strait and the South China Sea in the east. Not to mention the naval facility in Vietnam. This line of activity with a resolve to foster economic development and security through the Indian Ocean shows that the seas are definitely mightier than the sword!

As a breather at the end of the rendezvous, the Chinese Embassy stated that, "A stable and steadily growing China-India relationship is not only in the interest of the Chinese and Indian peoples but also conducive to peace, stability and prosperity in Asia and the world." The might of the nations might well be mutually accepted. Pearls that they should be, not perils to each other!

Best Regards

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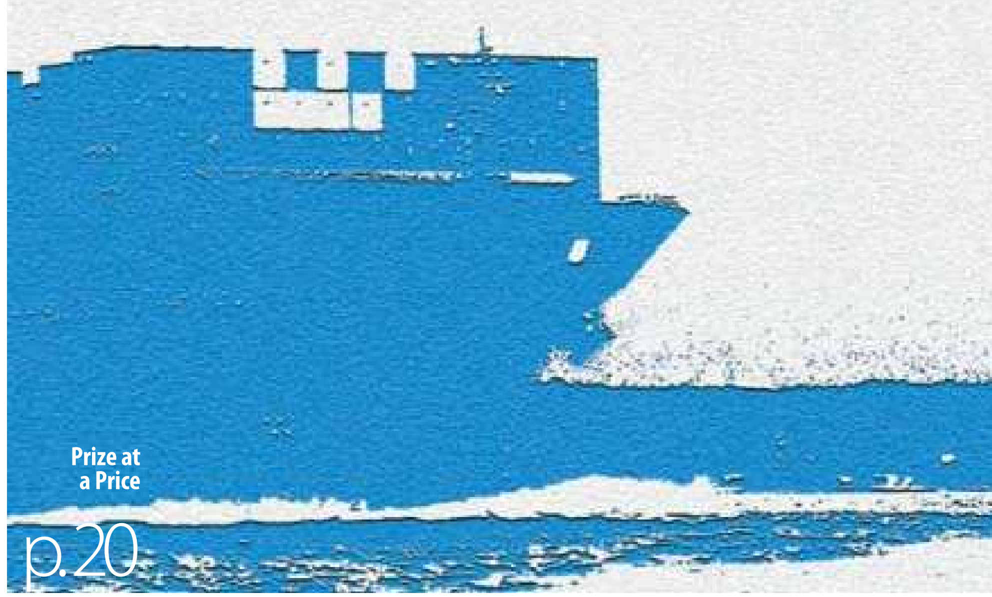

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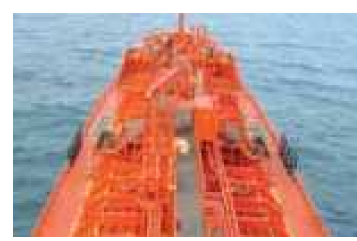

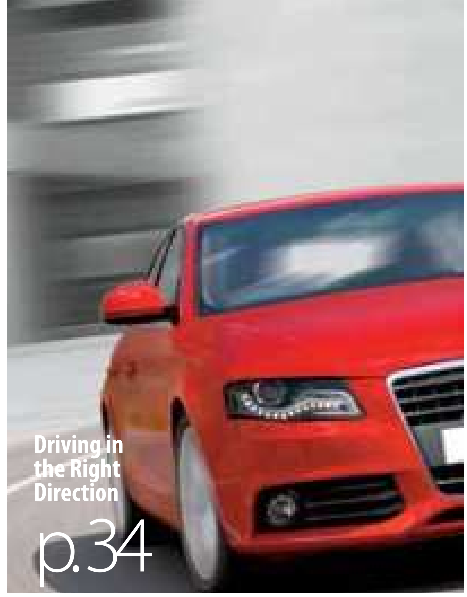

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Right move

Deepening of JN Port Channel approved

The Mumbai Harbour Channel and the Jawaharlal Nehru Port Channel will be deepened and widened at an estimated cost of ₹1,571.60 crore and up to a draft of 14 metres using a tidal window. The Cabinet Committee on infrastructure approved the project. This will enable the port to handle vessels up to a capacity of 6,000 teu. The direct dredging cost of the project is about ₹1,398.97 crore. The channel length will be increased from the existing 29 km to 33.54 km to meet the natural water depth of 14 metres at sea. Further, the width of the channel will also be increased so as to maintain a minimum width of 370 metres from the present dimension of 325 metres in the straight reach. Completion period of the work is 25 months, including mobilisation period after awarding of work.

The key benefits of the project include: Handling bigger size vessels up to a draftof 14 metres by using tidal window, attracting international container vessels, increase in traffic, reducing ocean freight costs per teu and faster turnaround of larger vessels.

Better transit

India can use Chittagong, Mongla ports

India can use Chittagong and Mongla ports in Bangladesh to transit goods, Bangladesh Shipping Secretary Abdul Mannan Howlader said recently. A working group report has stated that India can carry 0.36 million teu of containers per year through the two Bangladeshi seaports. The Indian Prime Minister's Office was briefed about the same.

Abdul Mannan Howlader said the charges for use have not been fixed yet. "They will pay in line with the fees set for the other foreign ships," he added. Once the New Mooring Container Terminal commences operation, the capacity of the Chittagong Port will increase by 1.2 million teu. The report said if the container handling increases by 12 per cent each year, the ports will not face any problem to handle Indian transit related goods. Mongla Port has the capacity to handle 6.5 million tonnes of goods and 50,000 teu of containers each year. "If the three jetties of Mongla Port are used, its capacity will increase to 0.1 million tonnes of teu," the report said. India wants to use the Chittagong Port to carry cargoes to Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura.

Strong shot

NMP to export ODC

The New Mangalore Port (NMP) is making efforts to export over-dimensional cargo (ODC). The port has in place all necessary facilities required for ODCs. So far, it has handled mainly import of ODCs for public sector units such as MRPL and UPCL.

The NMP is already into planned export of ODCs from Suzlon. It has also made unplanned export of ODCs in the form of fabricated items for other players. Recently, it handled an unplanned export of ODC – weighing 583 metric tonnes and measuring 50.5 metres in length and 11 metres height.

According to officials, the port used to break open a part of its compound wall along the national highway to facilitate the passage of imported ODC. But now, it has taken measures like bringing in the cargo through the silver jubilee gate along Tannirbhavi Road. The ODC is brought to and taken out from this gate along the SEZ Corridor Road.

PPP Projects

Adani bags dry bulk terminal project

Adani Ports and Special Economic Zone (APSEZ) will commission a dry bulk terminal at Kandla Port Trust. The Centre issued a letter of intent to the Adani Ports to set up the dry bulk terminal on build, operate and transfer basis. The terminal will have an annual capacity of 20 MMT, and is expected to be commissioned by 2014. Adani Ports will invest about ₹1,200 crore in the dry bulk terminal.

The dry bulk terminal will be located near Tuna outside Kandla Creek at the Kandla Port. Work will commence after signing of the concession agreement with the Kandla Port Trust. Adani Ports bagged the contract as it emerged as the highest bidder on revenue share basis. The project will have a capacity of 14.11 million tonnes per annum. Rajeeva Sinha, Wholetime director APSEZ, said Kandla Port's location will be a significant factor in attracting cargo from the north-west hinterland and will assist Adani Ports to cross cargo-handling volumes of 200 million tonnes by 2020.

Simplifying procedures

Videotel, MTS produce new series

Despite the crucial importance of the US Port State Control to the well-being of the seafarer, the vessel and the environment, it is often viewed as a necessary evil by many seafarers. Yet, a knowledge of policies and procedures, and a properly prepared ship and crew, can ensure a satisfactory outcome.

To address this issue, Videotel, the world's largest multimedia producer of high-quality maritime safety training software and US-based Maritime Training Services (MTS) who produce and distribute maritime training materials, have combined their expertise to produce a new training programme on the US Port State Control.

"Recently, our film crew rode from Vancouver to Seattle on board a container ship and personally experienced the US Port State process. We compared it with our original programme produced in 1996 and instantly knew this was the time to update it," said Matt Gasparich, managing director at Maritime Training Services.

The team produced a programme which covers the latest US Port State Control procedures. In particular, the US Department of Homeland Security's Customs and Border Protection (CBP) immigration and agricultural inspections were a primary focus, and MTS was given the opportunity to follow CBP officers on a real agricultural inspection and immigration procedure. The programme covers the US Coast Guard inspection process, following a team of inspectors through a typical boarding with Coast Guard commentary on the best way to prepare ships and crews for inspection. The programme is available on Videotel's VOD system and for purchase worldwide.

Expanding operations

DP plans to invest in minor ports

Dubai Ports World is showing keen interest in developing minor ports in India. Company officials said the move is part of DP World's expansion strategy. DP World currently has one operating terminal at Adani Port in Gujarat. It is interested in developing operating terminals and allied business across minor ports in India. DP World operates container terminals at the JNPT and the Chennai Port. It also operates the country's first transshipment hub in Cochin.

Anil Singh, managing director of DP World (subcontinent), said "We see huge potential in minor ports category as they are expected to grow further at a time when some of the major ports are choked in terms of capacity." DP World is making efforts to urge the government to allow docking of foreign vessels at the International Transshipment hub in Cochin. Navigation rules have resulted in a fewer number of vessels arriving at the hub. The company is also planning to invest in container freight stations and inland container depots in India.

Electrical steel

JSW to set up facility at Vijayanagar

JSW Steel, in line with the strategy of increasing its portfolio of value added products, is now foraying into the manufacture of electrical steel. The company will set up an electrical steel manufacturing facility at Vijayanagar.

The first phase of the facility shall produce 0.2 million tonnes per annum cold rolled non-grain oriented (CRNO) and which shall be expected to get commissioned in next 24 months from the date of receiving requisite approvals.

The 0.6 MTPA capacity plant will initially produce 0.4-0.5 MTPA of cold rolled non-grain oriented (CRNO) grade electrical steel.

JSW and JFE signed collaboration agreement in 2010. Both companies have already entered into agreement to collaborate in automotive steel manufacturing at Vijayanagar and now intend to extend collaboration to electrical steel.

JFE is one of the largest integrated steel producers in Japan with extensive experience and access to advanced technologies required for the production of high quality steel products, energy management and environmental management. Implemented in a phased manner, JSW envisages becoming the largest electrical steel producer in the country. The present demand of electrical steel is 0.5 MTPA and is expected to double by 2016-17, and grow at a CAGR of 15 per cent.

Service expansion

Wärtsilä acquires MMI Boiler

Wärtsilä has signed a contract to acquire the assets and business of MMI Boiler Management Pvt Ltd, the Singapore-based company specialising in the service and maintenance of boilers for marine and industrial applications. MMI Boiler Management has its main operations in Singapore and coverage throughout Southeast Asia and the Pacific region.

(Left side of the table) from front to back: J T Kim, executive vice-president, HHI; J H Kim senior executive VP and COO; HHI; KD Chang, Sr. VP, HHI and CH Lee, General Manager, HHI. (Right side of the table) from front to back: Y U Park, GM Wärtsilä Korea; Eero Markkinen, License Director, Korea; Martin Wernli, president of Wärtsilä Switzerland; Rolf Stiefel, sales director, Wärtsilä Ship Power Merchant.

The acquisition further strengthens Wärtsilä's boiler services offering and enhances its leading position in the global marine services market. Furthermore, it supports Wärtsilä Services' strategy of constantly developing the offering with value-enhancing services within existing customer segments. MMI Boiler Management has a strong market position in Southeast Asia and the Pacific region, particularly within the offshore segment. The company's activities include the service, maintenance, repair and installation of boilers, for both marine and land-based customers. MMI Boiler Management's net sales were approximately €5.3 million in 2011. MMI Boiler Management will be integrated into Wärtsilä Corporation. Services is one of the three Wärtsilä's businesses alongside Ship Power and Power Plants. Wärtsilä Services offers services to both the global marine and energy markets.

Long-term partner: Wärtsilä extended its license agreement with South Korean partner Hyundai Heavy Industries, Engine and Machinery Division to build low-speed engines. The agreement was signed in Ulsan and covers the period from 2012 to 2021.

Inter-island service

A&N to acquire new vessels

The Andaman and Nicobar (A&N) administration can now acquire two 500 pax-cum-150-tonne cargo vessels. This was decided by the Cabinet, and would cost about ₹391.34 crore. The vessels will help the inter-island shipping services to meet the increased passenger traffic requirements.

The islands are spread over 700 km and inter-island sector consist of ships originating from Port Blair to far-flung southern group of islands terminating at Campbell Bay Island. Out of four vessels for inter-island sector, two vessels, namely *MV Chowra* and *MV Sentinel*, have outlived their economic life in 2004 and 2002 respectively. Another vessel, *MV Dering*, built in 1992, is also due for decommissioning. With the decommissioning of these vessels which are running in their extended life span, the capacity will be reduced substantially and to maintain the present level of service, acquisition of two more vessels is imperative. There has been a demand from the islanders for providing adequate number of passenger ships for their transportation needs to access better education and healthcare facilities which shall be catered to through these two vessels.

One more

Mini Cape vessel joins Essar's fleet

Essar Shipping Ltd has inducted a new mini Cape vessel *MV Arun* to its operating fleet. The new vessel is 253 metres long, 43 metres wide and has a capacity of 10,5000 dwt. The delivery of second mini Cape vessel is part of Essar's $1-billion capex plan. The company has outlined $600 million for acquiring 12 vessels and around 450 million for obtaining two jack up drill rigs. *MV Arun*, which was built at STX Dalian Shipyard, is the second vessel in the in the series of six that Essar will add to its fleet in next four months. said AR Ramakrishnan, Managing Director of Essar Shipping Ltd.

Renewed focus

Maersk to defend market share gains

Maersk Line said it would not allow its renewed focus on profitability rather than cargo volume to eat into the significant gains in market share it achieved in 2011. Maersk's global market share increased by 15.5 per cent in 2011 after it boosted traffic by 11 per cent, and hit an all-time high of 19.4 per cent on the Asia-Europe trade. Maersk will focus on boosting profitability through a hike in freight rates in the coming months from unsustainably low levels, particularly on the Asia-Europe route. It introduced a general rate increase of $775 per 20-foot container on the westbound Asia-Europe route on March 1. Maersk CEO Skou said "It is holding up quite nicely … but not getting us into profit." The company plans another rate hike beginning April this year.

A slower growth than forecast may prompt Maersk, which announced a 9.5 per cent reduction in capacity on the Asia-Europe trade in February, to take out another 9 per cent globally by expanding its slow-steaming programme for vessels and not renewing time-charters when they expire. Charters account for about 50 per cent of the Maersk fleet. Maersk prefers to grow in line with the market, and expects an increase of 3 per cent this year.

Offshore vessel

Cochin Shipyard delivers PSV

Cochin Shipyard delivered a Platform Supply Vessel Brage Trader to brage supplier KS, Norway on March 20. This is the fourth of a series of the high-technology offshore vessel that have been constructed and delivered by CSL this financial year. The protocol documents of the ship were signed by Capt R S Sundar, Director (Operations) on behalf of Cochin Shipyard and John I Nielsen, on behalf of owners Brage Suppliers KS. Cmde K Subramaniam, CMD and Shri Ravikumar Roddam, Director (Finance) were present.

The vessel is of PSV 09 CD type designed by STX OSV Norway, classed under the Rules and Regulations of Det Norske Veritas and flagged under the Norwegian regulations. The 88 x 19 metre vessel is a high-end Diesel Electric PSV with by 4 Nos 1665 KW Diesel gen. sets and 2 Nos 2200 KW contra rotating propellers. The vessel with Grade II Dynamic Positioning features has been assigned the 'CLEAN' design notation by DNV. The vessel with accommodation for 42 persons meets the requirements of COMF class signifying high comfort levels due to special arrangements to attain low levels of noise and vibration. The vessel has special stainless steel tanks with Nitrogen inerting arrangements to carry low flash liquids and is capable of all normal offshore supply operations.

Iran imports

SCI in talks for local insurance

The Shipping Corporation of India is in talks with local insurance companies to provide cover for cargoes and vessel imports from Iran. According to news reports, Indian shipping firms will find it difficult to obtain replacement insurance coverage to continue importing Iranian crude oil after new EU sanctions come into effect. Beginning July 1, the SCI can lose EU insurance coverage for its oil tankers operating in Iran as European insurers will be prohibited from indemnifying ships carrying Iranian oil.

Trade routes

5 firms strike deals

Beginning April 2012, five shipping companies – Cosco, "K" Line, Yang Ming, Hanjin and Evergreen Line – will initiate individual cooperative arrangements on Asia-Europe trades to offer customers best sailing frequency, transit time and service coverage. The arrangements will be introduced in eight weekly services for Asia-North Europe and four for Asia-Mediterranean including direct services for Asia-Adriatic regions calling Rijeka, Koper and Trieste.

New move

Inchcape base at Ottawa

Inchcape Shipping Services, a shipping company with a logistics and supply chain business, has set up its headquarters at Ottawa in Canada. It has offices at Montreal, Toronto, Halifax and Vancouver. The new base will facilitate the company's growing logistics business with the government.

The Secretary, Ministry of Water Resources, Dhruv Vijai Singh and CMD, NPCC, A K Jhamb, exchanging the signed documents of an MoU between Ministry of Water Resources and NPCC for the year 2012-13, in New Delhi recently. Photo: PIB

Certification

Khimji Poonja re-attains ISO standard

The ISOQAR, one of the first independent certification bodies in the United Kingdom, has reapproved the ISO Standard 9001:2008 of Khimji Poonja Freight Forwarders Pvt. Ltd (KPFFPL) until November 22 for the company's quality management system. According to the company, market experience, domain expertise, state-of-the-art technology and implementation of global best practices have resulted in the consistent re-approval of ISO certification.

ISO standard 9001:2008 specifies the requirement for a quality management system where an organisation needs to demonstrate its ability to consistently provide services that meet customer and applicable statutory and regulatory requirements. It aims at enhancing customer satisfaction through the effective application of the system, including processes for continual improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements.

Khimji Poonja's clientele includes leading conglomerates like Siemens Ltd, Godrej & Boyce Mfg Co. Ltd, Atlas Copco (I) Ltd, Larsen & Toubro Ltd, Carrier Aircon Ltd, Ingram Micro India Ltd, Reliance Industries, Colgate-Palmolive (India) Ltd, Sony India Pvt Ltd, LG Electronics India Pvt Ltd, Philips Electronics India Ltd, Tata Consultancy Services Ltd, ITC Group, Raymond Ltd, JK Paper Ltd, Ballarpur Industries Ltd and Thyssenkrupp Electrical Steel India Pvt Ltd.

> **"We are delighted to re-attain accreditation to ISO 9001:2008, another demonstration of our commitment to deliver high quality services that meet global standards of customer satisfaction."**
> **Dilip Mulani,**
> *Director of Khimji Poonja Freight Forwarders Pvt. Ltd*

Steady progress

Damco profits up

Global logistics and freight forwarding company Damco released 2011 results which show its earnings increased significantly. Damco's Earnings Before Interest and Tax (EBIT) improved by 29 per cent in 2011, an increase from $75 million in 2010 to $97 million.

Productivity improvements decreased the overhead expense ratio and drove the EBIT return on sales from 2.8 per cent to 3.5 per cent. The return on invested capital rose from 22 per cent to 26 per cent for the year. The total revenue grew to $2.8 billion from $2.7 billion in 2010. "We are pleased to have delivered such strong results, despite the softening market in the second half of the year," said Rolf Habben-Jansen, CEO of Damco.

Shipment transparency: Damco has signed a three-year contract to serve as the Asia Pacific lead logistics service provider for Syngenta, the world's largest agribusiness headquartered in Basel. Damco will arrange and manage Syngenta's global shipments of raw materials and finished goods from factories throughout Asia, providing end-to-end visibility.

Damco will provide integrated supply chain management services, including control tower, carrier management, and land-side services for all Syngenta shipments from China, India, Japan, Singapore, Korea, Thailand and Indonesia. "We have a global footprint, with more than half of our staff in emerging markets. With our dedicated team of supply chain development specialists, this gives us the hands-on knowledge to optimise our customers' supply chains," said Jansen.

Railway Budget 2012

More equity into DFC project

The Railway Budget 2012-13 has decided to pump in more equity and acquire land to push the ₹90,000-crore Dedicated Freight Corridor (DFC) project through. The project once commissioned will improve freight traffic growth by setting up rail lines dedicated for goods transport. Currently, Indian Railways carries mixed traffic failing to capture the demand for high freight movement.

In 2012-13, ₹2,000 crore has been lined up for investment and land acquisition. The DFC project covers 3,300 km, including 1,500 km of the western arm along the Delhi-Mumbai stretch between Dadri near Delhi and Jawaharlal Nehru Port Trust (JNPT) in Mumbai traversing through Haryana, Rajasthan and Gujarat. The eastern arm of the project would stretch between Ludhiana and Dankuni in West Bengal.

Gross rail traffic targeted to increase by ₹28,635 crore to ₹1,32,552 crore in 2012-13.

To carry 55 million tonne more freight at 1025 million tonne in 2012-13.

Railway Minister Dinesh Trivedi said about 65 per cent of the total 10,700 hectares of land has been acquired and bidding process for civil works has commenced. Of the total investment of ₹2,000 crore, about ₹1,000 crore would be spent on Kanpur-Khurja section of eastern corridor alone. Technical bids for the Kanpur-Khurja section are likely to begin this month.

Kakinada-Vizag rail corridor to take off

An important announcement made during the Railway Budget was developing a coastal rail corridor between Kakinada and Visakhapatnam. This is part of the efforts to strengthen the rail connectivity in the Petroleum, Chemicals and Petrochemical Investment Region (PCPIR). The rail corridor is significant as many new ports have come on the east coast, and several big companies have invested in refinery projects in the hinterland.

