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INTERVIEW
'RETAINING TALENT THE BIGGEST CHALLENGE'
SANDEEP M GUPTA
VICE-PRESIDENT,
MARKETING-INDUSTRIAL AND EXPORTS,
COATS INDIA

EDIBLE OILS
AN UNCERTAIN PROPOSITION?

SCM FOR HIGH-TECH SECTOR
CHALLENGES FOR ASIA

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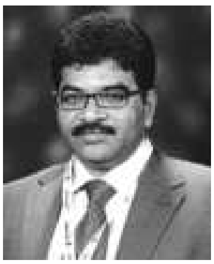
Making excellence part of its DNA
APM Terminals Inland Services
Facilitating India's EXIM growth

Coal Heats Up Bulk Ports

Demand for coal jacks up import volumes and keeps bulk handling ports going amid a tough trade situation.



Deepening Economic, Energy Ties

Capital Calling: Pakistani President Asif Ali Zardari, is received by Union Minister for Parliamentary Affairs and Water Resources, Pawan Kumar Bansal in New Delhi recently. *(Below)* The Emir of the State of Qatar, His Highness Sheikh Hamad Bin Khalifa Al –Thani and Her Highness Sheikh Moza Bint Nasser, are received by the Minister of State for Petroleum and Natural Gas and Corporate Affairs, R P N Singh, on their arrival in Delhi recently.

It is raining intra-Asia trade agreements and the trend is bound to continue for more time to come. When Qatari Emir Sheikh Hamad bin Khalifa Al Thani came calling recently, his agenda was to seek greater cooperation from New Delhi in the energy sector. The tiny hydrocarbon-rich nation in the Arabian Peninsula with just 1.7 million people, the largest number of expatriates being Indians, is the world's third largest natural gas repository after Russia and Iran.

During the three-day state visit, the Qatar ministers signed six agreements with their Indian counterparts for closer economic ties, including establishing a framework to increase bilateral cooperation in the area of oil and gas exploration between the affiliated companies on both sides.

India is one of the biggest buyers of Qatari gas and its annual imports stand at 7.5 million tonnes. India also imports crude oil, its 2010-11 volumes being 5.6 million tonnes, and hopes for a supply hike of another 3 million tonnes a year. Also, the Gulf state's sovereign wealth fund, Qatar Investment Authority, is planning to invest nearly $10 billion in India every year and to take this initiative forward, its executive director has already met the leading industrialists here, including Ratan Tata, Cyrus Mistry, Sunil Mittal and Naveen Jindal.

But the most talked about visit was Pakistan President Asif Ali Zardari's Ajmer pilgrimage when both the neighbours pledged to "liberalise business regimes" and "intensify trade ties". Besides economic diplomacy, both sides agreed to mend the Sir Creek maritime border issue – a 96-km strip of water in the Rann of Kutch marshlands with a rich oil & gas seabed and so huge economic potential for each.

When trade is the bedrock of a nation's economy, trading partners – whether long-time friends or foes – can no longer postpone finding "pragmatic and practical" solutions to issues on the agenda or inking pacts. The Indo-Pak coming together only alluded to that.

Best Regards

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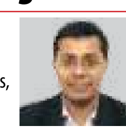

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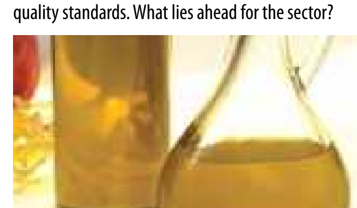

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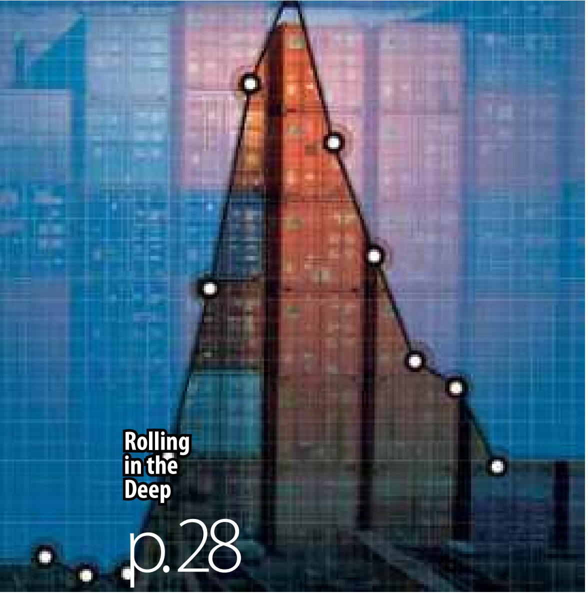
APM Terminals Inland Services has been playing an important role in facilitating India's EXIM growth. Known for its best practices, it is now implementing 5S in its Chennai CFS facility to set new standards of efficiency in its operations.



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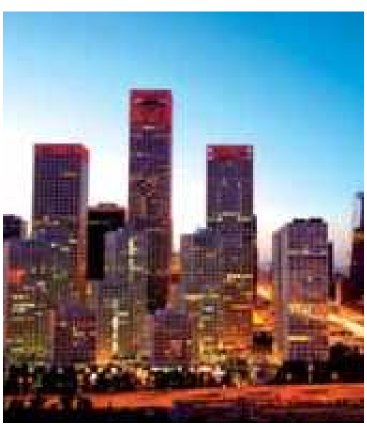

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Growing freight traffic in East Coast ports is good news for the Indian Railways that is gearing up to surpass its past volumes.

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Will the PMO's monitoring of the implementation of the Dedicated Freight Project ensure its completion on time? The article tries to explore the nuances and the nitty gritties involved.

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Performance Statistics

JNPT container volume hits all time high

The volume of containers at Jawaharlal Nehru Port (Nhava Sheva) hit a high of 4.32 million teu in the fiscal 2011-12, ending March 31. This was an increase of about 1.5 per cent from 4.27 million teu in 2010-11. According to port officials, Gateway Terminals, the largest container facility operated by APM Terminals, moved 1.89 million teu, an increase from 1.85 million teu in the previous year.

DP World's Nhava Sheva International Container Terminal (NSICT) handled 1.4 million teu traffic, a decrease from 1.54 million teu handled in the previous year. The JNPT terminal handled an increased volume of 1.03 million teu from 880,000 teu in the previous year.

"We are taking steps to develop additional capacity to cope with the projected growth in traffic volume," port chairman L Radhakrishnan said.

Capacity creation projects at the port include development of a 4.8-million-teu fourth terminal in two phases, a $320-million contract to deepen the main access channel to 46 feet, and a fifth terminal for which preliminary studies are underway.

Radhakrishnan added that steps are on to develop additional capacity to match the demand from trade by developing the fourth container terminal with 4.8 million teu capacity and 330 metre quay. A second phase dredging project for deepening the channel up to 17 metres to accommodate the new-generation vessels is being prepared jointly by TCE and Enrst and Young. The fifth mega container terminal is being designed by M/s Scott Wilson with additional 10 million teu capacity. An additional liquid handling capacity, additional bulk/ break bulk berths with modern facilities, captive berths, logistic parks and green initiatives for non-conventional energy and water conservation are in the pipeline.

New cranes

Last year, to boost its productivity, J N Port replaced three of its total eight cranes with new ones at a cost of ₹105 crore. "We have placed orders for four more new cranes for a total cost of ₹135 crore, which will be installed in November-December this year," said S N Maharana, chief manager, operations, J N Port.

Installation of the new cranes bolstered the efforts of the terminal to woo a direct service to China run by a consortium of shipping lines including the state-run Shipping Corporation of India Ltd.

Dredging plan hits hurdle

The Hyundai Engineering and Construction Co. Ltd failed to qualify for the ₹1,571.60 crore channel-deepening tender of JNPT because one of the dredgers it had offered for the work, was over 15 years old. One of the conditions mentioned in the tender was that the dredgers executing the contract should not be more than 15-years-old.