Targeting freight carriage of 1,025 million tonnes to bring in ₹89,339 crore; passenger earnings estimated at ₹36,073 crore; gross receipts estimated at ₹1.32 lakh crore. Dedicated railway design wing at National Institute of Design with ₹10 crore.

Railways expect 30% growth in freight revenues

The Railways is expecting growth of over 30 per cent in its earnings from freight in the next fiscal to ₹89,339 crore on higher loading of goods and commodities.

Railway Minister Dinesh Trivedi, who spared goods movement from increase in freight rates, projected 1,025 million tonnes in the next fiscal. "The Railways is targeting to carry 1,025 million tonnes of revenue earning originating traffic during 2012-13, which is 55 million tonnes more than the revised estimate target of 970 million tonne," he said.

"The freight earnings target has been kept at ₹89,339 crore, indicating a growth of 30.2 per cent over the current year's revised target."

Emphasising the fact that revenues of the Railways have been dependent on freight traffic, Trivedi said, "This model of heavy cross-subsidy is not sustainable over a long period. If this continues, then I am afraid railways may lose freight traffic to road."

World Bank funding of ₹6,500 crore firmed up for dedicated freight corridors; land acquired for 3,300 km; first contracts to be handed out during 2012-13.

Investment of ₹1.70 lakh crore on rolling stock in next five years.

Railways has scaled down its freight loading target for the current fiscal to 970 million tonnes from earlier estimated target of 993 million tonnes due to ban on iron ore exports by Karnataka and Odisha state governments.

Iron ore is the second-largest contributor after coal in Railways' freight revenues. However, the Railway Minister said that the earnings targets for the current fiscal has been kept at the same level in revised estimates due to increase in freight rates, made on March 6.

"The earnings target (₹68,620 crore) for goods has been retained in view of freight rationalisation implemented from March 6, 2012. The rationalisation seeks to better align the freight tariff with cost of rendering service and ease the pressure on railway finances," he said. -Agencies

Budget views

Railway Budget 2012-2013 has been positive for both passengers and freight.

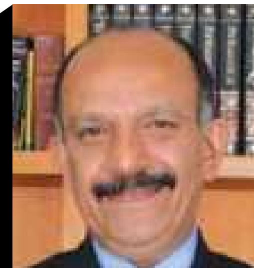
Vineet Agarwal, Joint Managing Director, Transport Corporation of India

Assortment of benefits

Railway Budget 2012-2013 has been positive for both passengers and freight and offers a wide assortment of benefits to the commercial and the logistics firms as there have been no major changes in fares and freight rates. The proposal to create an additional post of new board member has indicated Railways' seriousness to deal with the issue. It will eventually improve the railway's image and will encourage confidence in the end user.

The decision of the ministry to create a separate Railway Research Development Corporation is also a positive step in speeding the implementation of pending projects. The operational setup will receive an impetus with technological upgradation of the 19,000 km of rail lines for the first time in recent years and these routes have been carefully chosen, which generate 80 per cent of freight revenue for Indian Railways. The ministry has probably put its best foot forward in the direction of revamping of its operational setup.

The Indian Railways has done a separate budgetary allocation for developing special type of rolling stock including for automobiles and double-stack container movement. By focussing on developing special type of rolling stock for automobiles and break-bulk commodities, IR has woken up to the needs of the industry. The ministry's step to bring down the operating ratio by 10 per cent within one FY is a bold step. This is a wishful thinking by the Indian Railways to improve the operating ratio to 84.9 per cent for FY 2012-13 from current 95 per cent with overall target to bring it to 74 per cent by 2016-17.



M Rafeeque Ahmed, President, Federation of Indian Export Organisations (FIEO)

Impact of cross subsidisation

As anticipated, there has been marginal hike in passenger fares and no announcement in respect of freight rates as the hike in freight rates was announced earlier on key commodities like coal / food grains / fertilisers on March 7, 2012, besides the one in October 2011 for the busy season. This cross subsidisation, with burdens skewed more and more towards freight each time, are bound to impact the industry severely and more so now, with mounting inflation and high interest rates.

However, the decision taken for setting up of independent Safety Railway Regulatory Authority and focus on expansion and modernisation of Railways is the need of the hour.

The North-South and East-West freight corridor should be implemented within the Twelfth Plan period so as to facilitate seamless movement of export cargo particularly from landlocked states.

Anil Khanna, Managing Director, Blue Dart Express Ltd

Modernisation & capacity addition

With the highest outlay ever of ₹60,100 crore and greater emphasis on safety and modernisation, the Railway Budget looks good. Earmarking ₹4,410 crore towards capacity augmentation is another step in the right direction that will help address the current congestion. It is noteworthy to see the setting up of Indian Railway Station Development Corp to maintain around 100 railway stations on par with airports.

The proposal to set up logistics corporation and logistics park should address the current shortcomings. To have high speed trains for freight is another encouraging step. It is heartening to note that for safety there would be a plan outlay of ₹16,842 crore. What we hope to see is real-time implementation of the proposals announced.

Aberdeen report

Last-mile visibility a growing focus

Intermodal carriers and 3PLs turn to collaborative technology to eliminate blind spots in complex, multi-party last mile inland operations.

A report, Intermodal Optimisation - Enhancing Last Mile Visibility and Execution, published by the Aberdeen Group has said carriers and 3PLs are increasingly turning to collaborative technology to eliminate blind spots that exist today in the movement, delivery and return of containers to and from the last mile – the final customer destination.

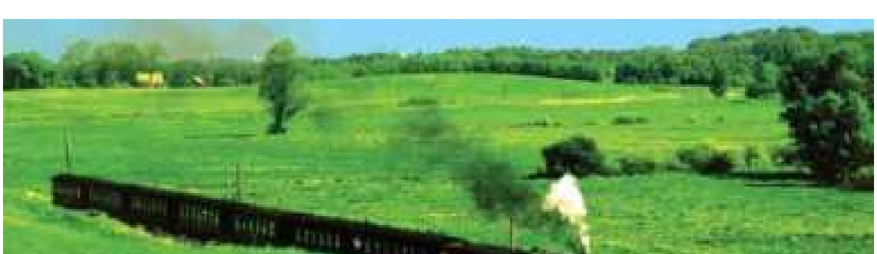
Commissioned by cloud transportation technology provider IAS, the report surveyed 58 intermodal freight users out of 123 North American BCOs, 3PLs and carriers first interviewed for Aberdeen's August 2011 study on Integrated Transportation in a Capacity Constrained Global Market. The goal was to analyse how challenges faced by intermodal users differed from their single-mode counterparts, how they were coping with current global intermodal requirements, and what technology strategies were being adopted in response.

Compared to the others, intermodal users – companies moving containers to and from ocean ports and rail ramps, mainly as part of international shipments – face more complex requirements. These include not only coordinating equipment and container movements from port, rail, truck and inland customer delivery locations, but also the tracking and return of the containers to the port designated by the container owner. The challenge is being magnified by the lengthening of global container supply chains, says the report.

"Across a broad spectrum of partners, the synchronised movement and return of international intermodal shipments and containers requires far more levels of status and visibility than single mode domestic transport," observes report author Bob Heaney, Senior Research Analyst, Supply Chain Management, at Aberdeen.

"Our research found that both single mode and intermodal users are highly focussed on improving supply chain visibility to reduce transportation cost and improve on-time and complete shipments. However, intermodal users are more aware and prepared to address the weakest link in the chain – last mile visibility and optimisation."

Based on the research findings, Aberdeen has recommended the use of existing collaborative cloud-based platforms as the swiftest and most flexible route to bring all the relevant partners onboard and achieve the required levels of visibility.



Dutch deal

Four Soft signs deal with Hamacher

Four Soft Ltd, a provider of software solutions for the logistics and transportation industry, announced that its subsidiary Four Soft Netherlands BV, Dordrecht, had signed a contract with Hamacher Logistik BV, Netherlands, to implement its freight forwarding application 4SeTrans SME.

4SeTrans SME is a complete freight forwarding system designed to automate, streamline and support multi-modal international freight forwarding operations. It provides the logistics industry with a flexible and comprehensive software solution to manage business efficiently, increase productivity and improve the overall service to their customers.

RBR business

Results Marine is India agent

RBR Ltd, Canada, has included Results Marine Ltd to their team of global agents, to handle sales and support in India.

Results Marine Ltd (RMPL) specialises in business development and support services for the Indian Marine industry. RMP operates out of Chennai, Mumbai, and New Delhi, offering comprehensive and professional technical, contractual and after-sales-service support to its clients. Specifically, Results Marine has facilitated in bringing world-class technology to the Indian research market for oceanographic, seismologic, geophysical, shipbuilding, and upstream oil and gas purposes.

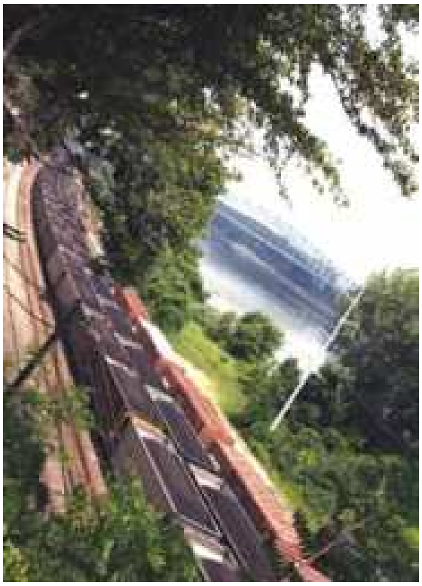
Power boost

Tax on coal imports cut

The Union Budget has scrapped taxes on coal imported by power companies, an attempt to boost electricity generation in the country. This move is likely to have a positive effect on independent power producers. News reports state that the exact impact on each company's finances will take time to be understood.

Adani Power and JSW Energy among others are likely to benefit from the budget. Analysts believe that the tax cut will make overseas thermal coal more attractive but will not be enough to boost purchases much beyond the 70-80 million tonnes already forecast for 2012-13.

Finance Minister Pranab Mukherjee announced power companies would not have to pay a 5.1 per cent import duty on thermal coal for a period of two years. But the gap between domestic and international coal prices is still wide, as global coal prices are much higher than domestic price. Indonesia spot coal prices are currently around $65 per tonne while average domestic coal prices vary between ₹1,600-1,700 per tonne.



According to industry experts, Indian power companies will import about 65 million tonnes of thermal coal in 2011-12.

Also, the minister has permitted power companies to avail of external commercial borrowings (ECBs) to part finance their rupee debt besides increasing the quantum of tax-free bonds limit for the sector to ₹10,000 crore from ₹5,000 crore. This will benefit upcoming power projects.

Power demand

Adani to continue investing in Indonesia mines

The Adani Group said it will continue to invest in Indonesia, where new regulations have been imposed on foreign mining companies. The rules require foreign mining companies to reduce their local stakes to 49 per cent.

With the Indian economy growing, there is a huge demand for power. Companies such as Adani have acquired coal mining rights in Australia and Indonesia to supply coal imports to generate power in the country. Adani has mines in South Sumatra, East Kalimantan and Central Kalimantan provinces.

According to estimates, Adani's coal imports from Indonesia may increase to about 10 per cent, around 33 million metric tonnes, in the year ending March. Apart from shipping coal to India, the company also wants to develop coal-fired power plants in Indonesia.

Indian ships

INSA requests for insurance cover

Shipowners body INSA said it has requested the European Union (EU) to continue providing insurance cover to Indian ships for carrying oil from Iran, which is facing sanctions from the US and Europe. "We have written to the European Union to allow its protection and indemnity cover (P&I) club to continue extending cover to Indian vessels," the Indian National Shipowners Association (INSA) CEO Anil Devli told PTI. INSA has mentioned that not providing insurance cover would be against the International Convention on Civil Liability for Oil Pollution Damage, Devli said.

The sanctions prohibit EU-based entities from providing insurance and guarantees for transportation of oil from Iran. Most of the Indian shipping lines take protection and indemnity cover (P&I) mainly from them. Shipowners have expressed apprehensions that they may not get international insurance cover following the sanctions, announced on January 23.

Earlier, the government said that India is considering providing sovereign guarantee to domestic shipping lines for import of crude oil from Iran. SCI, which operates about 40 tankers, will be one of the most affected companies as it will lose its EU insurance coverage for oil fleet operating in Iran from July 1, as European insurers will be prohibited from indemnifying ships carrying Iranian oil. Apart from SCI, companies like Great Eastern Shipping and Mercator Lines have contracts with state-run Indian Oil and Hindustan Petroleum to import crude.

Global uncertainty

IMF lauds India's trade reforms

The International Monetary Fund (IMF) lauded India's efforts in managing economy well with "good measures", amid persisting global uncertainties.

Crude prices could soar by between 20 and 30 per cent if the West imposes an embargo on Iranian exports over concerns about its nuclear programme. Also, airlines could run up losses of over $5 billion this year if oil prices jump to $150 a barrel.

IMF Managing Director Christine Lagarde, who was in India recently, said the multilateral agency is keen on implementing quota reforms that would provide more voting rights for emerging nations including India and China.

Appreciating India's economic reforms measures, she said: "The decision of government to cap subsidies at 2 per cent of GDP, I think that is a very solid anchoring of the role of subsidies."

Managing Director of International Monetary Fund Christine Lagarde meeting Union Minister for Commerce & Industry and Textiles Anand Sharma in New Delhi recently.

"We are encouraged to see there is a continued path towards fiscal consolidation; that there is a determination to improve the tax code. There is a determination to cap the subsidies at 2 per cent. All of those measures are good measures," Lagarde, who is visiting India for the first time after becoming the IMF chief, said.

The IMF chief described India's expected growth rate of 7 per cent next year as "significant" while reminding that vulnerabilities and fragile zones continue to remain in the global economic landscape.

"Change is in the air," she said while stressing that India and China are the leading members of the IMF.

On the global economic situation, she said: "The situation is not as grave as it was three months ago ... [The global economy] is further away from the abyss."

However, she cautioned that supply disruptions from Iran could push global crude prices by up to 30 per cent, at a time when the price is hovering at $125 a barrel. –PTI

4-year record

India-Zimbabwe trade doubles to $125 mn

Trade between India and Zimbabwe has doubled to $125 million (about Rs 625 crore) in the four years to 2010-11, the Commerce Ministry said in a media release. "Bilateral trade has shown an impressive growth, increasing from $64.02 million in 2006-07 to $125 million in the year 2010-11," the release said.

Commerce Minister Anand Sharma, who met the visiting Vice President of Zimbabwe Joice Mujuru recently, requested the Zimbabwean side to ratify Bilateral Investment Promotion and Protection Agreement (BIPPA) signed in 1999 as it will help in increasing investments between both the countries. He also expressed special interest in cooperation with Zimbabwe in sectors like mining, power generation, railway, ICT and agriculture.

In 2010-11, India's exports to Zimbabwe were $114 million and imports were worth $11 million.

"In fact, the tripod on which the India-Africa relationship stands today with the resonance of South-South cooperation is that of technology, trade and training," he said. –PTI

Trade sanctions

India asks Iran for oil insurance risk

Indian oil buyers are asking Iran to bear the insurance risk for transporting its crude as tighter Western sanctions make it more difficult to buy Tehran's principal export, industry sources said.

The number of maritime firms willing to transport Iranian crude has dwindled significantly since the European Union announced in January that it would proceed with an oil embargo, leaving Asian oil buyers to rely more on Iranian-owned tankers.

With Indian shipping firms uncertain whether they can continue transporting Iranian oil, Indian Oil Corp and Hindustan Petroleum Corp have written to the National Iran Oil Corp asking the company to take on the insurance risk for their crude shipments. NIOC indicated that it may consider the request on a case-by-case basis, the sources said. –Reuters

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Ship and offshore fields

ClassNK, BKI sign pact

The agreement is likely to provide a more proactive approach to the exchange of opinion on technical and industry issues

ClassNK recently announced that it had entered into an agreement with Indonesian classification society, Biro Klasifikasi Indonesia (Persero) (BKI). The focus of this agreement is a deepening of cooperation between the two societies in a wide range of maritime sectors. Although BKI and ClassNK have been working together in classification for over 40 years, this agreement marks a new stage in this relationship, a stage in which the two parties look to move closer together for the benefit of the Indonesian maritime industry.

Capt Purnama, president director of BKI and Noboru Ueda, chairman and president of ClassNK, at the signing ceremony in Jakarta recently.

The scope of the agreement is wide-ranging, providing for a more proactive approach to the sharing of information and exchange of opinion on matters related to the technical aspects and the industry. Also on the agenda is the pooling of the two organisations' technical and human resources as the two societies look to improve both the quality and convenience of their services across the board in the ship and offshore fields. Additionally, there is the potential for joint research and development projects, collaboration on the development of technical rules, plan approval and surveys, as well as the education and training of technical staff.

The agreement was signed at the Intercontinental Hotel in Jakarta, Indonesia between Captain Purnama, president director of BKI and Noboru Ueda, chairman and president of ClassNK.

Expressing his views on the potential of this new partnership, Ueda said, "BKI and ClassNK have enjoyed a long and excellent relationship for many years now and I believe that this agreement will build even stronger ties between our two societies in the future. We promise to dedicate ourselves to supporting the ongoing growth and development of BKI and its activities, and securing greater success for Indonesia's maritime community over the many years to come."

Safety guidelines

ClassNK has released a new revised edition of its "Guidelines for the Safe Carriage of Nickel Ore" which was first released in May 2011 in response to major marine casualties caused by a loss of stability as a result of the liquefaction of nickel ore. This first edition summarised operational precautions and recommendations from past findings for the prevention of such liquefaction.

Oil and Gas

Hamworthy wins biogas plant deal

Hamworthy Oil & Gas Systems, a leading developer and supplier of gas handling and liquefaction technology, has secured its first contract for a biogas liquefaction plant with Norwegian company Cambi AS, a specialist in biowaste treatment. The biogas plant will treat 50,000 tonnes of food waste a year and produce around 14,000 Nm^3/day of biomethane. The liquefaction plant is to be delivered early 2013. Hamworthy Oil & Gas Systems' responsibilities will include feed gas compression, biogas cleaning and liquefaction and liquid biogas storage and export.

"We were able to employ our knowledge and expertise in liquid gas handling gained from 30 years' experience in the marine

and oil and gas markets to secure this breakthrough contract," said Reidar Strande, Hamworthy Oil & Gas Systems, LNG Business Unit Director. The technology is scalable upwards to a capacity of at least 60 tonnes a day. The biogas plant is located in Nes, Romerike, a farm region northeast of Oslo, and is designed and delivered by Cambi AS to the highest specifications in the biowaste sector. The produced biomethane will be used as biofuel for buses in Oslo.

New offer

Comprehensive tool for port community

Advent and eModal form Advent Intermodal Solutions to offer 'comprehensive' intermodal logistics tools to port community.

The two technology companies, focussed on port drayage and container chassis services, merged to form Advent Intermodal Solutions. The company will offer an integrated intermodal logistics product called eModal Intermodal Community Suite, or eModal ICS.

The aim of Advent Intermodal is to provide a single comprehensive set of tools, starting with the merger of eModal.com and Chassis.com into a single portal. The customers of the company include chassis and equipment providers, drayage companies and cargo owners or shippers moving goods in containers. The new product will be available as online software that requires subscription and as a customised system tailored and branded specifically for the customer.

Online training

Safebridge GmbH contracts with JRC

Safebridge, the specialist in web-based type-specific ECDIS training, has teamed up with Japan Radio Co. Ltd (JRC), provider of navigation systems, to develop type-specific ECDIS training for the JRC ECDIS. JRC joins a number of other ECDIS manufacturers in believing that online training is the key to meeting the huge numerical challenge set by STCW 2010. Safebridge already holds agreements with SAM Electronics, Northrop Grumman Sperry Marine, Imtech Marine, 7Cs, ChartWorld, Raytheon Anschütz and Transas Marine. With the implementation of ECDIS as the primary means of navigation, and the now mandatory training requirements, Safebridge and JRC will provide seafarers around the globe with an effective and easy solution to train online and prepare themselves for their next assignment.

Safebridge will develop the courseware for use in its unique learning platform, which integrates the central, server-based, learning content with JRC's own ECDIS software running in real time for delivery through the Internet. This process results in a standardised product that guarantees the quality and consistency of the training whilst providing JRC with the transparency required on the content. Updates are simplified, as these are implemented only on the central server.

Safebridge will also provide course certification on behalf of JRC and trainee database services for reference by the Port State Control and other concerned authorities.

The courseware will be released in the late summer of 2012. JRC has been involved with ECDIS development for 20 years. By having the ECDIS designed and manufactured in-house, JRC maximises quality assurance and is able to ensure long-term spare parts availability.

Bas Eerden, Product Manager at JRC Europe, adds, "It is expected that tens of thousands of vessels will be required to install ECDIS over the next six years and we are more than pleased with the partnership with Safebridge."

French terminal

Liebherr to deliver 1,000th mobile harbour crane

As part of its golden anniversary, crane manufacturer Liebherr-WerkNenzing celebrates order receipt for its 1,000th mobile harbour crane, to be delivered in the second half of 2012 to Montoir Bulk Terminal in France.

The success of the delivery is based on a constant process of technical improvement as well as an uncompromising commitment to highest quality standards, the company said in a press release.

Increasing demand

With 38 years of experience in the mobile harbour crane business, Liebherr accomplished its 100th LHM delivery in 1994. In 1996, type LHM 400 was launched, which is to date the best-selling LHM model.

Its successor, type LHM 420, has been introduced into the market in 2011 and can be equipped with Liebherr's state-of-the-art Pactronic hybrid drive system. Montoir Bulk Terminal is a subsidiary of the SEA-invest Group, which is one of the world's largest terminal operators for dry bulk, fruit and liquid bulk.

Offshore supply

Hamworthy wins sewage plant contract

Hamworthy has won a contract with South Korea's Hyundai Heavy Industries to supply an ST8 series unit to the Quad 204 FPSO project for BP.

With delivery scheduled for 2012, the contract marks the latest in a number Hamworthy has secured in the offshore industry. The BP-operated FPSO is to be deployed to the west of the Shetland Isles in the North Atlantic as a replacement for the Schiehallion FPSO.

The ST8, which handles around 12,000 litres water per day, has been modified to meet stricter enforcement of sewage treatment standards for operation under IMO MEPC 159(55) guidelines, which came into force in 2010 and employ more stringent black water effluent quality treatment guidelines.

The pumps and macerators are in 316 stainless steel and in accordance with offshore pump specifications and pipe work are in super duplex stainless steel all according to NORSOK M-650 requirements.

Braemar's book

2nd edition on shipping terminology out

Marine survey reports frequently contain engineering terminology which can often be unfamiliar to non-engineers in the wider spectrum of the shipping industry. In an attempt to bridge this gap, Braemar has released the second edition of their *Guide to Hull & Machinery*, a key reference book covering some of the common terminology used for ships, their engines, and ship's related operation, which is often encountered in survey reports.

The first version of the *Guide to Hull & Machinery*, released in 2011, became popular in the marine insurance market. The second edition includes additional data such as explanations on gross and net register tonnages, subdivision and load line, deck mooring fittings and lifting appliances, whilst some useful guide formulas are included on selection of wires and synthetic ropes.

In the machinery section, data can be found on gear boxes, fuel and lube oil systems, purifiers and transmission systems, whilst the sheer scale of marine engines in comparison to a human body can now be appreciated on the section of typical propulsion engines.

Darshana T Dassanayake (left) receives the IADC Award for the Best Paper by a Young Author under the age of 35 from IADC Secretary General René Kolman at PIANC COPEDEC, in Chennai recently. Darshana won the award for his paper 'Important Engineering Properties of Geotextile Sand Containers and their Effect on the Hydraulic Stability of GSC Structures'.

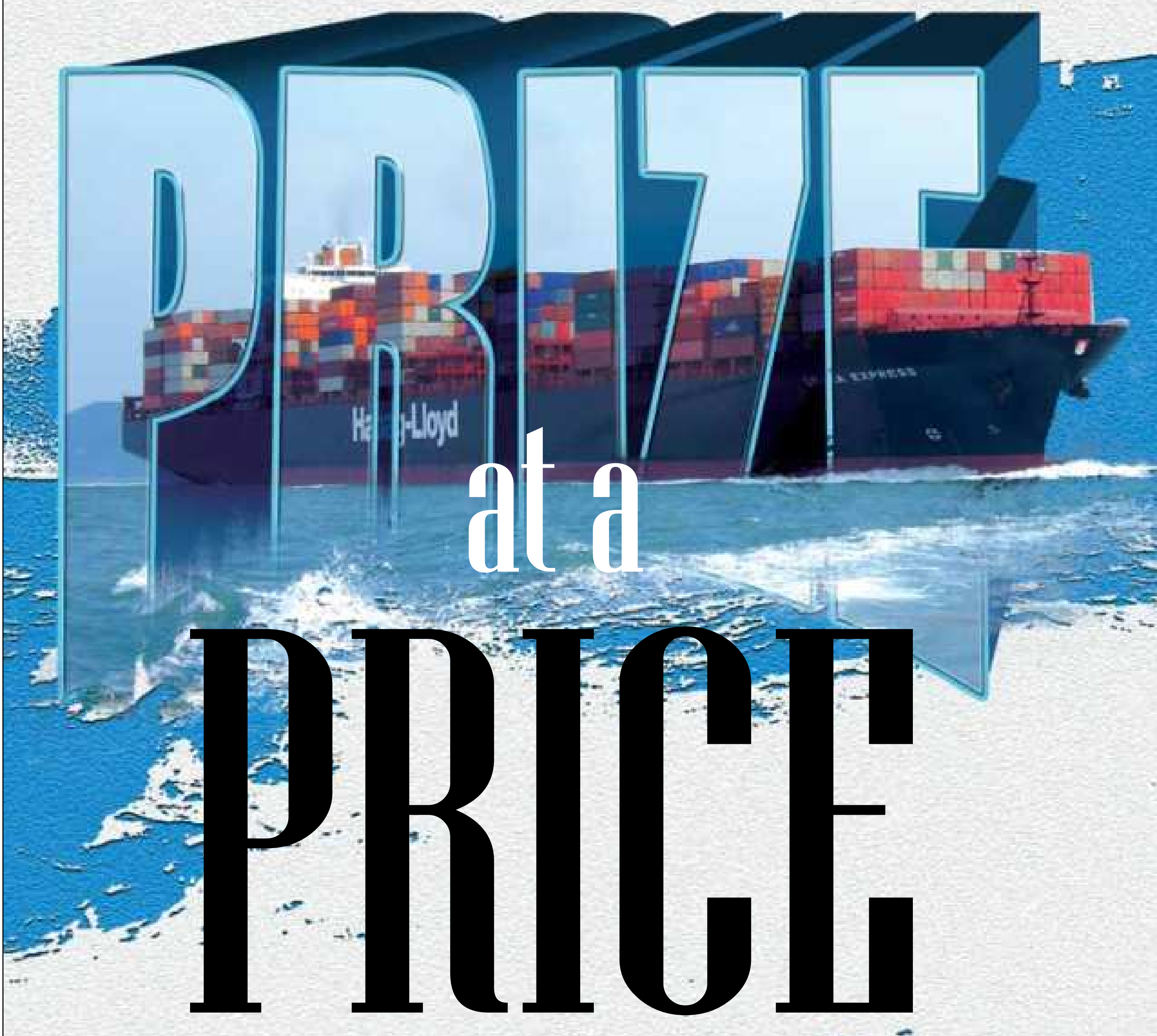
Constant growth

Viking achieves 8-yr track record

Global success in the crucial offshore market and around-the-world export growth are behind yet another solid financial report from fast-expanding Viking life-saving equipment, which joins a long list of Danish exporters that are defying today's economic difficulties. In 2011, the global manufacturer of safety equipment for the maritime, offshore and fire industries, continued its seemingly unstoppable and increasingly global expansion, lifting turnover and profits, and creating more than 200 new jobs.

Viking achieved a record turnover of DKK 1.442 billion, representing an increase of 14 per cent in comparison with 2010. Operating profit was DKK 120.6 million, up 23 per cent on 2010. The average number of employees climbed from 1397 in 2010 to 1557 for the 2011 fiscal year, with year-end staff numbers at 1646. The Esbjerg-based company has moved from humble beginnings as a manufacturer of liferafts to its position today as the leading global solution provider of marine safety products and services.

As the exim potential of Indian ports goes up, it is time to scrutinise the tariff regulations bothering government-run ports as the industry opines that tariffs are being curtailed at the cost of trade.



PRIZE at a PRICE

by Radhika Rani G

When the Tariff Authority for Major Ports was born in 1997, the mandate was clear: the tariff regulation would cease once enough competition was generated. Fourteen years since, competition has increased tremendously in the ports sector and capacities too have grown multifold but the role of TAMP still goes on with little change.

At times like these when capacity seems to outstrip demand – an additional 402.91 million tonnes of capacity targeted for the fiscal 2011-12 and major ports expected to reach 800.41 million tonnes – the role of TAMP comes under close scrutiny.

Multiple private facilities are available at all ports both for bulk / break bulk and container handling with most major ports having multiple concessionaires. So, competing for the big pie are not just the government-run ports, but other big ones in the non-major league like Pipavav, Adani, Kakinada, Dighi, Krishnapatnam, Gangavaram and Jaigarh.

Given this scenario, the notifications by TAMP against tariff reductions has been sending confused signals to port managements. For instance, TAMP notified Nhava Sheva International Container Terminal Private Limited (NSICTPL) on March 1 this year about a rate cut of 27.85 per cent as against a proposed tariff increase of 30 per cent by DP World; intimated Chennai International Terminal Pvt Ltd (CITPL) on February 14 about rate cut of 12.23 per cent as against a requested hike of 15 per cent and notified APM Terminals on February 8 about a rate cut of 44.28 per cent at Gateway Terminals India Pvt Ltd as against a hike of 8.72 per cent.

Taken aback by such orders, CITPL submitted to the authority saying, "The existing tariffs are not remunerative enough. We incur loss, even without considering revenue share." These and other observations made by port users and user organisations, as mentioned in the order go on to substantiate CITPL's request for a tariff hike.

A deficit of ₹247.46 crore has been incurred up to December 2011, CITPL says. "During the next three years, (we) will incur a deficit of ₹100.35 crore. The tariff should be increased by ₹422.79 per teu in order to meet the shortfall of ₹103.20 crore. The present rate being ₹3,007 per teu, it is requested that the tariff be revised to ₹3,458 per teu. This will be an increase of 15 per cent over the existing tariff," it states.

The important reasons being cited by terminals are:

- Growing volumes and the need to inject capital to add superstructure and improve efficiency
- Growing lending rates. Approaching loan repayment date, but inadequate cash flow
- Need to induct additional equipment to service the trade better and remain competitive

These and several other operational issues are being cited by ports for the need to increase tariff. For instance, based on the cost position calculated for a traffic of 11,95,740 teu for the years 2012 to 2014, the NSICTPL has sought an across-the-board increase of 37.50 per cent over the level of tariff prevailing in the year 2011.

"Please fix tariff which will reward efficiency and allow us to recover all legitimate cost," NSICTPL simply puts it. "Trade does not mind paying slightly higher tariff for efficient and reliable services, which we always provide," the DP-World managed terminal submits to TAMP.

Merchants and custom house associations too share a similar view. Trade seeks better services, facilitation of cargo handling and finally value for money. "We are more interested in efficiency / productively than tariff," clarifies Bombay Custom House Agents Association (BCHAA). "We feel efficiency should be rewarded," seconds the Indian Merchants Chamber. "We request TAMP to fix tariff which will be fair," says the Container Shipping Lines Association (CSLA).

It may be noted that all the major ports in India follow a cost-based pricing where TAMP is responsible for setting the tariff whereas the non-major or private ports are ruled by market-driven prices. According to analysts, this is precisely the reason why government-controlled ports and terminals have been pushing for a lacuna-free and reformed price regulation to face competition from greenfield ports.

CITPL says it has to look for something other than lower tariff to compete with its neighbouring terminals coming up in a big way. "New terminals coming up around are handsomely equipped: Kattupalli with 6 QCs and 15 RTGs, Krishnapatnam (planned) with 6 QCs and 11 RTGs, Karaikal with 2 QCs, Ennore (planned) with 8 QCs and 33 RTGs and CCTPL with 8 QCs and 24 RTGs. CITPL with 3 QCs is in a very weak position to compete," it says.

TAMP, says its chairperson Rani Jadhav, is committed to the participative process of decision making. "In conformity with this stated position, we have been interacting with the user groups/ organisations (concerned) in each of the tariff proceedings. To enhance transparency in our functioning and to adhere to the principles of natural justice, we always attempt to convey our decisions through self-contained and reasoned orders." And several orders have been issued during the last one year seeking "judicious" revision of rates.

In the ultimate analysis, "Any service sector has to be subject to an appropriate regulatory framework," says the government. As port development activity picks up pace in the country, issues concerning national security and quality of service are bound to arise. And so the government sees the need for some standards under which ports operate and transparency in tariff. The ministry has been harping on the need for a system that will bring all the ports under the same type of regulatory regime. On the other hand, once ports are corporatised, they go out of the purview of TAMP.

TAMP has been reiterating that tariff fixation cannot be a mere arithmetic exercise in the cost plus framework but the one which balances the interest of users and port operators and needs to take into account the long-term financial viability of operators so as to encourage flow of much-needed private investment into the port sector.

However, private sector involvement, says APM Terminals CEO Kim Fejfer, will be a crucial component of this growth if the investment and regulatory environment in India do not act as constraints. "Port tariff regulations which penalise increased throughput and productivity will not assist in developing the needed infrastructure," he stresses.

The efficient terminals have heavy capital base with loan financing and huge debt service obligations, says Indian Private Ports and Terminals Association (IPPTA). With reduced tariff and huge debt servicing, the financials of the terminal operators will be severely affected making the investment unviable in the years to come.

"Therefore, there is a need to revise the existing guidelines to award the efficient terminal

Cost statements furnished by NSICTPL

(₹ in lakh)

Particulars	Actuals				Estimates		
	2009 Jan-Mar	2009-10	2010-11	2011 Apr-Dec	2012	2013	2014
Traffic (in TEUs)	298935	1195740	1195740	896805	1195740*	1195740*	1195740*
Operating Income	9287	41279	44208	34186	44599	44592	44592
Operating Expenditure	3,879	18,403	21,200	17,711	38,935	41,499	44,375
Depreciation	1154	5552	5619	4111	5489	4935	4682
Overheads	493	1,709	1,856	1,469	2,236	2,412	2,604
ROCE (permitted)	3355	13418	13418	10064	13418	13418	13418
Net Surplus/ Deficit	406.50	2196.50	2114.30	831.50	(15479)	(17673)	(20487)
Net Surplus/ Deficit as % of Income	4%	5%	5%	2%	-35%	-40%	-46%
Average Surplus / Deficit	4.0%				-40.09%		

** only upto the level of standard capacity.*

Source: TAMP website

operators," exhorts Shashank Kulkarni, secretary general of IPPTA.

ICRA, in its rating features, says the tariff fixing methodology under TAMP has had a negative impact on the profitability and returns of PPP project developers because of several factors. These include the lengthy process of tariff fixing and review; anomalies in the tariff setting mechanism (like not allowing full pass-through of revenue share); low rate of allowed tariff increase because of indexation to inflation; and uncertainty on whether the operator would be allowed a tariff increase if its investment was higher than originally envisaged (because of changes in the scope of the project etc).

Going forward, the success of the PPP framework in the port sector hinges on the way these issues are addressed; some progress on this front has been made with certain regulatory and policy initiatives being taken.

ICRA therefore calls for a three-pronged strategy to improve the tariff setting mechanism: streamlining TAMP procedures and building in-house capacity in the short term; delegating the tariff setting function to the respective port trusts over the medium term and allowing market forces to determine tariffs over the long term with the role of the port authorities being limited to oversight.

TERI guidelines

Interestingly, The Energy and Resources Institute, assigned by the Ministry with the task of 'Review of 2005 Tariff Guidelines of TAMP', has come out with its observations. The report uploaded on the Ministry of Shipping website is open for comments from the industry till April 19, 2012.

"The only change," the TERI report says, "that was effected in the interim period (February 1998-March 2005) was to allow the pass through of royalty / revenue sharing to a limited extent to private terminals that were set up through BOT bidding processes finalized before 29th July 2003. Thus even in terms of the 2005 GL there were two tariff regimes – one pertaining to BOT bidding processes finalised before 29th July 2003 and the other in respect of BOT bidding processes completed thereafter."

TERI has attempted to bring terminals from a tariff regime that was based on a cost-plus approach to a regime-based on a normative approach. However, in fairness to the existing facilities the determination of capacity and capital costs have been based on the actuals and not on norms as in the case of the 2008 GL, the report says. It is never the less important that the terminals are also over a period of time made to achieve the levels of efficiency and productivity that are possible based on the land and water front allotted to them.

Eventually, they should be brought under the 2008 GL so that maximum efficiencies can be achieved. It is therefore recommended that the 2008 GL as revised in 2013, when the revision is due, should be made applicable to these terminals by 2020. That will give them a period of 7 years to make the necessary investments in civil works and equipment to comply with the norms of 2013 by 2020. The investments required for this should, no doubt, be taken into account for the purpose of calculating the RoCE, the report adds.

Prescription of norms and tariff setting by TAMP can never ensure that all the terminals operate with the similar levels of efficiency, using the best available technology. It is only competition that can achieve this. It is therefore for consideration whether the private terminals and cargo specific terminals at ports should be freed from tariff setting and allowed to compete between themselves and non-major Ports; TAMP and / or the CCI could step in if competition is unfair or charges usurious. MG

The TERI Approach

TAMP shall rationalise the tariff structures and streamline tariff setting system, says The Energy and Resources Institute. It will follow the normative cost-based approach applicable to private and cargo-specific port terminals. In fixing tariffs, TAMP will be guided by:

- Safeguarding the interest of consignors/ consignees and other port users
- Ensuring just and fair return to ports
- The factors which will encourage competition, efficient use of resources, efficiency in performance and optimum investment
- The established costing methodologies (including cost plus approach, normative cost-based approach) and pricing principles
- The policy directions issued by the Central Government under section 111 of the MPT Act, 1963
- Ensuring transparency and participative approach while discharging its functions
- Leveraging tariff to improve operational efficiency of the ports
- Overall long-term objective will be to move to competitive pricing and to move performance of Indian Ports to internationally competitive levels.
- 'Royalty/Revenue share' payable to the landlord port by the private operator will not be allowed as an admissible cost for tariff computation as decided by the Govt in the Ministry of Shipping vide its Order No. PR-14019/6/2002-PG dated July 29, 2003. In those BOT cases where bidding process was finalised before July 29, 2003, the tariff computation will take into account royalty / revenue sharing as cost for tariff fixation in such a manner as to avoid likely loss to the operator on account of the royalty / revenue share not being taken into account, subject to maximum of the amount quoted by the next lowest bidder

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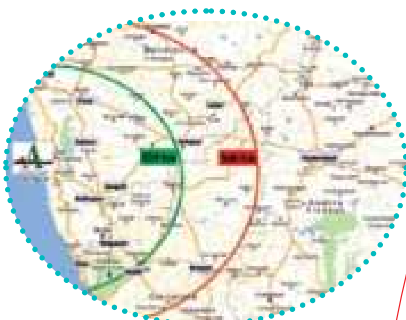
Piling work - Qatar

Aiming for an Ace



It is not just processing, mining and shipping which the Chowgule Group handles. Additionally, it has a ship building division in Goa where 4,500 to 5,000 tonnes of reverse sea vessels for the European are being constructed. The group company, Chowgule Brothers, deals with port-related services and has been covering the marine sector for the last 14 years. However, the port and ship repair development is something which interests them too, which explains why they chose to get into port development. In a candid chat, **M P Patwardhan,** Managing Director, Chowgule Ports and Infrastructure Pvt Ltd, and **Atul Kulkarni,** CEO, speak to **Ramprasad** on what led to the inception of Angre and how it would help the maritime sector.

Q What is the Chowgule Group's focus on port development now?

If you see the history, we are in mining and shipping. We also have a shipbuilding division in Goa where we are building 4,500 to 5,000 tonnes of river sea vessels for trade in the European waters. The group company Chowgule Brothers, provides all port-related services and has a presence at all major ports in India. So as far as the group is concerned, we have been covering the entire gamut of maritime sector. Therefore, the development of port and ship repair infrastructure is something which is a kind of a natural extension of our interest in the sector. That is the reason why we decided to get into port development. Incidentally, Chowgule operated a berth at Mormugao Port way back in 1960s and developed jetty operations at Jafrabad, Magdalla (Gujarat) and Ratnagiri (Maharashtra) for loading and unloading of Clinker.

In 2002, the Maharashtra government declared a policy whereby they announced six locations for development in ports of the state through Public Private Partnership. We evinced interest in Jaigad, since we had an understanding of the harbour and Jaigad was a port of call for the passenger vessels plying between Mumbai and Goa. Operated by Chowgules, land and other facilities were available there as well. That's the reason why we chose Jaigad, so we could develop the gateway port much needed for the hinterland.

Q What is the status of the Angré project?

We have named the Jaigad Port as Angré Port after the great Maratha Admiral Sarkhel Kanhojiraje Angré and we are expecting that it will be ready by the end of March 2012. The construction is almost complete. As of now, the laying of services and other things is in progress. So, we expect the vessels to come alongside soon after.

Q What is the draft that you are looking at?

The proposed draft at the port will be 10 m below Chart Datum in Phase 1 which will be further dredged to -13 m CD. The length of the finger jetty will be 350 m and we can berth four vessels at a time. It is a conscious decision of the promoters to make this port as a preferred port for clean cargo. We are targeting cargo like food grains, fertilisers, sugar, liquids, molasses, edible oil and containerised cargo. The primary hinterland of Angré Port, i.e. Western Maharashtra and North Karnataka regions are known for two things, one as the second biggest sugar belt of India and the other for engineering products. The port is concentrating on this.

Q Apart from Western Maharashtra, is there any other place which you would be servicing?

While we will be servicing the primary hinterland stretched into North Karnataka, it can extend up to parts of Andhra Pradesh too. We noted from our study that some of the cargo from this hinterland earlier used to go to JNPT, but now due to the problems and congestion in JNPT, it is now at times, required to travel right up to Mundra. You can imagine the additional expenditure incurred on land transportation. With Jaigad becoming operational, this cost can be reduced to a great extent, and almost half for some locations and roughly about 30 per cent in most cases which makes the port attractive. Many of the products which were not viable in the global markets earlier, could now become so. The hinterland industry is looking for some alternate good gateway port facility for their import-export trade. Following our interaction with trade representatives through recently held trade meetings in various cities, we have a good marketing potential and we will continue interacting with prospective customers from this region. We strongly believe there is a lot of saving in total logistics cost which we can offer to the port users.