The bidding group complained that it was wrongly disqualified from participating in the auction and explained that the dredger was originally a bulk carrier built in 1985 and converted into a dredger in 2002. By calculating the age from the date of the conversion, they argued that the dredger met the age norms stated in the tender.

A joint venture between Dredging International NV, Van Oord Dredging and Marine Contracting Co. NV; Jan De Nul NV, and Royal Boskalis Westminster NV submitted their price bids to the port in February. However, the price bids was called off due to Hyundai's complaint.

The government effected a change in the calculation of customs duty on dredgers and the three bidding groups have been asked to put new price bids. JNPT has been trying to execute the project for the past six years. The project is expected to be completed by 2014.

National Maritime Day

An ode to shipping industry

Chennai recently celebrated the National Maritime Day at the Museum Theatre, government museum, Egmore. While G R K Reddy, chairman and managing director, MARG Group was the chief guest, Dr P Misra, chairman, National Maritime Day Celebrations Committee, Capt K Vivekanand, vice-chairman, NMDC and S Velumani, CMD, Ennore Port Ltd (EPL), were among those present during the ceremony.

Voicing his thoughts on the occasion, the chief guest said, "With the port of call for world trade, ports and terminals need to meet the growing demand in terms of both infrastructure and capacity. In such a scenario, the Indian maritime sector requires simultaneous multiple interventions to achieve certain goals which are imperative for the country's economic growth. As one of the fastest growing economies in the world and having such a large coastline, India can accelerate the growth rate by providing superior infrastructure facilities at its ports and shipyards and focussing on the overall logistics and supply chain efficiencies. The development of India's port and shipping industry is therefore critical to sustaining current levels and achieving higher levels of growth in the years to come."

It was on April 5, 1919 that the first Indian flagged steamship SS Loyalty of Scindia Steam Navigation Co. Ltd, Mumbai, ventured into international water on her maiden voyage from Mumbai to London. To commemorate this, India annually celebrates April 5 as "National Maritime Day".

For long, shipping has termed as a 'silent service', since most of the activity takes place away from the land and along the ports. Since people hardly have an opportunity to observe the service rendered by Indian shipping, this day is an occasion to showcase the activities of the industry in the country and the significant role it plays in the economy. The day is also remembered with gratitude for the services rendered by those brave men who have contributed towards making India a global maritime power.

More capacity

New cranes for Chennai Terminals

The Chennai International Terminals Pvt Ltd has received four new ship-to-shore quay cranes and eight new rubber tyre gantry cranes (RTGCs). The private container terminal inside the Chennai port is owned and managed by PSA International, Singapore. The four post-Panamax quay cranes are capable of lifting 2 teu per move. All the new cranes will undergo commissioning tests and will be progressively deployed for operations from May 2012. V Sivarajan, managing director of PSA India, said that the terminal will now have a total of seven quay cranes and 18 RTGCs. This would more than double its existing terminal handling capacity.

Overseas investment

No to proposal

The Finance Ministry has rejected the Shipping Ministry's proposal to set up a global port operations company called Indian Ports Global on the lines of Dubai Port World and Singapore's PSA International. The government is keen on investing in the domestic port sector which needs more funds to improve capacity building.

Paradip celebrates too

Paradip Port also celebrated Maritime Day at the Wet Basin, Paradip Port Trust (PPT). On the occasion, the National Maritime flag was unfurled by G J Rao, chairman, PPT.

Addressing the gathering, Rao elaborated the significance of the day for ports in the country and also spoke on the current challenges and opportunities of the maritime trade in India. Extolling the performance of various departments of the port, especially of the Marine department, he vouched for their prompt and efficient service.

Paradip Port, the chairman added, is the only one port where ships are brought in and taken out even in adverse weather conditions. Dwelling on the recent development in the maritime industry sector, he said that safety and security at ports and high sea need to be accorded utmost importance.