M P Patwardhan
Managing Director

Q Have you targeted any projects?

The capacity of the port in the first phase will be about 16 million metric tonnes and then once the draft is increased, it will be something like 25 million tonnes. We know that the port is a long gestation project and initially, it takes time for the port to find patronage. There are two things important for the user to shift to new port; firstly, the user should get the confidence in the capability and secondly, there is a need for a supporting infrastructure required for efficient cargo movement to and from the port. While the port can push for the second but takes a little longer time to really get there, especially in the case of containerised cargo, the port has to generate volumes, to make a call at these ports which are attractive for shipping lines. An alternative is to run a feeder service. But, the ultimate goal should be to become a port of call, for main line container ships.

Q When you talk about infrastructure, what kind of connectivity does the port have?

As far as the road is concerned, the NH-17, Bombay-Goa, is about 45 km from the port. There is a two-lane road connecting the port at present, which is being widened to a four-lane soon. With the Konkan Railway at Ratnagiri about 45 km (by road) presently, the port will be handicapped without rail linkage. The developers are trying their level best to get railway connectivity. The rail connectivity to Angré Port involves two stages; firstly, the connectivity between the port and the Konkan Railway and secondly between Konkan Railway and the Central Railway, because then the port will have a large secondary and tertiary hinterland to service. The Maharashtra government is also pushing for this rail connectivity project. In the immediate future, Angré Port will focus on the trucking radius of about 350 km as its hinterland.

Q When you say hinterland services, how do you see the cargo flow?

There are two things which we are really looking at, one is we have the frozen cargo from Ratnagiri, then horticultural products which are either not being exported or are being done so from Mumbai or through some other port. Instead, now with Angré Port, you can load that in the garden itself and take it on the vessel before it can go to the destination. Then, there are engineering products, automobile products and items like raw sugar, refined sugar in containerised form. So, there are lots of other potential cargos. The port will have facilities for reefer/ cold storage.

A part of this cargo is for Middle East destinations. So, there is a possibility to have a direct service, from this port to ports in the Middle East. The cargo which goes to Europe or to Southeast Asia or China, will move through the hub ports in the Middle East or from Colombo. It is expected that once it is in place, it will save a lot of time and cost to the exporter. There is a good potential which needs to be realised. As far as bulk cargo is concerned, the port will have direct sailings to suit the requirements.

Q Most people are convinced that private ports can be efficient, but there is one concern that private port tariffs are higher. So, how competitive is the port going to be?

The Angré port will be a private one which will not be governed by any tariff regulatory agency and the tariff will be driven by the market condition. We consider the port tariff as a smaller part of the total logistics cost for hinterland trade. The land transportation cost from Kolhapur to Mumbai, say 400 km, to only 140 km, will come down from ₹28,000 to about ₹11, 000. Secondly, the total time taken for shipment of LCL cargo from the hinterland will also be reduced significantly. When you bring LCL cargo to Mumbai, then it has to be stuffed at the CFS or Buffer Yard before it can be put onto a vessel which comes for a weekly call. So till the time the port user gets his documents, it is a minimum cycle of 10 days and sometimes, it is even 15 days or 20 days. We at Angré port will have a consolidation centre in the hinterland to reduce the time cycle. It is the most important thing to realise that matching port service is what port users would be asking for.

Q For shipping lines to make a call at the port, the main concern is, what do the empty containers take back. So how do you address it?

It is an absolutely important issue. Since there is no alternative available, shipping lines and containers are going to existing ports by incurring extra cost and also face the difficulties arising out of congestion. We believe that ports are a supply driven industry and the sheer economic advantages that every stakeholder realises from a nearby port, drive the shift. We are trying to make Angré Port call attractive to shipping lines by providing efficient and necessary infrastructure and competitive terminal handling charges to the shippers. Also, major shipping lines decide their port of calls at least a year in advance, if not more. So, it is not something which is to be made possible by bringing all the stakeholders together to work and be flexible till the time that the volumes really pick, which we are sure is a matter of only some time.

Q What is the total area of the port and how do you plan to develop it?

We have got a total area of nearly 300 acres behind the waterfront available. We have a container yard, which is next to the jetty location. Then, we have the dry bulk and liquid cargo storage facility within 500 to 700 m behind. The container yard has ground slots sufficient to have 736 ground slots.

Q Do you plan bulk cargo covered or uncovered?

Both, because if it is bauxite, then you require an open area, but if it is food grains, we need to cover it. So, covered godowns will also be provided along with an open stack yard. Then, there will be storage tanks for liquid cargo.

Q So the entire process of port development is in one phase or you have stages set?

Most of it will be done in Phase I, but there is potential to increase the port capacity by further dredging and extension of jetty by 100 m to meet the trade requirements. As far as back up facilities such as godowns and other things are concerned, they are being planned at the land behind the waterfront and other sites outside the port area within 10 km radius from the port. These land parcels will be offered on long-term lease to various service providers who will bring best practices in providing such services. Also, there are some proposals for setting up small processing units, packaging and distribution facilities. The master plan of the port takes care of all such requirements.

Atul Kulkarni
CEO

If you are starting the operations from March, you must have spoken to a lot of clients and customers. What is the response?

The response from the trade has been very encouraging. There is a lot of cargo potential from the hinterland. Our recent trade meetings at Kolhapur, Belgaum have given us an insight into some new opportunities. So, we are talking all these inputs very seriously, to make our port flexible and capable of serving all the needs of both import and export volumes.

Traditionally, people say that the Maharashtra coastline has some issues as far as the navigational business is concerned; it

Q is not very well connected, what is your experience on this?

The Maharashtra coastline is rocky and also, it hugs the Sahyadari mountain range running almost parallel at 40 km away. It is a very narrow strip, between the sea and hills with undulations. That is one disadvantage, which is why the hinterland connectivity becomes a challenge. But now, with the construction of roads which have been undertaken, under various schemes of the Centre and state government, the hinterland connectivity is improving.

In the making, a view of the Angre Port

Not to forget that land availability near the port is a major issue. However, we have about 300 acres of land privately owned by Chowgules, which again is the not the flat land, but at various elevations. Our master plan takes this into account and in fact, we are using this physical setting to our advantage. As far as navigation is concerned, Jaigad is one port, which is a natural, all-season port.

We are protected from the South-west monsoon by a land mass on the western side of the port. There are very few ports on the West Coast which can boast of such an advantage. The Shastri River has got a natural depth, between 9 to 14 metres. It is inside the harbour and maintains a self-flushing channel for navigation. The total distance of the port from the anchorage point is only 3 nautical miles. The port will have a dedicated pilotage and towage to facilitate 24X7 berthing of vessels.

Q Which is the nearest competitive port for you?

JSW Jaigarh is the port out in the open sea, about 2 km from Angré Port. The captive cargo facility for unloading of coal required for the power generating plant is at Jaigad and is expected to handle other cargo at its surplus capacity available.

Q Why did it take Chowgule so long to come into ports?

If you are a shipowner, the investment in acquisition of ships is very high. A project like a port requires a lot of regulatory approvals before it can be planned. Also, there is the issue of land acquisition, followed by clearance from MoEF and CRZ authorities, which is a very long process and you must have patience to get into this kind of project. We signed the concession agreement in March 2008 and began our construction in June 2010 after getting the necessary approvals. Soon, we plan to start commercial operations. We have proposed the port layout which is very environment-friendly without changing either the course of the river or not obstructing its course.

Q By March, would the entire length be operational?

Yes, the entire length of 350 m will be operational soon.

Q So, can we say that without depending much on the regulatory, the port can take care of its business, like even the connectivity part of it?

It will be operative, because we are now depending on the road connectivity only for the hinterland stretched up to 350 km from the port location. As the volumes grow, the rail connectivity will become essential and that will also increase the reach of the port. However, the absence of a rail link doesn't become a hindrance as far as the port services for the primary hinterland are concerned.

Q Do you still look beyond Angré and the port development?

Once this becomes fully operative on its own, we will look for another project, but again it depends on what kind of opportunity we come across.

The idea is to demonstrate to the world that the projects can be done in India and it can be implemented speedily too. The effort is to showcase that there are challenges doing projects in this country, but then if they are well conceived and visualised properly, there is room and there is opportunity. Unfortunately, we have not seen many of the projects coming through in the recent past.

Therefore, if inclusive growth and creating new economic powerhouses is the agenda, then you have to go to greenfield locations where it makes sense and you can create those required facilities. These are the stakeholders from Kolhapur or Belgaum, which is today not on the map of manufacturing activity in India, but suddenly, they will become the manufacturing centres, because you are in 150 to 200 km radius from a port. MG

RAMADAS RAO

LONG, HARD SLOG AHEAD

Dipping rates, waning sentiments, declining profits. The road ahead for shipping is bumpy.

CHINESE New Year festivities are over and here in Singapore we have indulged sufficiently in our party rounds, collecting '*Hong Bao*' or red gift bags consisting large, fresh oranges (which by the way, we are told, has helped prop up the reefer container cargoes) and tossing the '*lo-hei*' or raw fish salad as high as possible with the chopsticks to bring in prosperity in the Year of the Dragon. Now, it is time to get back to the harsh ground realities of shipping. Only if freight rates could gather enough steam to rise, at least a fraction of the heights to which the prosperity dish was tossed, the faces of shipping executives would be wreathed in smiles.

Now, it is difficult to hold the New Year smiles as rates continue to dip, sentiment wanes and the financial results with barely a few exceptions confirm the stark reality of bleeding shipping companies. Here in Singapore, the great maritime hub, we can literally hear the heartbeat of the industry, which at the moment is barely perceptible and just managing to beat admission into the ICU.

Even as I write this column, Singapore's national carrier Neptune Orient Lines has lost nearly a quarter million dollars and though the logistics arm has turned in profits, liner, which accounts for a major share of the business, has fared poorly. New Group CEO Ng Yat Chung Keung did not hide his disappointment even while identifying unsettled economic conditions, high fuel costs and lower freight rates as the culprits. The story is similar across the container, tanker and dry bulk as huge oversupply has cut into freight raters. The biggest of them all, Danish shipping group AP Moller-Maersk has managed to stay profitable albeit with reduced earnings, but the box side of business has taken a dreadful beating.

Bulk business appeared to have rallied following a brief spurt in Chinese demand for iron ore that propped the Baltic Dry Index. But, the BDI has slumped again and news that China will scale down its growth has depressed sentiment further.

The tanker glut continues to bite into freight rates with Berlian Laju Tanker, one of the big owner-operators in Southeast Asia, being a major casualty. The Indonesian company, which is listed in Singapore, became a global player through the acquisition of US chemical tanker company Chembulk, but debts have weighed the company down and at the time of writing has filed for protection from debtors. Not so long ago Singapore ship leasing company First Ship Lease Trust, which prides itself in choosing its clients carefully and in the heady days of rising freight rates had showered praises on Berlian Laju as a reliable client, has been forced to take back two ships leased to the Indonesian operator following default on charter payments.

2012 may look a lot like 2011 in terms of freight earnings. If freight rates continue to stay longer at such low levels, shipping companies will not be able to cope with servicing debt costs.

How bad the outlook for shipping can be gauged from the fact that whoever you talk to discusses "long-term" prospects shunning the bitter reality of the present. All of them are generally agreed, however, that China holds the key for a rebound not only in terms of generating demand for commodities, but also for reining in its huge shipyard capacity.

Operators demanding

$1,379 for teu on the China-to-Europe trade route, up

97 % this year, says Clarkson Plc.

To a lesser extent, India is also a volume driver with Mahesh Iyer, MD of OEL (Singapore) Pte Ltd, a feeder operator from Singapore, which focusses mainly on India and South Asia route, saying at the Asia Pacific Maritime in Singapore in March that the situation is relatively better for operators such as OEL.

China may still be the growth driver, but is also causing some worries. "They (China) have a large shipyard capacity and what we basically fear in terms of getting a recovery in the shipping industry is that if the newbuild capacity is utilised to build even more new vessels, then it will be a catastrophe," warned BIMCO analyst Peter Sand while speaking to *Maritime Gateway* on the sidelines of a conference.

Sand expects 2012 to look a lot like 2011 in terms of freight earnings. If freight rates continue to stay longer at such low levels when they are not able even to service operating costs, shipping companies will not be able to cope with servicing debt costs. Banks and owners will have to sit down to discuss restructuring possibilities, says Sand.

"Shipping is a cash flow industry; you need cash flow to run the business and you need cash flow to keep the banks happy," says Sand and warns: "Without doubt, if rates stay at current level across the three main segments – dry bulk, tanker and container, it's a disaster."

There is also much talk about consolidation doing the rounds, but nobody is betting on outright takeovers. "Who needs ships in the midst of a supply glut," is the refrain from owners. Rather, we are seeing more and more of what Sand describes as "quasi consultation." Liner groupings are coming together and even Maersk, a long time loner, has decided to buy space from rival CMA CGM in the Asia-Europe route, following its decision to cut capacity in the world's biggest trade lane. This trend of companies, who manage to survive, working together, will continue, according to Sand.

The scenario in tankers and dry bulk is different as owners and operators are depositing their room for manoeuvre with the banks. "Basically it is a matter of banks trying to find new homes for the loans that they have provided for the ships," points out Sand. We could see companies or ships shift ownership, but at the end of the day we are still left with the same capacity. The fundamentals of demand and supply are likely to remain the same, but in dry bulk and tankers you are bound to see a change of ownership to a large extent this year than last year, predicts Sand. MG

RITU GUPTA

Driving in the Right DIRECTION

Where there is a will there is a way. This saying is resounded in the happenings of the Indian automobile industry. With the sector witnessing a sluggish growth in the domestic market (in times of recession and rising petrol prices), the automakers drove their focus on exports, and data of recent months shows this strategy has paid off well. When car sales in India fell by 23.8 per cent in October 2011 – the biggest monthly percentage decline since December 2000 – and bike sales recorded only a marginal monthly increase of 2 per cent, auto exports came as saviour.

According to the New Delhi-based Society for Indian Automobile Manufacturers (SIAM), overall automobile exports registered a growth rate of 29.70 per cent during April-October 2011. Passenger vehicles registered a growth of 19.52 per cent in this period. Two-wheelers, commercial vehicles and three-wheelers segments recorded growth of 29.86 per cent, 26.84 per cent and 45.47 per cent respectively.

"Passenger car exports from India have grown due to increase in demand from non-European nations in recent months. Car exporters ventured into new markets like Latin America and Africa to push their

Increasing auto exports are sustaining the growth of the Indian automobile sector.

sales, and this trend will only increase in the coming years," says Vishnu Mathur, director general of SIAM.

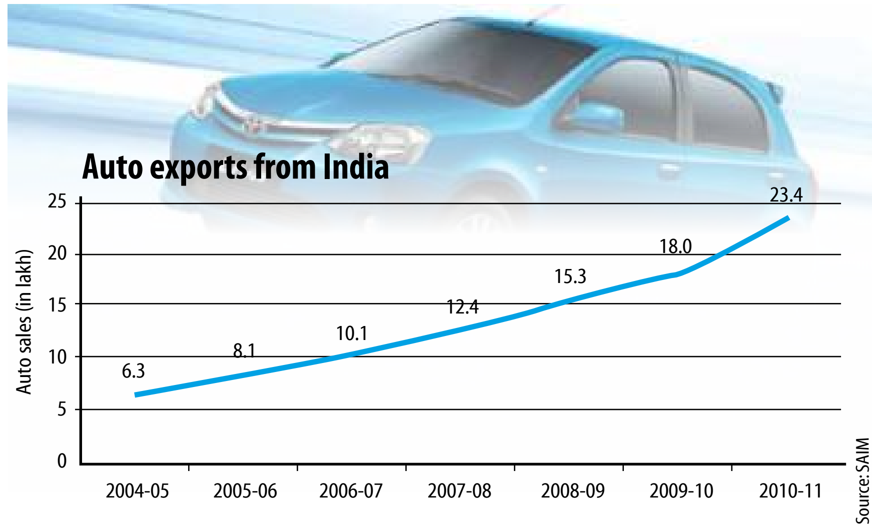
The phenomenal growth trajectory had started in 2010, with the export figures leapfrogging from 18 lakh in 2009-10 to 23.4 lakh in 2010-11 (see chart: Auto exports from India). The fall in rupee also benefitted the manufacturers and they got orders from South Asia and Middle East, thanks to the more bargaining power. Such impetuses also lead to the foreign direct investment (FDI) into the automotive industry increasing by 48 per cent to $7.4 billion in 2011.

Indeed, the sector is happening, and India is set to become the third-largest automaker in the world and of course a major exporter. Exports at present make up 15 per cent of the total Indian output. As per Rothschild, capacity is expected to increase from 4.8 million units in 2010 to 12 million in 2018. Such growth figures are in tandem with the Automotive Mission Plan 2006-2016, which states that the Indian auto industry should be able to contribute to 10-11 per cent of the GDP by 2016 and in order to achieve this target the Indian automotive exports should reach a level of $35-42 billion by 2016, and they will have to grow at a CAGR (compounded annual growth rate) of 23-25 per cent till 2016.

Presently, passenger vehicle constitutes the major portion – more than 75 per cent – of total automobile exports of India. The second important category is two-wheelers. The share of commercial vehicle and tractors, on the other hand, has been declining for the last five years. The key markets for Indian vehicles are the US, Europe (Italy, Germany, Spain, UK, and Greece), SAARC countries (Sri Lanka, Nepal and Bangladesh) and African nations (Algeria, South Africa, Egypt, Ghana, and Nigeria). The Middle East (UAE and Qatar) and African countries are also entering the list. India's major export to these markets is the small petrol car of engine capacity of less than 1,500 cc.

For the auto components, the US and the European countries are the biggest importers of Indian auto components, accounting for about 60 per cent of the total auto component exports from India. Additionally, Latin American countries like Brazil, Argentina, Colombia and Chile along with countries such as Korea and Singapore are fast developing into major export markets for India. "The industry has been exporting around 13 per cent of its auto component output. In the year 2010-11, industry has exported $5.2 billion. Principal export items include replacement parts, tractor and motorcycle parts, piston rings, spark plugs and body parts," says Vinnie Mehta, executive director, Automotive Component Manufacturers Association of India.

Indeed, with a booming market of auto components and no caps on FDI, many global auto giants are entering the Indian market and are spurring competition and consequently growth. Clusters are being created in the southern and western parts of the country, with states such as Tamil Nadu and Gujarat offering cheap land to attract investment.



India's strong engineering base and expertise in the manufacturing of low-cost and fuel-efficient cars are the other key factors that have attracted several companies to set up their bases in India.

For instance, Nissan has been exporting its models from India. Skoda, a part of auto conglomerate Volkswagen, is also planning to export cars manufactured in India to global markets, starting with its newly launched model Rapid. Hyundai is leading the show by using India extensively as the global source point of all their small cars. Last year it exported 247,000 cars from India – almost double the 2007 figure. Ford is stepping up export of Indian cars to over 50 countries.

Toyota says it plans to export cars from India to South Africa in March 2012, and this would be the first time it will ship Indian-made cars overseas. Indeed, as labour cost in China rise, India has clearly emerged as a first choice for many auto giants for setting base, despite the infrastructure bottlenecks, skills shortages and slow-moving bureaucracy posing big challenges to India's manufacturing development.

Apart from the lack of infrastructure, other major factors constraining the sector's growth are: lack of power and raw material, low R&D investments and worsening credit profiles due to the recession. To rectify the situation, the auto industry has been requesting the government to support it through various measures, with one of its key demand being port infrastructure development. The industry wants the creation of two specialised automobile export ports near Mumbai and Chennai, each equipped to handle output of 5 lakh vehicles annually by 2015. It also wants the government to earmark space for parking and vehicle repair at these ports to accommodate at least 20,000 vehicles at a time (like the proposed multi-level facility at the Chennai port).

The industry also wants the Minimum Alternate Tax (MAT) to be waived for export earnings, as is the case with many other 'export focus' developing countries. Furthermore, the industry has also urged the government to negotiate with competing countries (including FTAs) for automobile market access through a quota system (if it is not possible to negotiate on the reduction in import duty). The industry has also stated that the government needs to provide long-term finance for vehicle exports to support institutional bulk deals as well as retail financing.

Experts also aver that the industry and the government should also focus on the development of hybrid and electric vehicles: "The adoption of an optimal range of electric mobility solutions for India can provide affordable and environmentally friendly transportation and allow the Indian automotive industry to achieve global technology leadership," says Suranjan Gupta of EEPC India, a body set up by the Union Ministry of Commerce and Industry for export promotion of engineering goods, projects and services from India.

A study conducted by Ernst &Young on behalf of EEPC India shows that apart from the above stated measures the Indian automakers also need to enhance cost-competitiveness and focus on greener technologies to increase their share in the world market.

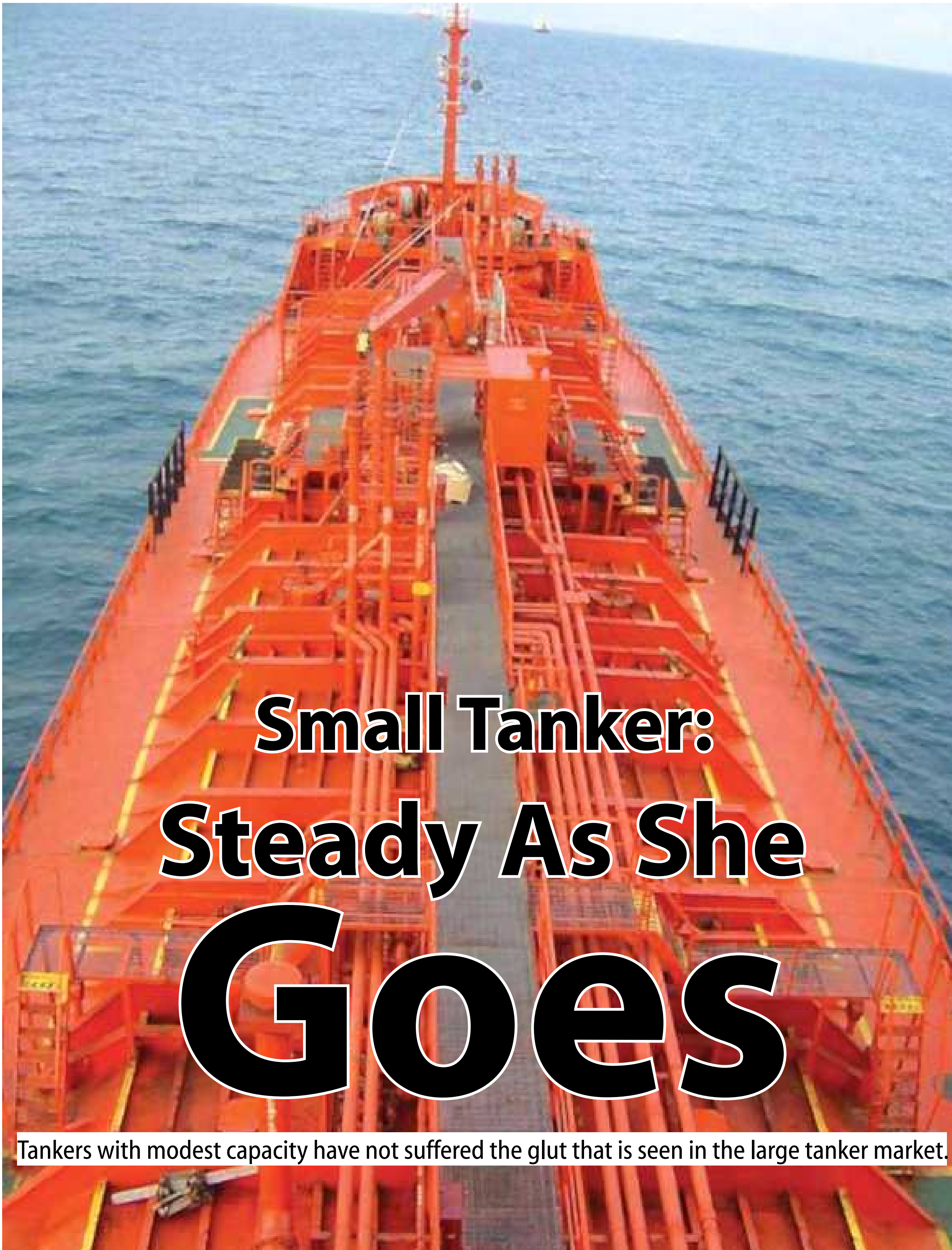
Indeed, both the government and industry need to take these suggestions seriously to promote auto exports from India. The targets set by the Automotive Mission can be completely realised only through the concerted actions of both as they broadly relate to enhancing the alignment and effectiveness of trade drivers, boosting the competitiveness of the Indian automotive industry, and strengthening enablers for growth by clearing infrastructural and procedural bottlenecks. MG

Automobile Exports Trends (Number in lakh)

Category	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Passenger Vehicles	1.7	1.8	2.0	2.2	3.4	4.5	4.5
Commercial Vehicles	0.3	0.4	0.5	0.6	0.4	0.5	0.8
Three-wheelers	0.7	0.8	1.4	1.4	1.5	1.7	2.7
Two-wheelers	3.7	5.1	6.2	8.2	10.0	11.4	15.4
Grand Total	6.3	8.1	10.1	12.4	15.3	18.0	23.4

Source: SAIM

NAZERY KHALID
Senior Fellow, Maritime Institute of Malaysia



Small Tanker: Steady As She Goes

Tankers with modest capacity have not suffered the glut that is seen in the large tanker market.

The larger segments of the tanker trade such as the Very Large Crude Carriers (VLCC) (crude carriers with capacity between 200,000-349,999 dwt) and the Aframax sector (80,000-124,999 dwt) have been reeling from falling demand for their cargos on the back of the global recession and excess tonnage in the trade. However, the small tanker trade, which features tankers with more modest capacity carrying cargos in small parcels, has not suffered from the kind of glut that has befallen the larger tanker trade.

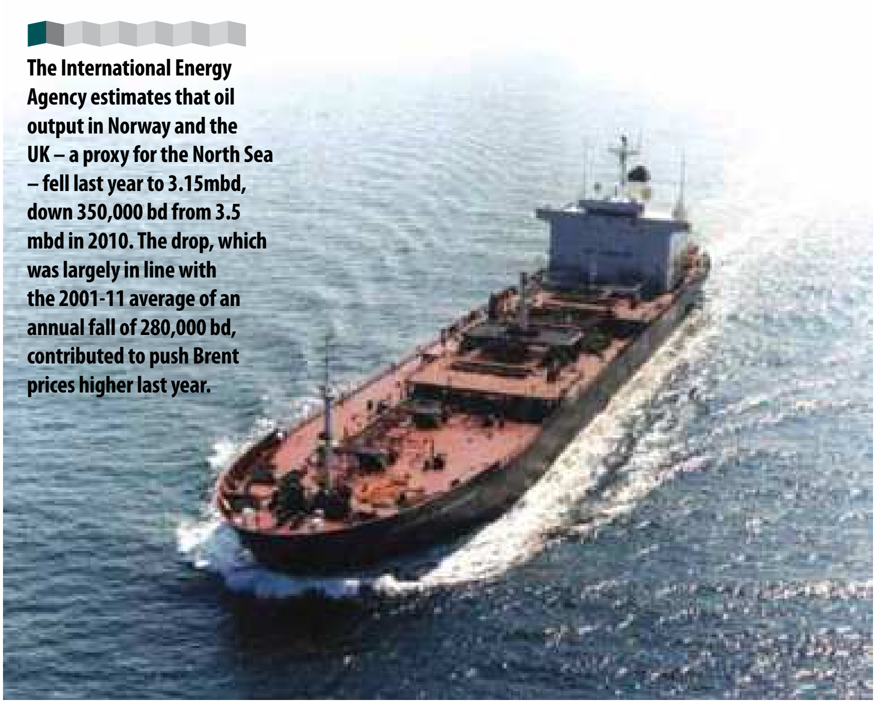
Given that much of tanker cargos such as oil and palm oil originate from Asia, it is not surprising that the majority of small tanker capacity is deployed in the region. Demand for oil, palm oil and other tanker products, is growing in developing countries such as China, Indonesia and Vietnam. However, these countries do not have facilities to handle huge tankers and to refine oil. Although they are net exporters of oil, these countries have to import much of their fuels needs as they lack refinery capacity. With their sizeable populations, these countries provide significant markets for the small tanker trade based on the strong demand for oil whose transportation the small tankers help to facilitate.

Exemption from IMO ruling

Despite the passing of the 2010 deadline for compliance with IMO's double-hull ruling for tankers, a significant number of single-hull tankers have been given exemption to continue to trade for up to another five years.

Their continued deployment may put the tanker trade, already feeling the heat from the lower oil consumption amid the global economic downturn, under considerable pressure.

The strong performance of the small tanker trade has halted the flow of scrapping of small tankers. According to industry figures, around 550 tankers were scrapped



The International Energy Agency estimates that oil output in Norway and the UK – a proxy for the North Sea – fell last year to 3.15mbd, down 350,000 bd from 3.5 mbd in 2010. The drop, which was largely in line with the 2001-11 average of an annual fall of 280,000 bd, contributed to push Brent prices higher last year.

in 2010 under the International Convention for the Prevention of Pollution from Ships (MARPOL) rules designed to minimise pollution of the seas including waste dumping, and pollution from oil, exhaust and harmful substances. However, there are 'small prints' in the complex web of legislation which have been overlooked by many, except those closely involved in the process, that have allowed flag states to offer exemptions to owners to trade for up to another five years.

Among the flag states that allow tanker-exemption permits are Japan, Liberia, the Bahamas, Panama, Barbados, India, Marshall Islands and St Kitts and Nevis. Several Asian countries have also allowed single-hull tankers to trade on for another five years, Japan, Singapore, India and Hong Kong leading the way. However, China is a notable exception, in line with the trend of Chinese charterers seeking for double-hull vessels to carry oil.

In order to qualify for exemption from the double-hull ruling, flag states first had to inform the IMO of their wish to offer extension permits. They then have to inform IMO of the names and dates of the permits issued.

This exemption should not be seen as a delay tactic to prolong the IMO requirement. Maritime authorities have to be satisfied that owners with vessels on their flag are complying with the current regulations before granting exemption to tanker owners from going double hull.

Tanker safety is a subject of particular international concern. High-profile accidents involving tankers in recent decades such as *Exxon Valdez*, *Erika* and *Prestige* that caused disastrous consequences to the marine environment have raised global attention on the subject. Tanker owners know that they must not compromise in complying with rules and regulations governing the carriage if cargos categorised as hazardous and noxious substance. Operating in a trade which is highly regulated and under intense international scrutiny, they know they must be seen to be doing the right thing at all times.

Living up to its stringent approach in implementing IMO rules, the European Union (EU) states has agreed not to allow exemptions for single-hull tankers to continue trading. This means that such vessels have not been allowed to trade or be flagged in EU states from the end of 2010, regardless of whether they have an exemption from their own flag states.

The EU position has come with the US unilateral enforcement of its own post-*Exxon Valdez* single-hull phase out schedule, which runs alongside the international rules. The combination of the EU and US positions has resulted in single-hull tankers being effectively able to operate only in Asia, Africa and Latin America.

Clarksons reported that the Atlantic market has pretty much shut the door to single-hull tankers. This has driven single-hull owners to deploy their vessels mainly in the Pacific. This explains the active deployment of small tankers, which are mainly single-hulled,

Money – Key to expansion

Key to the expansion of small tanker fleet is the availability of funds and investment to finance fleet expansion and newbuilding programmes of owners.

Amid the global credit crunch, the Eurozone debt crisis and stringent measures undertaken to restore the health of the financial and capital markets, the financing of big ticket items such as ships has taken a backseat. Ship financing banks, which are mainly European based, have held back lending. Local banks which are not as well capitalised and not as familiar with shipping as banks specialisng on ship financing are not able to cover the shortfall in financing.

This has adversely affected the shipping markets and made ship financing more costly, and has affected small tanker owners too. In addition to high cost of financing, there are other costs contributing to the high price tags of small tankers.

Global demand is expected to grow by 0.8 milliion barrels a day (+0.9%) in 2012 to 89.9 mbd. The relatively subdued economic backdrop – with a global GDP expansion of 3.3% foreseen for 2012 (3.8% in 2011) – and high oil prices both restrain any upside momentum for consumption.

As prices of raw materials such as steel and other components such as navigation equipment and engines rise, the cost of small tankers are expected to rise in tandem.

What is small

The small tanker trade consists of tanker vessels with capacity less than 10,000 dwt. They are usually used to transport oil, petroleum products and chemical products in coastal trades and between short distances.

These tankers are deployed to and from countries, usually in developing regions, which have yet to comply with International Maritime Organisation's (IMO) phase-out requirement for single-hull vessels. Such countries usually do not have adequate port infrastructures and facilities to handle big tankers, have long coastal lines and lack refinery capacity.

Given the rising prices of small tankers, the availability of competitively priced and attractively packaged financing structures will be crucial to enable small tankers owners to expand their fleet.

One hopes that financial institutions will take a more supportive stand towards the small tanker trade and not hold back lending to this trade, given its importance and its bright prospect.

Small is beautiful

Among the regions where small tanker trade has flourished is Latin America which has a long coast where these tankers provide invaluable coastal transport service for a range of fuels. Other markets with bright prospect for small tankers include Vietnam, where the first oil refinery only came on stream in

noteworthy from major tanker players such as Denmark's Clipper Group, which recently invested in an Argentinian small tanker company. Another Danish small tanker player, Erria, has taken over Vietnam's Pacific Tanker Company to gain greater access to the lucrative Vietnamese coastal tanker market.

2010, and China and India, where maximum new refinery capacity is projected to be ready only by the end of this year. Until then, these markets will continue to rely on small tankers to transport oil and other types of fuels along their coasts in and out of those countries.

There is relatively strong demand for small tankers amid slumping global demand for shipping services. Small tankers contributed around 2 per cent of all tanker newbuilding in the last three years. Demand for new small tanker tonnage is especially noteworthy from major tanker players such as Denmark's Clipper Group, which recently invested in an Argentinian small tanker company. Another Danish small tanker player, Erria, has taken over Vietnam's Pacific Tanker Company to gain greater access to the lucrative Vietnamese coastal tanker market.

It is interesting to note that a significant number of small tankers ordered in recent years were non-double hull tankers. This shows that there is still a decent demand for such small tankers, especially among countries which did not commit to the IMO programme to phase out single-hull tankers. Most newbuilding orders for small tankers are placed at yards in countries not considered leading shipbuilding nations, for example China and Turkey. These tankers are relatively easy to build compared to large tankers as they do not feature huge dimensions, sophisticated onboard equipment and double hulls.

When assessing the potential of the tanker trade, it has to be kept in mind that refinery capacity is finite, and that new refining capacity currently being built in nations such as China and India will not come on stream immediately. Developing nations such as these two economic giants and other countries such as Indonesia and Philippines, do not have huge refinery capacity or adequate facilities to handle big volumes of oil shipment. Until their refinery capacity attains optimal levels, they will continue to depend on small tankers to deliver oil and chemicals to them for some time to come.

Bright outlook ahead

The crippling global economic downturn has no doubt had an adverse impact on most shipping trades. The tanker trade, which makes up 40 per cent of the world's merchant shipping capacity, has also suffered from the slump in the demand for the cargos it carries amid the economic gloom.

However, the small tanker trade is set to remain robust on the back of strong demand for product cargos, especially among developing economies which do not have terminal reception facilities to handle huge tankers. Owners of small tankers providing services in coastal waters and to countries which did not sign up for IMO's mandatory phase out of single-hull tankers will continue to reap the benefit from the demand for such tankers.

Barring unforeseen circumstances, the outlook for the small tanker trade should be buoyant, given its indispensable role in facilitating the transport of oils and chemicals especially to developing nations. As the small tanker trade is closely related to the oil trade, there is every reason to be bullish on this trade, given the seemingly insatiable global demand for oil, petroleum products and chemical products.

Admittedly, the uncertainty over oil supply due to the Arab Spring uprising and the Iranian nuclear situation, the global economic recession, the credit crunch and the surplus capacity in tanker tonnage will weigh down on the small tanker trade. However, there is every reason to believe that once the gloom of the global recession clouds lifts, the global demand for oil and chemical products, which are almost indispensable in our daily lives, will pick up again, and so will the attendant demand for the small tankers to transport them.

Until the time comes when single-hull small tankers will be completely phased out, there are fewer winning bets in the depressed shipping industry than small tanker market. MG

The US, the world's biggest oil consumer, imported an average of 1.5 million barrels a day from Saudi Arabia this year, on course for the highest quarterly average since September 2008, according to preliminary data from the Energy Department.

Unease on 'One-Fits-All' Cylinder Oils

Leading Chinese shipowners are seeking further guidance on claims from certain lubricants suppliers that a mid-range Base Number cylinder oil product can meet critical challenges set by tightening environmental legislation on the sulphur content in fuel oils.

As regulations on emissions tighten over the sulphur permissible in marine fuels, certain lubricants suppliers have responded by launching single-solution cylinder oils that they claim will perform consistently well with a wide range of marine fuels.

While seemingly attractive, shipowners operating in the key Chinese growth market are already questioning whether the 'one-fits-all' cylinder proposition will stand up to the full range of operating conditions, particularly in the context of the slower steaming that has become commonplace across the industry as owners pursue cost savings.

The reservations resonate with leading lubricants supplier Castrol Marine, which has adopted what it terms as a 'distinct position' in recommending that a range of cylinder oils are required in order to enable a ship to operate most efficiently, taking into account its fuel sulphur content, engine power and cylinder oil feed rate. Customers need a cylinder lubricant that can allow its ships to operate safely, without compromising engine performance or risking engine damage, and achieve the large fuel cost savings and emissions reductions enabled by slow steaming.

The development of slow steaming practices is a new variable that has made the equation to calculate which cylinder lubricants offer the most efficient cylinder lubrication solution, more complex, according to Castrol.

From January 2012, the maximum sulphur content permitted by the International Maritime Organization dropped from 4.5 per cent to 3.5 per cent. The allowed sulphur content of fuel has already been cut in predefined Emission Control Areas (the Baltic Sea, the North Sea and the English Channel, with North American coastal waters due to follow) from 1.5 per cent to 1 per cent in 2010 and is due to

be cut further to 0.1 per cent from January 1, 2015. The use of heavy fuel oil will still be permitted inside ECAs, but only if ships are fitted with sulphur scrubbers.

The potential attraction of a 'one-fits-all' lubricant that works with all bunker fuel types is therefore easy to understand. However, Castrol says that if the appropriate cylinder oil lubricant is not selected under prevailing slow steaming conditions, engines operating on sub-optimal loads may face corrosion on piston rings and cylinder liners. Using an appropriate cylinder oil lubricant is therefore very important to ensure the vessel gets the optimum balance between sulphur content, Base Number (BN) and feed rate which will enable vessel to operate most efficiently and avoid the risk of engine damage.

Recent engine inspections suggest that the desire for simplicity, which is driving consideration of the 'one-mid-range-BN-fits-all' lube, may compromise reliability and lead to engine damage, particularly under slow steaming conditions, the supplier says. It cites a recent service letter from a leading engine maker advising that, when ships are slow steaming, operators should increase lubricant feed rates due to incidences of corrosive wear.

Castrol argues that increasing the BN in cylinder oil is a better alternative to having to increase federates for mid-range BN cylinder oils when using higher sulphur fuels. Only by having a comprehensive range of cylinder oils to choose from can owners hope to maximise machinery performance over time across the board, Castrol says.

Shipowners' disquiet

One of China's largest shipowners, China Shipping Development Co. Ltd Tanker Company, indicated its intent to continue requiring a full range of cylinder lubricants from its suppliers. The company, which owns 79 tankers ranging between 40,000 dwt and 110,000 dwt in size, as part of a larger CSDC operation, estimates that 20 per cent of the lubricants it uses are supplied by Castrol Marine.

Liu Xun Wei, China Shipping Development Co. Ltd Tanker Company Marketing Department, Shipping Division, said the owner considered a range of criteria when selecting lubricants. He added that the company also set much store by developing long-term relationships with its lubricant suppliers, with Castrol having established itself as a supply partner supplier over a period of two decades.

"When we choose the lubricants we use, we consider three main points," he said. "Of course, we consider the competitiveness of pricing, but we also need to be convinced that technical support and port coverage are available. The third, no less critical, consideration is that we can rely on a product that is fit and right for purpose. We take guidance from our trusted lubricants suppliers on KPIs."

Tommy T M Li, of SWS Ship management Maritime Consultant Co. Ltd, was more explicit in his concerns about how effective a 'one-fits-all' approach could be in satisfying the needs of ship operators under the new regulatory regime. The company, which owns 10 handysize bulk carriers, has been specifying Castrol oils for over 15 years and has built up its usage of the supplier's products to meet 100 per cent of its greases, hydraulic oils and cylinder oils needs.

"Clearly, as sulphur content levels are restricted, the concept of a single solution cylinder oil is quite appealing, but we are sceptical," said Li. "It promises an effective and convenient resolution to a difficult problem. But when it comes to a knowledge-based answer, we are of the view that different sulphur content fuels will demand cylinder oils featuring different BNs. We feel more comfortable with the different types of products that Castrol supplies."

Paul Harrold, Castrol Technology Manager Marine & Energy Lubricants, explained: "Under certain high load conditions, a mismatch between low fuel sulphur levels and cylinder oil BN may lead to excessive deposits on piston crowns, top lands and rings. These are disruptive to effective lubrication of the liner and may lead to damage of the cylinder liners, bore polishing and scuffing. This can, however, be avoided by using an appropriate cylinder oil designed to counter these problems."

Harrold concluded: "Castrol's position is that the selection of mid-range (50-60 BN) cylinder oils as a 'single' solution for all fuel types will not achieve optimal engine operations under all load conditions. Opting for a mid-range lubricant to cover all fuel types, could lead to increased corrosive and/or mechanical wear with unscheduled and costly maintenance costs."

He adds: "If a mismatch occurred between low sulphur content fuels (1.0 per cent) and BN, then OEM guidelines suggest this would not be apparent in performance terms until after 10-14 days. However, if the mismatch were to occur in the case of fuels featuring 0.1 per cent sulphur content, then operational problems would emerge quickly."

Liu, of CSDC, was in no doubt of how critical it was for shipowners to be kept fully aware of the consequences for their fleets in selecting cylinder oils. "We develop partnerships with suppliers like Castrol who believe in the future. When it comes to our new builds, we can specify the type of new equipment that will operate efficiently in line with new legislation. When it comes to our existing vessels, we are particularly dependent on lubricants suppliers to help us to ensure that our equipment is operating to its maximum potential in the current regulatory environment." MG

VISION
for Speeding up Action

As the world's leading ports strive to keep up their position, Rotterdam Port comes up with Port Vision 2030, a vision document that articulates the ambition and the vision of the port and its industrial complex.