"Getting cargo for the port is not in our hand, but ensuring efficient, cost-effective and hassle-free service to the port users is important for us." The port, he added, had improved its

performance in all the operational parameters like turnaround time, pre-berthing waiting time and berth day output.

Rao feted D P Mohanty, a retired marine engineer of Paradip Port Trust, who is also the recipient of the President's Gold medal. S A C Bose, deputy chairman, PPT, praised the marine fraternity for their contribution to the sector.

Capt G P Biswal, deputy conservator, Paradip Port Trust, who presided the celebrations, said that presently India is ranked 17th in shipping tonnage (of 158 maritime countries).

G Pushpa Rao, president, Paradip Ladies Club, also spoke on the occasion. To mark the event, a seminar on "Safer maritime navigation on India coast" was also organised by the marine department. Officials from Paradip Port Trust, India Coast Guard, and all port users, notable ones being Capt G P Biswal, Capt O P Paul, Capt G Mantry and Capt C S Nayak presented papers at the seminar.

Several contests related to marine jobs were also conducted amongst employees of PPT, Indian Coast Guard, CISF and trainees of the Orissa Maritime Academy.

Drop in iron ore traffic

PPT registers low cargo

The Paradip Port Trust (PPT) registered a lower cargo volume at 54.2 million tonnes (mt) in 2011-12, a decrease from 56.01 mt in 2010-11. G J Rao, chairman of PPT, said the decline was due to a drop in iron ore traffic. During the year under review, the iron ore throughput was 6.55 mt compared to 13.85 mt in 2010-11. "We lost more than 7 million tonnes of iron ore traffic as Dhamra Port also took away about 2.5 mt of coal which otherwise should come to our port," he said.

The port recovered a sizeable part of its traffic from several commodities such as crude and petroleum products, thermal coal, fertiliser, both finished and raw materials. Crude and petroleum products increased 2.2 mt at 15.09 mt, thermal coal 3.1 mt at 16.4 mt, finished fertilisers 1 lakh tonnes at 2.81 lakh tonnes, fertiliser raw materials 0.32 mt at 4.55 mt and containers 122 per cent at 7,853 teu.

Scaling heights

Karaikal Port's cargo volumes up

MARG Karaikal Port posted an impressive growth in the volume of cargo handled during 2012. The total cargo handled at the port increased to 6.01 million tonnes (mt), up 26.5 per cent more than the volume of 4.75 mt handled during the previous financial year.

Increased volume of clean cargo such as fertiliser whose volumes nearly doubled in comparison with the previous financial year, was a major factor for growth in the cargo handled. March saw the port handle around 850,000 tonnes of cargo, the highest ever in a single month. Also, the port has handled large-scale exports of raw sugar for the first time during the year and witnessed an increase in the exports of processed sugar to various overseas destinations.

G R K Reddy, chairman and MD, MARG Group said, "Despite the rising inflation, tight liquidity, high interest rates, industrial slowdown and a challenging business environment, MARG Karaikal Port posted an impressive performance."

The port's cargo-handling capacity and capabilities increased significantly during the past 12 months as two new deep draft berths were commissioned, taking the total number of berths available to five. The port also commissioned dedicated infrastructure to handle containers and liquid cargo and expanded the existing facilities catering to dry bulk cargo.

M L N Acharyulu, executive director-Marine Infrastructure, MARG Ltd, said "The port's growth is proving to be beneficial for the local region, and has also spurred development of good roads and rail links across the region, improving the connectivity options for local people and industries. It is confident of setting even higher standards of performance with the expected commissioning of mechanised dry bulk cargo handling facilities during the coming year, which is likely to increase the annual cargo-handling capacity exponentially."

Face-off

North Chennai thermal project may be delayed

The face-off between BHEL and the Ennore Port is likely to delay the North Chennai thermal power project of the Tamil Nadu Electricity Board. The transportation of a generator weighing nearly 400 tonnes is the cause of contention. BHEL wants to transport the generator on a barge from the Mundra Port, but, Ennore Port fears the cargo might damage the wharf.