Titled *Port Compass*, the vision document covers the length and breadth of the various milestones that the leading port in Europe can achieve with the help of its clients, government departments, knowledge institutes and societal organisations. The document lists out nine success factors, each with a concrete ambition and followed by a number of different challenges that need to be fulfilled to realise the ambition – investment climate, land use, accessibility, shipping, environment, safety and quality of life, labour, city and region, laws and regulations and finally innovation. According to the report, in 2030, the Rotterdam industry and energy sector will function as an integrated complex with Antwerp. This will mark the emergence of the largest, most modern and sustainable petrochemical and energy complex of Europe. This complex will compete on world scale through its cluster advantages, integrated supply chains and energy-efficiency. Towards this end, the transition to a sustainable energy supply and bio-based chemicals is in full swing, the document notes.

Together, the logistics and industrial pillars of the port complex, i.e. the Global Hub and Europe's Industrial Cluster, make up the port of the future. In 2030, the Global Hub will have the following characteristics:

1. **Global and intra-European freight flows:** Rotterdam will be an important hub for freight flows from and to Europe and a key junction for cargo flows between other continents. This involves both existing freight flows, such as oil, petrochemical

products, containers, coal and new products such as LNG, biomass and CO_2.

2. **Chain efficiency:** The logistics chains that run via Rotterdam are the most efficient in the world. Collaboration and coordination between logistics players is of essential importance in this context.

3. **Sustainable hub:** The Port of Rotterdam is part of logistics chains with the smallest ecological footprint per tonne-kilometre in the world. This can be achieved by sustainable modes of transport, clean fuels and efficient logistics chains.

4. **Integrated port network:** The port is closely connected to logistics hubs found in the hinterland and to other seaports. Hubs in the hinterland will increasingly develop into gateways for the global hub.

5. **High-level activities in the region:** Both the global hub and Europe's industrial cluster generate a large number of jobs and business activities in the region, for example, by attracting business houses, logistics management organisations, industrial service providers, [maritime] maintenance companies, inspection services and [European] head offices.

Based on the vision, the success factors and the trends, developments and estimates for cargo throughput, crucial actions need to be taken.

Transition of the industrial sector

The European population is ageing, Europe has relatively small resources of fossil materials, and economies elsewhere in the world are growing at a far higher pace. However, the European market is mature, the document notes.

Fortunately, the industry in the Rhine-Scheldt Delta is an exception. Thanks to its favourable location for the supply of raw materials, major cluster advantages and economies of scale (companies use each other's (residual) products), the industry in this area enjoys a solid competitive position.

However, further integration is needed, both between companies in Rotterdam itself and between the Antwerp and Rotterdam industrial sectors, to create greater economies of scale and cluster advantages for the companies in the Delta.

Connecting companies with pipelines will basically create one single large industrial cluster. This enables companies to produce more efficiently.

Efficient logistics chains in a European network

In the Netherlands and North-West Europe, a network of logistics hubs that are connected to Rotterdam via roads, rail and inland shipping need to be developed. Via such a network of inland hubs, cargo can be transported to its destination fast and efficiently. The inland hubs need to develop into gateways for the port and Customs should be able to check the cargo at these locations.

Venlo and Duisburg already serve as important hubs for rail transport and inland shipping. Ultimately, the ambition is to realise a comprehensive European network of intermodal inland hubs.

Improving accessibility

Accessibility is crucial for the port. In many cases, improving accessibility does not solely come down to constructing extra infrastructure. It is important to better utilise the capacity of existing infrastructure. At the moment, there are regular tailbacks during rush hours, while at other times of the day, the roads are very quiet – particularly at night. To utilise the available infrastructure more efficiently, Rotterdam needs to realise proactive traffic management for all modes of transport.

Improving the quality of life

In 20 years time the economic activity in the port area is expected to have increased by at least 150 per cent. All of this growth needs to be realised within environmental thresholds that will probably only become stricter in the years to come. Consequently, investments in measures that reduce noise and air pollution are needed.

Innovative terminal design by APM Terminals

APM Terminals is building a new container terminal at Maasvlakte II in the Port of Rotterdam opening in November 2014 that promises to set the pace for new terminal design and customer satisfaction levels. According to a report in Dredging Today, the selection of container handling equipment for horizontal transport of containers offers higher productivity levels and is the safest and most advanced equipment of its kind in the world. "Our estimates show we can deliver 25-50 per cent productivity improvement results for our customers vs. conventional terminal designs," said Frank Tazelaar, Managing Director for APM Terminals Maasvlakte II.

The terminal design concept is based on using ship-to-shore (STS) cranes that unload containers from the vessel and place them directly onto a fleet of Lift Automated Guided Vehicles (Lift AGVs). The Lift AGVs can carry two containers at a time and shuttle them at a speed of 22 km per hour from the quay to the container yard using an onboard navigation system that follows a transponder grid. Once the Lift AGV arrives at its programmed destination it lifts the containers into a series of storage racks. Next, an Automated Rail-Mounted Gantry (ARMG) crane arrives to take the container from the rack to its next designated location which could be to the rail terminal, a trucker or stacking it somewhere else in the container yard. For the first phase of the Maasvlakte II terminal, the fleet will consist of 36 Lift AGVs in combination with 128 storage racks.

Innovation & decisiveness

In the future, the Netherlands will find it increasingly difficult to compete on the basis of traditional production factors. Knowledge promises to be the competitive factor of the future. It is needed to make targeted investments in the development and application of knowledge that will help to promote the traditionally strong sectors of the Dutch economy. Social innovation is an important component in this context, together with the renewal of legislation and regulations.

The pace of planning, decision-making and realisation needs to increase, among all parties involved. And the crucial actions for realising Port Vision 2030 are:

For Europe's industrial cluster

- Transition towards more bio-based (chemical) industry, increasing sustainable energy production and carbon capture and storage of CO_2 (CCS)
- Further integration and clustering of industrial activity, within Rotterdam and at the level of Antwerp-Rotterdam

For the global hub

- Substantial improvement of the efficiency of logistics chains
- Improvement of the European transport network

Improving accessibility

- Optimisation of the utilisation of existing infrastructure
- Vigorous expansion of the road network with the missing links 'Blankenburgtunnel' and 'A4-South'

For the improvement of the quality of life

- Reducing noise and air pollution
- Development of green zones between the port and the region

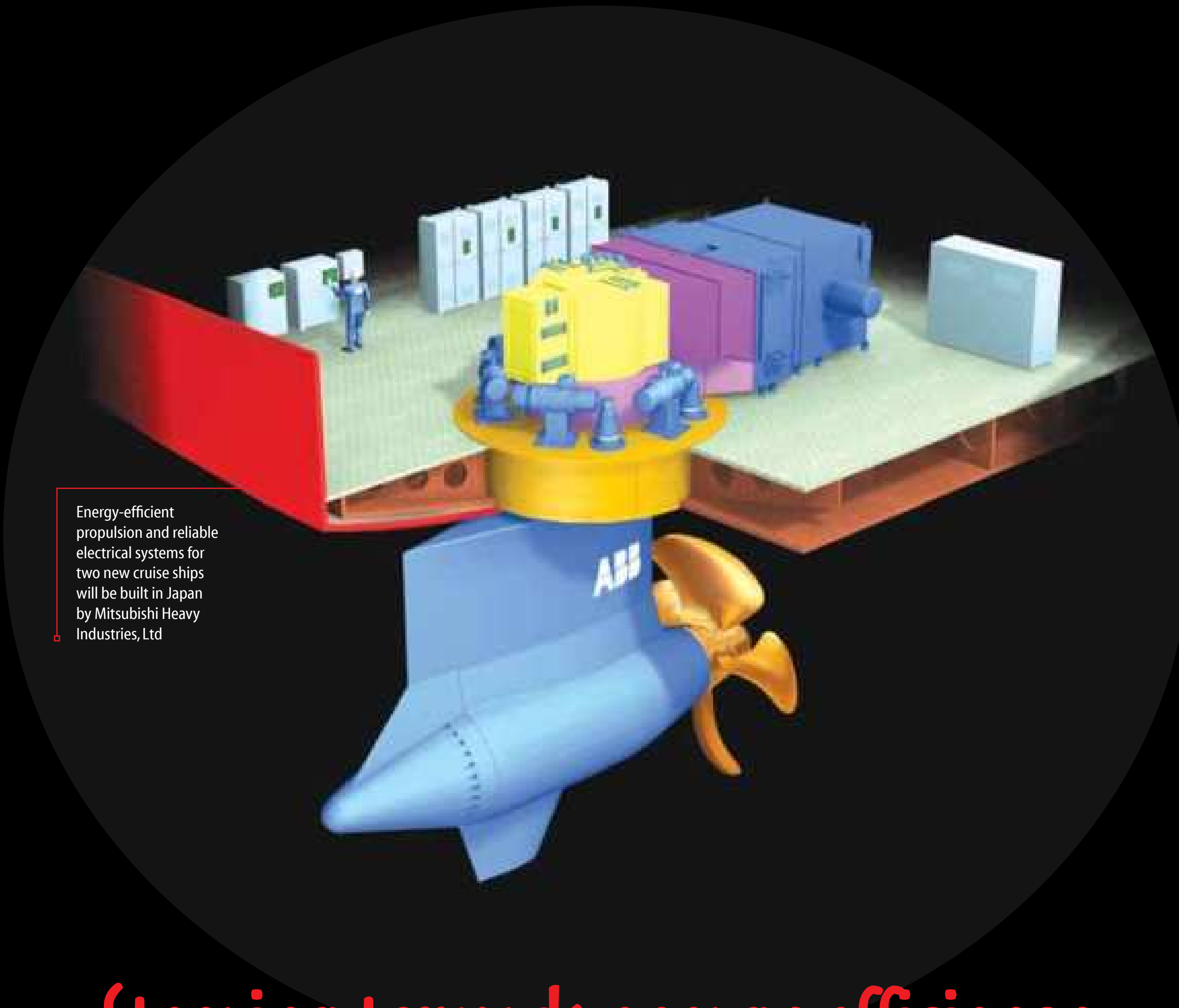
Innovation & decisiveness

- Besides technical innovation, more than anything else, each of these actions require social innovation: decisiveness and organisational capacity are key concepts in this context

In the Netherlands and North-West Europe, a network of logistics hubs that are connected to Rotterdam via roads, rail and inland shipping need to be developed. Via such a network of inland hubs, cargo can be transported to its destination fast and efficiently.

Three ports in the cluster are already working towards strengthening hinterland infrastructure. Recently, the port directors – Eddy Bruyninckx of Antwerp, Jens Meier of Hamburg and Hans Smits of Rotterdam – expressed their support in the European Parliament for further development of a European intermodal transport network. They said rail and inland navigation corridors, of which the three ports are the entry and end points of important corridors, are essential for European transport in the future.

The three ports believe that the funds which the European Commission will make available should not merely be distributed "politically" among the 27 EU member states but invested in areas where the largest volumes of freight are concentrated – the corridors from the seaports into the hinterland. MG



Energy-efficient propulsion and reliable electrical systems for two new cruise ships will be built in Japan by Mitsubishi Heavy Industries, Ltd

Steering towards energy efficiency

ABB, the leading power and automation technology group, recently won an order worth $60 million to provide complete power and propulsion systems for two new cruise ships to be built by Mitsubishi Heavy Industries, Ltd. at their shipyard in Nagasaki, Japan, for German cruise line operator AIDA.

The company's delivery will not only help the ships maximise their fuel efficiency, speed and maneuverability, but will also provide a reliable power supply to improve the availability of onboard equipment.

Scheduled for delivery in March 2015 and March 2016, each of the 125,000-tonne cruise ships will have a passenger capacity of 3,250.

SERVICE EVALUATION

MARK MILLAR

Making the Right Choice

Recent studies confirm that companies are now outsourcing more of their logistics activities – and they are outsourcing to a fewer number of service providers. Therefore, the selection of your outsourced Logistics Provider (3PL = Third Party Logistics) is becoming increasingly important to empower effective and efficient supply chain ecosystems that are essential for competitive advantage.

Whilst the Annual Third-Party Logistics Study found that 65 per cent of shippers are increasing their use of 3PL services, the Global 3PL & Logistics Outsourcing Strategy survey by Eye-for-Transport also presents some interesting findings:

With outsourcing of logistics activities going up, selection of a suitable outsourced logistics service provider becomes important for a shipper, especially to get the best quality for his money.

- 97 per cent of shippers intend to increase their use of 3PLs in the future
- Shippers are consolidating their vendor base of 3PLs – the proportion of shippers using between one and three service providers has more than doubled year-on-year to 58 per cent, whereas in the previous year almost 60 per cent of shippers were using four or more 3PLs
- 47 per cent of shippers have recently switched 3PL or are currently planning to change 3PL, of these, 31 per cent were changing because of service and 16 per cent changing due to cost
- Shippers report that Best Quality Service is most important when choosing a new 3PL, whereas 3PLs think shippers consider lowest price to be most important

With the increasing reliance on a fewer number of 3PL providers to execute even more of your supply chain, selecting your 3PL provider becomes increasingly critical, and so it is essential to have both a clear selection process and appropriate evaluation criteria.

Challenges in selecting

The selection process will typically take 3-4 months and involves considerable effort managing the RFQ (Request For Quotation) project. With the majority of 3PL service providers offering a comprehensive range of capabilities, it can be quite challenging to differentiate between them.

It is also challenging to evaluate the different providers and their offerings – as opposed to the selection and evaluation of physical products, for logistics services there is no opportunity to touch, feel and test the offering prior to making your selection. You have to be able to see through and beyond the power-point and the sales pitch to determine how the provider will be able to deliver on the promise – consistently, reliably and cost-effectively. The resulting agreements will typically be long-term commitments (3-5 years is typical) thereby reinforcing the importance of making the right choice.

The consequences of selecting an unsuitable 3PL provider are significant. The potential impact on your business' supply chain ecosystem could adversely impact customer service, profitability and stakeholder value. The process to repair an incorrect selection is lengthy, painful and costly. Fully recovering from an unsuitable selection – from trying to fix the situation through to migrating to a new 3PL provider – could take up to two years.

Engaging an external resource on a contract basis can benefit the process of evaluation and selection by combining project leadership – alleviating the burden on in-house resources from the additional workload – together with industry experience and expertise, to provide an independent and knowledgeable perspective to the project.

The process to repair an incorrect selection is lengthy, painful and costly. Fully recovering from an unsuitable selection – from trying to fix the situation – could take up to two years.

Having over 20 years of global experience in third-party logistics, I consider following as international best practices in selection process and evaluation criteria:

Selection process

To manage the RFQ (Request for Quotation) process for selecting your 3PL provider, it is best to appoint a multi-disciplined project team – typically between six and ten participants – and adopt a structured model for engaging and leading the project team through the selection process. I recommend the following 9-step process for the selection of 3PL:

1. Define RFQ requirements
   a. Detailed scoping of logistics model within your supply chain
   b. Compile detailed requirements specifications, metrics & templates
2. Issue RFQ to invited 3PL vendors
   a. Pre-qualify vendors, execute confidentiality agreements
   b. Manage bid process with 3PLs, including dealing with queries
   c. Compile queries and responses, collate and issue updates
3. Receive proposals from 3PL vendors
   a. Review proposals, map to requirements and criteria
   b. Collate team views and feedback, compile comments and questions
4. Vendor presentations
   a. 3PL to present their company, solution and benefits
   b. Management discussions – process, people, pricing
5. Site visits
   a. Visit 3PL's logistics facility – view operations, processes, people
   b. Review capabilities, capacity, competencies
6. Short list (as required)
   a. Continue with further exploration and evaluation
   b. Probe deeper into capabilities, pricing models & assumptions
7. References
   a. Consultations with client references provided by 3PL
   b. Obtain independent perspective – market reputation, ex-clients
8. Executive engagement
   a. 3PL present to senior management
   b. Explore and assess organisational fit
9. Evaluation & selection
   a. Compare and contrast – company, solution, economics
   b. Map shortlisted venders to evaluation criteria

Evaluation criteria

It is important to compile your criteria for evaluating the potential 3PL providers and for the project team members to independently rate and score the participants. Rather than compiling the actual total scores, compare each team member's resulting ranking of the bidders (first, second, third place) – this will neutralise the impact of some team members being more generous with their scores than others. Having collated the rankings, explore any significant areas of difference through discussion and review of specific line item details.

In compiling your evaluation criteria, include both quantitative and qualitative factors, together with consideration of future potential requirements. Consider the following seven main categories for your evaluation criteria to support your selection process. Within each category, expand the detailed expectations and requirements to match your business needs and specific circumstances.

1. **3PL Provider** – Size and scale of their operations; their standing in the industry; market reputation; financial viability; senior management's active involvement in the bidding process; their commitment levels; their corporate DNA – vision, values, and their approach to corporate responsibility; their relevance/ appropriateness to your company needs.
2. **Logistics Solution** – 3PL's operational capabilities in terms of warehouse, equipment, space; capability of the proposed solution to meet your business needs; their expertise; adequate logistic network to meet supply chain requirements.
3. **Economics** – competitive price; opportunities for economies of scale; flexibility in their pricing to meet the emerging requirements.
4. **Technology** – robustness of their information technology platform and systems, and their ability to integrate with your IT systems; their IT capability and competence; prior experience in similar system integrations.
5. **Future Proof** – capability to grow with you as your business grows; scalability and flexibility; ability to meet your future potential needs; speed with which they can ramp up operations; capability and financial means to expand their skills base and operations.
6. **Value Add** – their ability, in terms of experience, knowledge and expertise, to help you improve your company's logistics activities; industry leadership; their ability to take a proactive approach to explore and propose mutually beneficial solutions.

7. **Services Delivery** – your confidence levels in their ability to 'deliver on the promise' – execute on their proposed solution to deliver the operational requirements and business benefits – consistently, reliably and cost-effectively; capacity to deliver on your requirements through the three additional marketing P's that are critically important in Services businesses – the Physical results, the Processes and the People; experiences of other customers – through anecdotal evidence and client references.

When selecting a 3PL provider it is very tempting to focus on evaluating items 2 and 3 – these 'hard' dimensions are tangible and relatively straightforward to compare across multiple vendors. However, the soft factors – the intangibles in items 5, 6 and 7 – are of equal if not more, importance. These soft factors are what will determine the long-term sustainability and success of your chosen service provider and their logistics solution. Careful consideration of all of the evaluation criteria is essential to ensure a successful outcome.

The final analysis

It is critical to adopt good process and use proven evaluation criteria to choose your 3PL provider. The selection process is an intensive, time-consuming project that requires specific expertise and additional resources – over and above normal business activities – for the duration of the project. Consider engaging an independent, external resource to add value to the process and reduce the burden on in-house resources.

The consequences of making a mistake are significant. At a recent logistics industry conference attended by numerous leading international companies, the anecdotal consensus was that changing your 3PL provider as a result of poor performance is a painful process, that will take 9 to 12 months and will cost between 15 to 25 per cent of your annual logistics spend!

In the context of delivering services, prior experience is a very powerful means to evaluate alternative providers – think about restaurants, schools or hair dressers. Successful service delivery manifests itself through the three P's of Services – the Physical results, the Processes and the People.

As you do not yet have any prior experience of the service providers being evaluated, you should place considerable emphasis on those that do – existing customers as client references plus market references from former customers and industry advisors. In the context of references in service businesses, I like to use my simple two question litmus test of customer satisfaction: Would you buy again? and Would you recommend? MG

Mark Millar

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FORECAST

All is Well

The Fitch Ratings claims that Indian logistics industry would grow at 15-20 per cent a year.

The Indian logistics industry was poised for a significant change when the proposal for FDI in retail was cleared by the Cabinet, but then this reform got stuck in political bickering, because of which business may be as usual for the logistics sector. This fact was once again underlined by the Fitch Ratings – one of the world's top three credit rating agencies – in its report, '2012 Outlook: Indian Logistics Industry'.

As per the agency, logistic companies fared slightly better in 2011 as compared to 2010. The credit metrics of most of them were either better or similar to previous years and were in line with their rating levels. Fitch opines that the logistics industry would grow at 15-20 per cent a year to reach around US $350 billion by 2015 from its current size of around $80 billion. Third-party logistic companies (providing transportation and warehousing) will show a slight increase in revenues, with operating profit margins remaining stable at current levels of 5-10 per cent for transportation companies and 20-25 per cent for those dealing in warehousing.

"India is a land of opportunity for the logistics market, which is growing at a rate of 10-12 per cent. Things will only improve with myriad developments. For instance, the eastern ports like Kolkata, Haldia and Paradeep are likely to see major growth in cargo handling with many power units being set up in the eastern region. Overall, a major growth story will be written for the logistic industry in 2012 and beyond," says Bikash Jaiswal of Venkatesh Logistics (P) Ltd, Kolkata.

The Fitch outlook further states that the industry is not expected to see any significant changes in the short term, with a number of small unorganised players continuing to provide stiff competition to the organised sector. However, the larger companies having a pan-India reach could benefit over the medium term as companies gear up for potential regulation changes from 2013 onwards.

The report adds that outsourcing of logistics is expected to increase as companies gear up to take advantage of opportunities that could come with the rollout of GST and FDI in retail. At present, outsourced logistics accounts for almost 60 per cent of the total logistics business in India compared to about 15 per cent 10 years ago. Fitch estimates that the expected increase in outsourcing should mean that the profit margins of the larger players will remain stable. Smaller unorganised players would be hurt as companies are likely to enter into long-term contracts with the larger players for outsourcing their logistic needs.

The increase in outsourcing of logistics would also in turn lead to an increase in business for warehousing companies (regardless of whether transportation occurs via road, rail, ship or air). While in the short run local small warehouses would compete with larger players, in the long term, once the regulation changes come into effect, the smaller warehousing companies would see their business affected adversely. Companies which offer end-to-end logistic services – transportation, warehousing and distribution – would be the ones to benefit the most from this increase.

Other factors affecting the profit margins of the company would remain more or less stable – the cost of diesel, which is the major fuel expense for surface transport companies, is not expected to increase significantly as a percentage of revenues; diesel prices are expected to remain subsidised by the government. Increases in other operating expenses like insurance, toll, vehicle interest rates and lease expenses are also expected to be passed on as most long-term contracts have built-in escalation clauses. Fitch believes that growth of logistics industry in 2012 would be positive for the credit metrics of the companies if the operational expenses do not rise significantly.

However, despite an expected increase in revenues, outstanding ratings of road transport companies are expected to remain stable as the growth in the both logistics sector and the share of road freight would be offset by fewer hikes in road freight rates. Road freight transport could see an increase in market share at the expense of rail freight (with innumerable problems continuing to plague the latter).

The outstanding ratings of rail freight companies could come under pressure as road transportation is seen as a better alternative. Already the crisis seems to have gone beyond control as railways handled only 593.43 million tonnes during April-November 2010, short of the proportionate target of 605.11 million tonnes. The main reasons for this decline are high pricing in order to subsidise passenger travel and lack of sufficient infrastructure, and happenings post this year's railway budget shows that the situation is not about to improve. The railways are unable to provide an integrated transportation and delivery solution to customers due to an absence of a seamless integration between the railways and the postal department.

However, there are some industry players who are not so pessimistic about the growth of the railways. "It appears that the Fitch report takes into account mainly the breakbulk logistics and distribution of such cargoes. Bulk logistics is also a major determinant and in pure volume terms far larger than the breakbulk segment. Therefore, I do think railways' share of cargo will increase. There are constraints of primary infrastructure and support infrastructure. But bulk cargo is primarily moved through rail system over large distances. As our imports of coal increases multi-fold, the railways will have to gear up with private sector participation. Railway-focussed logistics companies will grow manifold," says Tamal Roy, vice president, business development, TM International Logistics, Kolkata.

Industry players hope that Roy's words prove to be correct as the railways are an integral part of the logistics sector and any downturn in its deviation growth is bound to affect the sector adversely. However, Fitch does not envisage any deviation from its prediction. It claims that only key regulatory or market changes in 2012 can affect its rating outlook, and these include the implementation of GST, deregulation of diesel prices and the notification

"In this era of globalisation, India is witnessing an increasing demand for the 3PL business, with companies now concentrating on managing their supply-chain mechanisms in a better way to deepen their market penetration. Today's 3PL marketplace is experiencing significant change and established 3PLs are adjusting their business models to provide greater value. Companies are shifting their focus from transaction strategies to relationship-based alliances. All types of companies from small firms to MNCs are becoming increasingly aware that they can gain competitive and economic advantage by outsourcing their supply chain and logistics requirements. Despite this, Indian market is full of opportunities compared to developed markets, because of infrastructure development, such as port highways, bridges, increasing connectivity and rising significance of logistic services."

Lalit Kumar,
Om Logistics Ltd

"Outsourcing by Indian logistics service providers are on a high not just quantitative-wise but qualitative-wise also. We can see equipments, vehicles of technically advanced companies like Volvo, Goldhofer running side by side the Indian makes on national highways. Indian logistics firms are also now venturing offshore to purchase hi-tech equipments and hardware to keep pace with the growing demand and requirement of hi-tech services."

Bikash Jaiswal,
Venkatesh Logistics (P) Ltd

to allow 51 per cent FDI in retail. "These would be able to absorb the reduction in margins that may be seen initially, as they would make investments to alter their operations to take advantage of the changes," say analysts from Fitch.

Most industry players also agree with the Fitch outlook, barring a few. "We feel the Fitch report is not up to the mark because it does not clearly explain the basis for the margins of 3PLs. Only marginal players have been covered (besides Gateway) and also it is incomplete as Private Container Operators have not been included. Overall it seems that proper primary and secondary research has not been undertaken," say officials of TCI Supply Chain Solutions, New Delhi. According to Anup Gupta of SAL Logistics, one does not need Pan-India presence to do well in the logistics sector, as stated by the report. However, he says that the report is correct in saying that FDI in retail will prove to be a game changer. Ajay Singh Bamel, chief operating officer of the Kolkata-based Apeejay Infralogistics Pvt Ltd, also agrees with Gupta on the FDI front. "The logistics scenario in India is stable and the new drivers will be GST implementation and FDI in retail, which will ensure investment into back-end supply chain (excluding land price)," he says, adding that the transportation sector is growing and more smaller player are using latest IT tools and this upgradation will lead to more outsourcing of non-core supply chain activities by customers.

All these factors will lead to the growth in transportation and 3 PL segment. Rail has potential to grow and if private train operators (PCO) develop and invest in rail terminals; if this happens, this segment will see long-distance domestic cargo moving to rail from road. For instance, this can happen in the case of movement of marble from Rajasthan and tiles from Gujarat to East. "Overall, logistics sector with the investments into infrastructure and technology, is going to play a crucial role in overall GDP growth of our country," concludes Bamel. MG

"The logistics sector in India is highly disorganised and there is not even a single large player who can match up to international standards. Lack of schools and courses regarding the logistics sector are also hampering the growth of the sector."

Anup Gupta
SAL Logistics

"To meet the demands of growing logistics needs, large players will have to emerge with deep pockets offering seamless services along the supply chain. They will face challenges from the smaller unorganised sector purely due to pricing strategies till our markets mature."

Tamal Roy
Vice Vresident, Business Development, TM International Logistics

Sandvik to use Arshiya's Mumbai FTWZ

Sandvik Mining & Construction Logistics, the logistics arm of Swedish high technology and engineering company Sandvik Mining and Construction has announced Arshiya's Mumbai FTWZ at Panvel as their global stock point. High precision engineering tools manufactured at Sandvik Mining and Construction's plants at Hyderabad and Pune will be routed through this zone post value addition and country customization activities, now possible in India through the Free Trade & Warehousing Zone.

Previously these tools were produced in India and sent to their distribution hubs across continents for final distribution to the market. Now, with FTWZ as their global stock point, their global distribution will be carried out through India, thus reducing extra links in the overall distribution as well as additional handling steps.

Commenting on the start of operations at Arshiya's Mumbai FTWZ in Panvel, Lee Kheng Ng , Director Distribution Asia for Sandvik said "Arshiya's FTWZ with its strategic location and state-of-the-art infrastructure will play a critical role in enabling us to distribute our products globally and bringing much required supply chain efficiency in our consolidation and export activities. This FTWZ and regulatory framework would surely make Indian exports more competitive."

Nijay N Nair Vice President and Head Strategic Initiatives for Arshiya International Ltd, said, "We will continue our focus in providing them (Sandvik) world-class integrated logistics and supply chain services and consider this deal a win not just for Arshiya, but for India at large."

CEVA signs pact with Hankook Tire Italy

CEVA Logistics, one of the world's leading supply chain companies, has signed a three-year agreement with Hankook Tire Italy, a leading global tire manufacturer.

CEVA will manage the storage, distribution and reverse logistics for the customer's tires at its hub in Somaglia, near Lodi, Italy, within a dedicated area of 6,000 sq m. From this site, it will distribute automobiles, light truck and truck tires across northern Italy and manage a shuttle service to Hankook Tire's main warehouse in Rome which serves the central and southern areas of Italy.

Moreover, it will handle 500,000 pieces across 400 product lines each year, using two incoming and several outgoing vehicles each day, to reach dealers and retailers in the north of the country as well as Hankook's site in Rome. Additionally, CEVA will manage reverse logistics for Hankook tires, guaranteeing the highest efficiency and punctuality in the collection of returns.

Serena Seo, Logistics Manager of Hankook Tire Italy, said, "We are pleased to have signed this partnership with CEVA as we believe that the logistics operator will be able to guarantee highly efficient services which will allow us to optimise our supply chain processes with a consequent cost reduction. CEVA and Hankook share the same attitude to the relentless search for quality and customer satisfaction; this combined with CEVA's expertise in this sector will allow us to provide our final customers with an excellent, punctual service."

CONTAINER DEPOTS

VIJAY KURUP

Time for Private Terminals To Lead

For importers in Delhi and the North Central Region facing delivery delays, private depots can serve trade in time and thereby reduce congestion at the otherwise efficient ICD Tughlakabad.

Don't be fooled by the smooth flow of containers at Tughlakabad presently. As the current low volume import is reversed, either in the monsoons or during Diwali, import traffic at the ports of Nhava Sheva, Pipavav and Mundra are again poised to rise the number of import containers waiting to move to ICD Tughlakabad (TKD), soaring. The delay in movement, during peak season, can be anywhere between one to three weeks and sometimes more. Despite the presence of number of ICDs and CFSs in the Delhi and the NCR region, majority of the import shipments have the final place of delivery on the bill of lading as TKD.

Importers are reluctant to move away from TKD. Said an importer who imports large shipments of non-hazardous chemicals to TKD, "I would prefer to clear my shipments at TKD. The ease and promptness of clearance is backed by the ancillary infrastructure comprising of transporters, workshops and clearing agents." Agrees another who has worked at both places, "the efficiency of Customs and other support personnel are far better."

Today, TKD is paying a price for this 'efficiency'. Majority of importers prefer the ICD for its efficiency leading to congestion at the ports of Nhava Sheva, Pipavav and Adani (Mundra) during peak season – a classical catch-22 situation.

At a time, on an average, TKD cannot handle more than 10 rakes (900 containers) of import containers from all the ports combined. The maximum delivery of approximately 900 containers is dictated by space and infrastructure constraints at TKD. Even though when sufficient trains are available, the evacuation of containers from the ports is limited. For instance, if six rakes are loaded from Nhava Sheva, only two rakes each can be loaded from Pipavav and Adani for TKD, regardless of the pile-up of import containers at the various ports.

The premier container depot in the north has long reached near-saturation levels; so much so that the handicap of (average) 10 rakes results in severe congestion at the ports, particularly on the west coast of India, much like the backward jerking of the wagons when the train comes to a sudden halt. At TKD, there are over 10 trains, anytime, waiting to discharge containers during peak months.

What stops the other ICDs and CFSs from emulating TKD's efficiency? The TKD efficiency comes from necessity. "The volume of cargo coming to TKD is so high that the clearance of cargo has to be fast. At any point of time there are, on an average, over 10 rakes waiting to be placed here and there is no scope for delay," says a terminal operator of one of the ports.

Paradoxically, the pressure of large volume of shipments, necessarily compel the various personnel involved in the clearance of shipments to expedite the delivery of cargo. The other terminals operate with far lesser urgency than TKD, since the pressure of shipments is not there.

Obviously, a small effort in sharing resources could bring efficiency into the entire chain. Some time ago CONCOR had ceased accepting scrap shipments at TKD. This only partly solved the congestion problem. Similar arrangements should have been made for more commodities such as rags/waste paper-commodities which arrive in bulk.

The saturation levels have had a telling effect on TKD's growth. The year-on-year growth at TKD has been eclipsed by other terminals such as Garhi Harsaru and Loni, which have pegged significantly higher growth rate. From 2009 to 2010, TKD grew by 9 per cent whereas Garhi Harsaru and Loni grew by 29 per cent. In 2010 to 2011, the figures have been 1 per cent for TKD and 17 per cent for the other two terminals combined.

TKD is an integral part of a supply chain, the strength of which is contingent on the robustness of its entire links. The evacuation from the ports can be expedited only if the clearance at the other end matches up with it. Shipping lines supported by container terminals are encouraging trade to start using other terminals for clearance of shipments. This is also where CONCOR could step in to ease congestion, being one of the major stakeholders in the supply chain management.

The anticipated traffic at Indian ports is poised to touch 2,485 million tonnes by 2019-20 from the present level of 850 million tonnes – a growth rate of more than 11 per cent. Can CONCOR, the premier terminal in North India, break free from its limitations of its current saturation levels to cater to enhanced traffic growth in the north? The utilisation of TKD is almost 120 per cent, whereas at most other locations it is below par. The writing is on the wall. TKD must look beyond its confines and involve other terminals in a win-win partnership to sustain the growth. CONCOR with its leadership role is best suited to be in the vanguard of change – to take forward the improvements and the future challenge of enhanced productivity of terminals in Delhi and north.

Shipping lines too can play their part here by exhorting overseas offices to use other locations around Delhi as the final place of delivery on the bill of lading – by providing incentives and imposing surcharges to wean away shipments from their traditional destinations. Somebody needs to bite the bullet – together or severally. MG

CONCOR Comes Up with Options

Managing Director of CONCOR, Anil Gupta, responds to Vijay Kurup's queries on ICD TKD and the potential of handling traffic there during busy season.

CONCOR has basically been following a strategy of restricting the catchment area of ICD TKD, and diverting such cargoes to its terminals outside Delhi as can be handled conveniently in other places.

Towards this, we have already developed alternative facilities in neighbouring areas in other states, like ICD Dadri (in UP), ICD Ballabhgarh (in Haryana), ICD Rewari (in Haryana) and ICD Panipat (in Haryana) to take care of the cargoes originating in/destined for areas in catchment areas of these facilities.

Earlier, all such cargoes used to come to ICD Tughlakabad itself. Specifically, now ICD Tughlakabad can primarily cater to cargoes for/of Delhi area alone for which it is the best located facility from the logistics point of view. For cargo originating outside Delhi area, alternative facilities have been developed. This also ensures that the cross-border movement of container trucks at various Delhi borders with UP and Haryana is minimised.

In addition, as suggested by you, certain types of cargoes like HMS have already been moved out to other facilities in NCR in order to reduce congestion at ICD TKD and save space for handling clean cargoes.

Steps have also been taken for fast handling and evacuation of cargoes/containers in ICD TKD in coordination with Customs. This has helped in smooth handling of cargo in TKD even during busy season and in operations passing with great success, without any hiccups. For this, CONCOR has deployed its own state-of-the-art technology which has helped the ICD work according to set standards, with utmost efficiency. This has enabled CONCOR to handle the requisite number of trains at ICD without any problems.

TRANSPORTATION

Furthering Growth

Investment in the Indian transport and logistics sector is beginning to emerge as a chosen option, reveals a KPMG report.

As India continues to consolidate its position as a vibrant and growing economy, the anticipated trend of investor groups looking to buy into a slice of the action has been intensifying. The transport and logistics sector has emerged as a preferred investment avenue given the fragmented nature of the industry allowing a range of mid-sized investment opportunities from niche segments to mass market options. This interest is additionally fortified by the expectation that transport and logistics will be a key enabler of the Indian growth story. In this edition, we analyse trends in investments in the transport & logistics space since 2006.

Key considerations

With 30 deals in 2011, four notches above the figure of 26 in 2007 during pre-Lehman crisis, and three deals already in place in first 1.5 months of 2012, the sector is squarely in the crosshairs of investors, both strategic and private equity, across large asset-intensive infrastructure projects to smaller service-oriented opportunities:

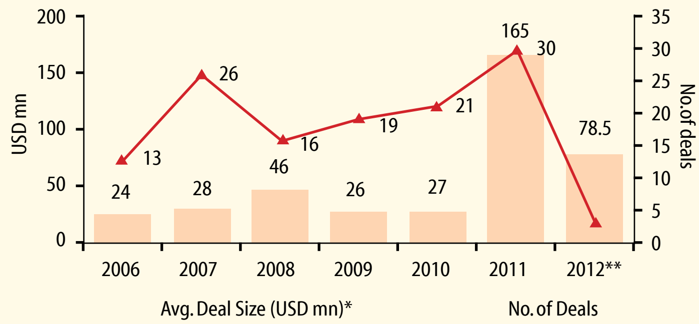
In 2011-12, 1,250 km of roads have been developed under National Highway Development Programme (NHDP) and further projects of 4,374.9 km have been awarded. Road sector requires an estimated investment of ₹6.11 lakh crore out of which 38 per cent would be contributed by private sector.

In the backdrop of average deal size growing 6.9x in 2011 (~$165 million) against that in 2006 (~$24 million), there is another interesting trend with respect to types of investment activities. To analyse this aspect, we at KPMG in India have split the investments in four categories: private equity (PE), strategic-domestic, strategic-inbound and strategic-outbound. As depicted in the representation below, private equity deals grew the most ~2.5x in their share of the overall number of transactions of 60 per cent in 2011 vs. 23 per cent in 2006, followed by strategic – outbound category which witnessed 1.3x growth. Hence, historically private equity players have been more optimistic and active than strategic investors.

While analysing the business offering of various targets involved in the deals since 2006, the following trends are visible:

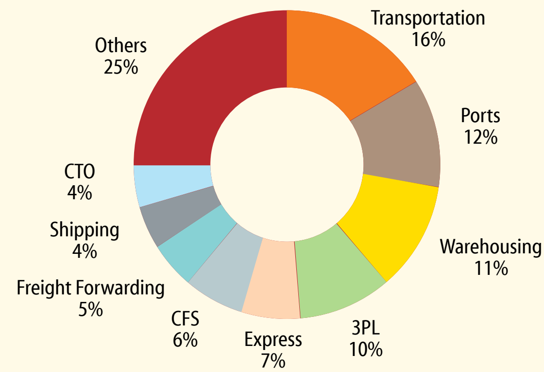
1. Cumulatively during 2006-11, targets offering transportation services, followed by warehousing

Average deal size and no. of deals



Note: (a) The analysis includes key transportation infrastructure related deals. (b) * Average deal size is based on only those deals whose transaction value is available; ** 2012 data is updated till mid-February 2012
Source: Venture intelligence, Deal curry, web search, KPMG in India Analysis

Cumulative (2006-11) investment dynamics in key segments



and ports segments have witnessed maximum activity. This is closely followed by targets specialising in third-party logistics (3PL) services.

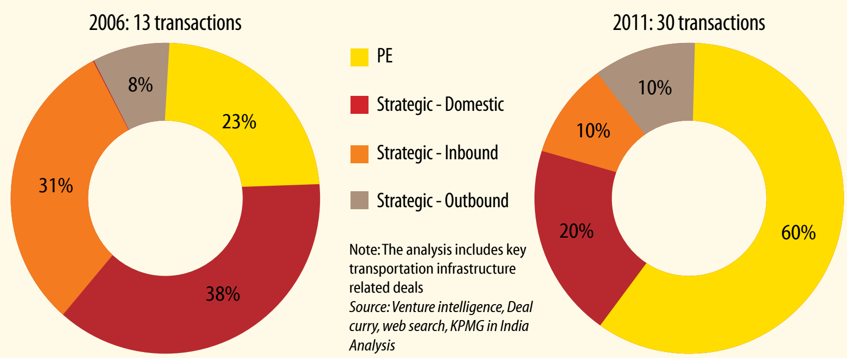
2. Other emerging segments witnessing significant traction during 2006-11 include cold chain, inland container depot, and liquid logistics which have been categorised in 'others' category for the sake of convenient representation below.

Investment in the Indian transport and logistics sector

With reference to Table 1 below, among other key deals such as Adani Port's $2 billion acquisition of Abbott Point Terminal in Australia and Warburg Pincus' $100 million investment in Continental Warehousing, a specific trend regarding increasing interest of Japanese logistics service providers in Indian firms is assuming significance. Investment worth a total of $141 million by Kintetsu, SBS and Hitachi in Gati, Atlas and Flyjac respectively indicate positive trends in this regard.

While opportunities differ from one sub-sector to another, the high level of fragmentation and unorganised nature of the industry enhance market optimism, driven by increasing outsourcing, growing demand for world-class logistics services, and gradual improvement in the overall infrastructure scenario. With such dynamic trends in the backdrop, there lie attractive opportunities for all types of investors – international or domestic, PE or strategic, service- or infrastructure-focussed. MG

Types of investment activities



Note: The analysis includes key transportation infrastructure related deals
Source: Venture intelligence, Deal curry, web search, KPMG in India Analysis

Table 1: Select deals

Acquirer	Target	Deal type	Amount (USD mn)
Kintetsu World Express, Inc.[1]	Gati	Strategic - Inbound	53
General Atlantic[1]	Fourcee Infrastructure Equipments	PE	104
SBS Holdings[2]	Atlas Logistics	Strategic - Inbound	33
Mundra Port[2]	Abbott Point Port Terminal	Strategic - Outbound	2,000
Warburg Pincus[2]	Continental Warehousing Nhava Sheva	PE	100
Hitachi Transport[3]	Flyjac	Strategic - Inbound	55

Note: (a) 1 – Year 2012, 2- 2011, 3 – 2010, (b) the table is not an exhaustive list of deals.
Source: Venture intelligence, Deal curry, web search, KPMG in India Analysis

TRENDS

Deutsche Post DHL releases study on future

With the release of “Delivering Tomorrow: Logistics 2050”, Deutsche Post DHL is taking a far-reaching look into the future of trade, business and society. The study examines five different scenarios of life in 2050. These five visions of the future are based on an analysis of the most critical factors – including trade and consumption patterns, technological and social trends as well as climate change – and estimate their probable impact on people’s behaviour and values in 2050.

“The pace of change has accelerated in recent years,” Frank Appel, CEO of Deutsche Post DHL, said at the presentation of the study in Berlin. “In this complex economic, political and social climate, it has become practically impossible to make linear forecasts. In a world that is becoming harder and harder to predict, we have to expand our horizon and think about alternatives. We can devise robust strategies and set the right course only if we have gained an understanding of different perspectives.”