The first unit of the power project was to begin at least six months back, but the generator while being transported, fell into a river in Madhya Pradesh. Therefore, BHEL decided to transport the same over the sea. "Right now, the generator is ready to be loaded on to a barge at Mundra Port, just ten days away from Ennore, but the Ennore Port authorities have said no to the cargo," A K Ghosh, general manager, who is in-charge of the BHEL's power project execution operations in the southern states and Madhya Pradesh, said.

S Velumani, chairman of Ennore Port Ltd, wants the generator to be brought in by a project cargo vessel with on-board handling equipment. A barge would not level with the berth, consequently the cargo would have to be offloaded "crudely" and this could damage the berth. The Ennore Port "cannot take the risk of damaging the berth, which is currently handling a large number of cars and other cargo," Velumani added. He pointed out that the berth was in fact built keeping in mind the heavy-cargo requirements of Toshiba, which has its turbine-generator plant near the port.


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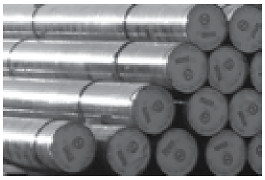


Retains position

Vizag stands second again

The Visakhapatnam Port Trust (VPT) has retained its second position among major ports during 2011-12, again by handling 67.41 million tonnes of cargo. For the past few years, the port has been occupying the second slot, with Kandla being the first. It handled 16.07 mt of iron ore, exports amounted to 26.6 mt, imports 36.4 mt and transhipment cargo 4.4 mt.

Cargo handling at the port was severely affected due to various ongoing projects during the year. Apart from this, the port is facing stiff competition from Gangavaram Port. Experts say VPT has to speed up its mechanisation of general cargo berth (GCB), otherwise Chennai Port can also overtake it. On the other hand, Kandla is gaining ground as several refineries in Gujarat are being commissioned.

The VPT is investing ₹3,000 crore to mechanise and mordernise the port, which include various PPP projects. Once the works are completed, the port can handle 110 mt by 2014-15. During the Twelfth Plan, the port is estimated to invest ₹8,231 crore with private participation amounting to 55 per cent. Several works are underway for deepening of channels, construction of new berths, mechanised handling for coal, iron ore and other cargoes and improvement in logistics.

Aiming to improve

ChPT moots 20 proposals

The Chennai Port Trust (ChPT) has come up with 20 project proposals to improve facilities there. ChPT chairman Atulya Misra said, "We have several ongoing projects at the port and these 20 projects seem to have come up in one stroke. The proposals have been mooted by a two-member expert committee of Capt P C K Mohan, chairman, National Shipping Board, and G J Rao, chairman, Paradip Port Trust, who were asked to suggest ways to improve ChPT." However, he added that he was not sure as to how many of them would be implemented.

The proposals have come at a time when port users have been complaining about the lack of interest when it comes to providing improved facilities to the trade. Another official said, "For the first time, we have mooted 20 proposals and invited expressions of interest (EoI) for 16 projects through public-private-partnership (PPP) mode and the rest through consultancy services. Besides, there are other four schemes for which we had already obtained EoIs. These new proposals can be broadly divided into three categories: improved facilities for the port users, putting the port land for better use and corporate social responsibility."

Interested persons have been told to submit proposals by April 11.

Rising steadily

NMPT registers increase in traffic

The New Mangalore Port Trust (NMPT) recorded a 4.4 per cent growth in cargo handling during 2011-12. The port handled 32.94 million tonnes (mt) of cargo against 31.55 mt in 2010-11.

P Tamilvanan, chairman of NMPT, attributed the growth to increase in handling of LPG, coal, POL (petroleum, oil and lubricants) crude and edible oil, among others. He said the port handled 2.07 million tonnes of LPG cargo during the period and emerged as largest LPG-handling port in India.

The NMPT will facilitate exports of Bangalore-based garment manufacturers to West Asia, especially Dubai, at lower costs and transit time. P Tamilvanan said the Container Corporation of India agreed to bring container rakes to NMP in association with the railways. Coal handling registered a growth of 40.82 per cent and the port handled 4.02 mt during 2011-12. He attributed this growth to the handling of coal cargoes by Udupi Power Corporation Ltd and other users in the port's hinterland.

The port handled 45,009 teu, which is a growth of around 12.08 per cent.

Save transit time

Pipavav in MECL1 service

Maersk Line has included Port Pipavav in its MECL1 service, and *Maersk Wisconsin* was the first vessel to call at the port. The service will connect customers in Gujarat and the North Indian hinterland directly to the USA. With this new direct service to USA, transit time to the US east coast will be 23 hours.

"The MECL Service substantially reduces transit time to the USA which is a huge benefit for our customers. We are making efforts to provide increased connectivity directly to the USA and the MECL service is the first one to start calling Pipavav," said Capt Jeyaraj Thamburaj, Head of Container Operations at APM Terminals Pipavav. The MECL 1 will run with seven ships of 4,800-5,000 teu each, all flying the US flag, which allows acceptance of US government and military cargoes.

Milestone

KPI Project passes 1,000 vessels

The Shipping Key Performance Indicator Project, initiated by InterManager but now administered by the independent KPI Association Ltd, has passed an important milestone. Performance statistics from over 1,000 vessels are now being added to the project's website – enabling the KPI system to produce informative and meaningful performance measurements for the industry.


Captain Kuba Szymanski

Captain Kuba Szymanski, on behalf of the KPI Association, said, "This indicates a great deal of industry involvement and support. By collating performance data from a wide range of shipping companies, we are able to calculate key performance indicators to enable benchmarking against industry averages. The more information we have, the more accurate these indicators are – which will help to ensure the standards within our industry are kept high."

Started by InterManager, with The Norwegian Research Council, Marintek and Wilhelmsen ASA, the Shipping KPI Project developed standard tools for measuring companies' and vessels' performance. Now established as the independent, not-for-profit KPI Association Ltd, the project is working with industry stakeholders and aims to develop a standard for ships' performance measurement that is common to the industry. The KPI Project aims to include 2,000 vessels in its database by the end of 2012.

Global figures

Idle box ship fleet shrinks

A report in *Alphaliner* said the global idle containership fleet has fallen from 913,000 teu in mid-March to 838,000 teu by March 26, accounting for 5.3 per cent of the total containership fleet. The figures indicate a decrease from 5.8 per cent a fortnight earlier.

Also, for the first time in seven months, the number of idle containerships over 7,500 teu dropped to 18 from 12 ships in March. This was because of the introduction of new services for the summer peak season that saw redeployment of idle vessels.

Most idle ships redeployed over this period were carrier-controlled vessels, bringing the total capacity of such ships that are idle down to 440,000 teu from 515,000 teu.

"The trend is likely to continue and the fleet of VLCS (very large crude carriers) is expected to be fully employed by early May.
This coincides with the delivery of 11 new containerships of 13,000-14,000 teu in March alone. All these ships join long-haul strings which are launched or reintroduced in summer," *Alphaliner* said.

Standard contract

'Green' recycling of ships

The Baltic and International Maritime Council (BIMCO) have developed a standard contract for the sale of vessels for green recycling called RECYCLECON, which is in support of increased international efforts to improve recycling standards.

Shipowners are now adopting green measures while disposing vessels, just before the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships comes into force. RECYCLECON is designed to assist shipowners in recycling their ships in a safe and environmentally responsible manner, as it provides a commercial solution that mirrors many of the features of the Hong Kong Convention. The contract is now available to users of BIMCO's idea and a sample of the contract, accompanied by explanatory notes, can be downloaded from the BIMCO website.