The development of the study was supported by 42 highly respected experts including Klaus Töpfer (former German environmental minister and director of the UN Environmental Program), Fatih Birol (chief economist of the International Energy Agency) and Michael ten Hompel (managing director of the Fraunhofer Institute for Material Flow and Logistics), as well as leading representatives of organisations such as the World Economic Forum, the Gesellschaft für Konsumforschung (GfK), the Rocky Mountain Institute, the Copenhagen Institute for Futures Studies, the World Business Council for Sustainable Development and Greenpeace International.

The central finding of the study is a comprehensive collection of five credible visions of the future. They outline how different the world could appear in 2050 in terms of the degree of globalisation, the extent of economic and social development, predominant technology standards and environmental conditions. The study describes five far-reaching, occasionally radical, versions of life in 2050. All scenarios share a common element; the broadly transformed role of logistics. Overall, the demand for logistics services does climb in most of the five alternative scenarios. But the particular requirements placed on logistics providers and the special challenges they face, vary widely from scenario to scenario.

The study, which is complemented by a series of multi-faceted essays regarding various aspects of the future, is the third research project conducted in the Group “Delivering Tomorrow” series. By publishing this groundbreaking series of studies, Deutsche Post DHL is striving to engage others in a dialogue about core issues which will shape the world in future decades. “As the leading provider in this key global industry, we consider it part of our responsibility to intensively explore social and business issues that will shape the future,” Appel said in describing the rationale for the series of studies. The series began in 2009 with an examination of customer expectations in 2020. A year later, it delved into another important trend of the future – the shift to more sustainable logistics.

The methodological starting point for developing alternative scenarios of the future in this year’s study was an in-depth analysis of key factors and their linking to those trends that could mould the world in future decades. Unlike classic, isolated analysis and projection methods, the scenario technique used here with the help of the leading experts outlines the possible directions that the most important parameters could take and links them to scenarios. These possible directions were then discussed and evaluated during workshops. With this approach, various development paths over the next four decades and several complex versions of the future could be systematically and comprehensibly identified.

Life in 2050

An overview of the FIVE scenarios

1 Untamed economy – Impending collapse

The world is characterised by unchecked materialism and mass consumption. This non-sustainable way of life is fed by the relentless exploitation of resources, a development which stokes climate change and causes natural disasters to mount. In a world characterised by tumultuous growth, the demand for logistics and transport services climbs sharply. A global transportation supergrid ensures a rapid exchange of goods between centres of consumption. But as climate change advances, supply chains are increasingly disrupted, a development causing additional challenges for logistics companies.

2 Mega efficiency in megacities

"Megacities" have emerged as the world's power centres. They are both the main drivers and beneficiaries of a paradigm shift toward "green" growth. To overcome the challenges of expanding urban structures, such as congestion and emissions, megacities have become champions of collaboration. Robotics has revolutionised the world of production and services. Consumers have changed their habits; products are now usually rented, instead of purchased and highly efficient traffic concepts have relieved congestion. A global supergrid with mega transporters, including trucks, ships and aircraft, as well as space transporters, has opened important trade connections between the megacities of the world. The logistics industry has been entrusted to run city logistics, utilities, and system services for airports, hospitals and shopping malls.

3 Customised lifestyles

This scenario describes a world where individualisation and personalised consumption are pervasive. Consumers are empowered to create, design and make their own products. Newly developed 3D printers play a major role here. This leads to a rise in regional trade streams, with only raw materials and data still flowing globally. Customisation and regional production are complemented by decentralised energy systems and infrastructure.

The implications for logistics include a vastly reduced need for long-distance transportation of finished and semi-finished goods due to the localisation of value chains. Logistics providers organise the entire physical value chain. They also handle the encrypted data streams required for the transmission of construction and design blueprints for 3D printers. The decentralised organisation of production turns strong regional logistics capabilities and a high-quality last-mile network into important success factors.

4 Paralysing protectionism

This scenario describes a world where, triggered by economic hardship, excessive nationalism and protectionist barriers, globalisation has been reversed. Technological development is lagging. High energy prices and dramatic scarcity of supply lead to international conflicts over resource deposits. Implications for the logistics industry include challenges posed by the decline in world trade and the resulting regionalisation of supply chains. Governments view logistics as a strategic industry. As relations between some blocs and countries are extremely strained, logistics providers in bloc-free countries act as intermediaries in international trade brokerage.

5 Global resilience – Local adaptation

This scenario describes a world initially characterised by a high level of consumption thanks to cheap, automated production. The new economic paradigm is distinguished by a shift away from efficiency maximisation to vulnerability mitigation and resilience. This radical move toward redundant systems of production and a change from global to regionalised supply chains allow the global economy to better weather troubling times. The resilient world in 2050, with regionalised trade, relies on a logistics sector that ensures supply security as priority, with backup infrastructure to guarantee reliable transport in unstable times. Instead of complex just-in-time delivery processes, huge warehouse structures located close to the manufacturer are seen as indispensable buffers. MG

RAIL FREIGHT

On an Upswing

They are a significant lifeline, as far as ferrying of goods is concerned. In such a scenario, a heightened increase in rail freight should augur well for the sector. A look at what's in store.

The numbers say it all. In fact, they spell encouraging news for the rail freight sector in India. From April 2011 to February 2012, the Indian Railways is reported to have carried 875.60 million tonnes of freight. This is an increase of 42.94 million tonnes over the freight traffic of 832.66 million tonnes actually carried during the corresponding period last year. The rise has been impressive, up by 5.16 per cent.

During February 2012, the revenue earning freight traffic carried by Indian Railways was 83.76 million tonnes. Encouragingly, there is an increase of 6.96 million tonnes over the actual freight traffic of 76.80 million tonnes carried by the Indian Railways during February 2011, marking an increase of 9.06 per cent.

Revenue earnings up

The approximate earnings of Indian Railways from April 1, 2011 to February 29, 2012 were ₹92,985.50 crore compared to ₹84,402.34 crore during the same period in the last financial year, registering an increase of 10.17 per cent. The total goods earnings have gone up from ₹56,394.23 crore during April 1, 2010 to February 28, 2011 to ₹62,171.49 crore during April 1, 2011 to February 29, 2012, showing an increase of 10.24 per cent.

The total passenger revenue earnings during the first 11 months of 2011-12 were ₹25,858.14 crore compared to ₹23,600.35 crore during the same period last fiscal, registering an increase of 9.57 per cent. The revenue earnings from other coaching amounted to ₹2,580.32 crore during April 2011 to February 2012, compared to ₹2,294.71 crore during the same period last year, an increase of 12.45 per cent.

The number of passengers booked during April 2011 to February 2012 was 7,586.82 million compared to 7,210.94 million during the same period last financial year, an increase of 5.21 per cent. In the suburban and non-suburban sectors, the number of passengers booked during April 2011 to February 2012 was 4,007.72 million and 3,579.10 million compared to 3,864.61 million and 2,996.96 million during the same period last financial year; an increase of 3.70 per cent and 6.96 per cent.

Multimodal transport

The cabinet committee on infrastructure approved the upgradation of railway infrastructure for introduction of multi-modal transport system (Phase-II) in Hyderabad and Secunderabad. The upgradation will be able to serve the habited areas of these rapidly expanding twin cities.

The total expenditure involved is likely to be ₹632.68 crore. Two-thirds of this, i.e. ₹421.79 crore, will be borne by the Andhra Pradesh government. One-third of the cost will be funded from the gross budgetary support of Indian Railways.

The project will be completed in three years during the Twelfth Plan period. A number of people residing in and around Hyderabad and Secunderabad areas will benefit from this project.

Panels mooted

Minister of Railways, Dinesh Trivedi, said safety would continue to be the highest priority of the Indian Railways and all efforts would be made to strengthen it. He was speaking at the consultative committee meeting of Members of Parliament for Ministry of Railways held in New Delhi recently.

The Indian Railways, he added, had constituted two expert committees, one on safety and the other on modernisation. A high level safety review committee headed by Dr Anil Kakodkar, former chairman, Atomic Energy Commission, was asked to plan a roadmap on improving the safety of Railways while the other group on modernisation headed by Sam Pitroda, advisor to the PM, was asked to recommend ways and means of modernising Railways to meet the various challenges.

At the meet, whose agenda was "Safety and modernisation of Indian Railways", Trivedi informed that both the panels had submitted their reports within record time and the copies had been circulated to members of the Consultative Committee for their suggestions. MG

Keshva Chandra takes charge as member mechanical, Railway Board

Keshav Chandra, *New member mechanical, Railway Board.*

Keshav Chandra has taken over as new Member Mechanical, Railway Board and ex-officio secretary to Government of India. Prior to this, he served as GM, Northeast Frontier Railway (NFR), Guwahati. However, he will continue to hold the post of GM, NFR Railway, in addition to his present post until further orders.

An officer of the 1975 batch of Indian Railway Service of Mechanical Engineers (IRSME), he held various key positions on different Zonal Railways. He worked as additional GM in two of the biggest Railways, viz East Central Railway (Hajipur) and Northern Railway (New Delhi).

PERSPECTIVE

RITU GUPTA

Chugging Towards Change

Some of the measures suggested by the Pitroda Panel to better the rail industry were considered and included in the Rail Budget. But, will they help steer the growth track?

When it was presented, it made news for more reasons than one. Apart from the fact that the rates were hiked for the first time in a decade, it also aimed at setting right many of the maladies plaguing the world's second largest utility employer. The leadership that wanted to bring the sea change may have drifted apart, but before leaving, it has initiated a process whose outcome could have a very positive bearing on the Indian rail network. One part of that process is the report of the Sam Pitroda panel on the modernisation of the Indian railways.

The report, which was recently submitted to the Union railway ministry, if instigated, could to a great extent do what the budget was unable to do. However, many in the railway industry are sceptical about its feasibility as it envisages a funding of more than ₹8.4 lakh crore – a mammoth amount for the cash-starved railways. As per the report, the ₹8.4 lakh crore can be raised by leveraging five main sources of funds; budgetary support, internal revenue generation, monetisation of blocked assets such as surplus land, public private partnership and fund raising from financial institutions and markets (see table: Sources of funds...).

Sources of funds to raise the amount of ₹8,39,140 crores required in the next 5 yrs:

Sources of Funds (₹ in Crores)

S.No.	Sources of funds	₹
1.	Gross Budgetary Support	250,000
2.	Internal Generation	201,805
3.	Leasing/Borrowings	101,000
4.	PPPs	229.024
5.	Dividend rebate	24,000
6.	Road Safety Fund	16,842
	Total	822,671

Apart from this, it points out that most of the proposed modernisation measures will increase track life, improve loading capacity and allow operations at higher speeds. These improvements will contribute to system efficiency and thus improve revenue generation in railways. The panel has also suggested levying a modernisation surcharge on passengers and disinvestment of railway PSUs among other options to generate funds.

Freight loading by railways was 618.0 MT as compared to 593.4 MT reflecting an increase of 4.14 per cent. The Vision 2020 document of the Ministry of Railways projects investment need of `7,20,000 crore for the sector. Freight contributes 70 per cent to revenue.

The report has urged the authorities to attract private investment to augment core capabilities related to stations, terminals, and development of high speed rail corridors. It states that GIS mapping of land resources available with railways should be done expeditiously for complete digitisation of land records, which can then be used for monetisation of blocked assets.

"Such measures and heavy investment for modernisation of railways would certainly go a long way in strengthening the network if taken seriously," believes Sushil Jiwarajka, president, Infrastructure and Logistics Federation of India (ILFI).

The panel has also suggested some administrative reforms, including reorganising the Railway Board and constituting a railways tariff regulatory authority. It says it is crucial to empower zonal railways and the present system of seeking sanction for capital investment from the Railway Board should give way to a more decentralised form or decision making.

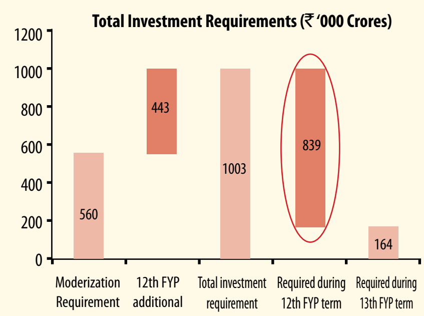
The panel said the railways should develop indigenous capabilities to be a global leader in state-of-the-art railway technologies. Other suggestions include launching of green toilets on all passenger trains and improving signalling system to avoid fatal accidents (see table: Sam's way of to keep things).

Sam's way to keep things on track

The various measures proposed by Pitroda Panel and what will they cost

Modernisation of track & bridges (₹33,046 crore)	Modernise 19,000 km of tracks on routes A, B & D special that carry 80% of traffic; eliminate level crossings and provide fencing alongside tracks
Improving signalling system (₹25,000 crore)	Introduce GSM -based mobile train control communication system on A, B & C routes
Introducing new rolling stock (₹72,571 crore)	Invest in new generation electric and diesel locomotives, high speed coaches and heavy haul freight bogies
Modernisation of stations (₹1,27,000 crore)	Modernise 100 key stations immediately; modernise top 50 freight terminals; develop 34 logistics park for integrated transport facility
Building dedicated freight corridors (₹2,04,000 crore)	Make Eastern &Western DFCs in next five years; Upgrade feeder routes to DFCs
Building of high speed passenger train corridors (₹60,000 crore)	Make high speed railway line between Ahmedabad and Mumbai in next 10 years
Introducing PPP Initiatives(₹37,000 crore)	Attract private sector for locomotive & coach manufacturing, power units, freight terminals
Using Information and Communication Technology (₹1,315 crore)	Use radio frequency identification for good management of wagons and real time monitoring; computerise files
More indigenous R&D (₹464 crore)	Establish Indian Institute of Railway Research

Summary of Total Investment Requirements



Iron ore loading accounts for 15 per cent of the railways' freight earnings.

For 2011-12, Railways has a target of loading 115 million tonne of iron ore, expected to contribute

₹9,035 crore.

Between April 2011 and January 2012, it aimed at 95 mt that was to bring

in ₹7,410 crore. However, only 87 mt was loaded, bringing in only

₹6,266 crore.

This year's loading is 13 per cent less than that of the same period last year.

The recommendations of the report are a step in the right direction, more so, since in the last few years, the railways' crisis has gone from bad to worse. Fares have been stagnant for the past decade, while annual cash losses have exceeded ₹30,000 crore, resulting in poor levels of maintenance, failing safety record besides shortfalls in up-gradation and expansion. The share of railways in freight movement has fallen from 70 per cent to 39 per cent despite it being the third-largest rail network in the world.

According to experts, urgent steps are required to put the railways back on track, but some feel that the Pitroda panel's report may not have the desired effect as it is based on flimsy assumptions about the fund garnering process.

Firstly, it is betting big on PPPs and use of land and commercial space. "But given the poor track record in PPPs, a review of the policy

What's in store

The Expert Group headed by Sam Pitroda on modernisation and resource mobilisation, submitted its report on February 27, 2012 and provided a blueprint for the next five years for modernisation of Indian Railways. The recommendations of the Group entail an estimated investment of ₹5.60 lakh crore. Drawing from the recommendations of Kakodkar and Pitroda Committees, five focus areas were chosen in the Union Budget 2012. They are; track, bridges, signalling and telecommunication, rolling stock and stations and freight terminals.

Track and bridges

Nearly 19,000 km track will be modernised through renewals, upgradation of track, replacement and strengthening of 11,250 bridges to run heavier freight trains of 25 tonne axle load and to achieve passenger train speeds of 160 kmph and over, with an estimated expenditure of ₹63,212 crore. An allocation of `6,467 crore has been made in the Annual Plan, 2012-13, which forms about 11 per cent of the total plan outlay.

Signalling Systems

These will be modernised with the provisioning of advanced technological features. It would include panel/route relay interlocking covering 700 more stations by 2014, thereby completing 5,500 out of the required 6200 stations. There will be interlocking of more than 1,500 level crossing gates in addition to the 10,000 already interlocked, leaving a balance of 350; complete track circuiting at 1,250 out of 6200 identified stations, installation of axle counters at 3,000 more stations and provision of isolation at the remaining 625 stations.

There will also be provisioning of Train Protection & Warning System (TPWS), which ensures automatic application of brakes whenever a driver over-shoots a signal at danger, thereby eliminating chances of collision of trains. Initially, TPWS is proposed to be installed on more than 3,000 route km, which would cover the entire automatic signalling territory on Indian Railways.

Modernisation of rolling stock

Upgradation of coaches including EMU coaches, locomotives and wagons will be one of the key areas of modernisation during the next five years for improving safety and convenience & comfort of passengers. The following measures have been proposed:

1. To increase the manufacture of crash-worthy LHB coaches with proven anti-climb feature of not toppling during accidents;
2. To procure new generation electric locomotives of 9000 and 12000 HP and diesel locomotives of 5500 HP & 6000 HP to facilitate running of heavier and longer freight trains at higher speeds;
3. To introduce new wagons with a capability of 25 tonne axle load and higher payload to tare ratio to improve productivity;
4. The introduction of new auto car wagon capable of carrying 318 cars per rake, presently undergoing oscillation trials;
5. With successful validation of running of double-stack container trains, proliferation of such trains is also planned.

Stations & Freight Terminals

A separate organisation, the Indian Railway Station Development Corporation, will be set up and it will redevelop stations and maintain them on the pattern of airports. To undertake upgradation of goods sheds and provide last mile servicing for freight traffic, a Logistics Corporation for development and management of existing railway goods sheds and multimodal logistics parks has been proposed . This Corporation aims at providing total logistics solutions to the rail-users, thereby cutting down on their operating costs.

framework is in order. Some railway officials are talking about scrapping the entire PPP process for wagon and locomotive building. There is reportedly some anxiety that PPP projects will further drain its resources.

Similarly, not much headway has been made in leveraging land and airspace. But the panel's suggestions that include mapping railway land, ensuring land rights of the railways and enlisting support from state governments are worth pursuing. Commercial space should be leased out to private developers in a big way," says Amit Kapur, a partner with J Sagar Associates, New Delhi.

Moreover, the Pitroda report assumes that ₹2.5 lakh crore will come from gross budgetary support – that is substantially more than internal generation. But in the earlier five-year period, the ratio was in reverse – internal funding of Plan expenditure was 1.3 times gross budgetary support. Considering this, many industry players are rightly anxious about the funding.

"We have apprehensions over the proposed funding pattern particularly, the allocation of central funds. Even during the budget, the minister has not spelt out anything other than the modernisation of railway station in PPP format," says Rajiv Mundhra, director of Simplex Infrastructures Ltd.

According to experts, the government should tread cautiously, and the railway ministry should go step by step by announcing programmes in key areas, with clear goals, measurable milestones and defined timetables. Secondly, the railways should also make the accounting system more transparent.

This will end the scope for window-dressing of accounts to show a better balance sheet, which may have the cascading effect of making some of our political tigers acknowledge the realities of the railway rather than using it for vote bank purposes. MG

EXECUTIVE DIARY 2012

April 22-27

Singapore Maritime Week

Suntec, Singapore

Driven by the Maritime and Port Authority of Singapore (MPA), SMW gathers the international maritime community for a week of conferences, dialogues, exhibitions and social events in celebration of all things maritime.

www.smw.sg

April 23-26

3rd Annual Asia Green Shipping Conference

Raffles Convention Centre, Singapore

Themed 'Preparing the Asian Fleet for a New World of Environmental Limits', the summit will bring together regulators, ship owners, ship builders, designers and technologists to discuss the key issues of reducing the industry's carbon footprint, and measures to comply with regulations.

www.greenshipping.com

May 08-11

ICHCA International Conference & Exhibition 2012

Melbourne, Australia

The conference and exhibition programme will cover global cargo logistics challenges and change - including trends in global trade, freight routes and services, regulations, infrastructure and systems innovation.

www.ichcainternational.co.uk

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

May 09-12

NAMARINE 2012

JIExpo Kemayoran, Jakarta, Indonesia

A prospective one-stop exhibition for suppliers, shipyards, shipbuilding, offshore and other related industries, the event will facilitate related international businesses to network with both local and overseas shipbuilding supply chain on the spot.

www.inamarine-exhibition.net

September 4-7

SMM 2012

Hamburg Messe Fairground - Hamburg, Germany

The event will bring representatives of the shipbuilding and marine equipment industries from all parts of the world to Hamburg to present innovations and forward looking technologies and set the course for future success of the industry.

www.smm-hamburg.de

September 26-28

Intermodal India

Bombay Exhibition Center, Mumbai

An integrated exhibition and conference event for international trade, logistics, transport and cargo handling in India, the event offers exhibitors from all over the world new products, latest equipment and technology innovation and a vast conference programme.

www.intermodalindia.com

May 21-25

International Chamber of Shipping and Asian Shipowners Forum

Sheraton Mirage - Port Douglas, Australia

A week of international shipping meetings and networking events will bring the ICS and the Asian Shipowners Forum together to share perspectives for the industry.

www.asa.com.au

October 8-10

India Shipping Summit

Trident Hotel, Nariman Point, Mumbai

The summit will take a prescriptive look at the unique challenges facing India's maritime industry, its ambitions and what's realistically achievable – a reality check for India shipping – through high-level participants, blend of panel discussions, debate and social networking.

www.indiashippingsummit.com

December 5-7

6th Automotive Logistics India

Hilton/Janakpuri Hotel, New Delhi

The event will focus on how the transportation infrastructure is coping with sales growth, examine the latest developments and strategies, including multi-modal and answer questions like how is India developing the customer service side and is there an intelligent after-sales parts strategy.

www.automotivelogisticsindia.com

June 05-08

Offshore Technology Asia 2012

Shanghai, China

OTA is the largest offshore industry Event in Asia Pacific focusing on new technology, international business relationships and business operations in the fields of drilling, exploration, production, and environmental protection.

www.otanet.org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