Single loop

MSC merges services

Mediterranean Shipping Company (MSC) will upgrade and combine its existing Indian Subcontinent-Europe-Mediterranean service network operated in conjunction with Shipping Corporation of India. The Geneva-based ocean carrier said ISES and I-Med, current services, will be merged into a single loop, deploying ships of 6,500 teu capacity.

The new ISE port rotation will be Colombo, Nhava Sheva, Mundra, Salalah, Gioia Tauro, Felixstowe, Hamburg, Antwerp, Gioia Tauro and back to Colombo.

Relegated to history

Headed to the yard

One of the most infamous ships in San Diego's long maritime history appears headed for the scrap yard. *The Oriental Nicety*, a 987-foot oil tanker that was known as the *Exxon Valdez* when it was launched by shipbuilding giant NASSCO in 1986, was purchased by Maryland-based Global Marketing Systems for $16 million, according to a report in *Bloomberg News*. The company plans to scrap the ship, which has had seven different names.

The vessel was among the largest ever built on the West Coast when it slid down the ways at NASSCO. On March 24, 1989, the ship struck Bligh Reef in Alaska's Prince William Sound as it set out for Long Beach, California. The collision ruptured the tanker's hull, releasing about 11 million gallons of oil and causing the worst maritime environmental disaster in US history.

Later, the ship was towed to NASSCO, where it underwent at least $30 million in repairs. The *Exxon Valdez* re-entered service. Since then, it has gone by different names, including *Exxon Mediterranean*, *SeaRiver Mediterranean*, *S/R Mediterranean*, *Mediterranean*, *Dong Fang Ocean* and, most recently, *Oriental Nicety*.

Powering Royal Caribbean ships

ABB wins orders worth $60 million

ABB, the leading power and automation technology group, has won orders worth over $60 million to provide complete power and Azipod propulsion systems for two new cruise ships to be built by Meyer Werft at its shipyard in Papenburg, Germany for Royal Caribbean Cruises Ltd (RCL). The ABB order for the first ship was booked in 2011 and for the second vessel in the first quarter of 2012.

Founded in 1795, Meyer Werft builds special-purpose ships, and is especially known for the construction of huge, modern and highly sophisticated cruise vessels. The new ships are the first vessels in Royal Caribbean's new class of cruise ships, currently named "Project Sunshine." The 158,000-gt ships will have a capacity of more than 4,100 passengers; in

addition to redesigned spaces to optimise capacity and fuel use while maintaining passenger comfort, RCL and Meyer Werft will incorporate the latest energy efficiency and environmental technologies on the ship.

ABB's delivery will help the new ships maximise their fuel efficiency, speed and maneuverability, reduce emissions, as well as provide a reliable power supply to improve the availability of onboard equipment, to help RCL meet its energy efficiency and environmental impact targets.

The vessels are scheduled for delivery to RCL in fall 2014 and spring 2015. ABB will supply a complete electrical systems for the new ships, the delivery for each ship includes power generation and distribution systems, thruster motors, and two 20.5-MW propulsion systems including transformers, drives and two Azipod XO propulsion units. ABB's energy efficient Azipod propulsion uses less fuel than traditional systems, and provides greater maneuverability in all operating conditions.

Raising the bar

K50 bulk crane raises expectations

Offering a long service life and higher capacities for bulk handling and transloading market is Cargotec's new MacGregor K5032-4HD four-wire crane, and the first unit has been delivered to Indonesian owner, PT J&Y

The K50 crane offers a capacity of 50-tonnes in grab operation and an outreach of 32m

Transhipment. The first 50-tonne SWL four-wire MacGregor K5032-4HD crane has been delivered to its new owner, PT J&Y Transhipment. It will be operated exclusively by PT Armada Rock Karunia Transshipment on the Indonesian islands of Bunyu and Tarakan, in East Kalimantan.

The K5032-4HD was introduced in 2010 and now forms an important part of Cargotec's MacGregor four-wire rope (K4) crane portfolio. "We have high expectations for this new crane model," says Anders Berencsy, sales manager for MacGregor cargo cranes. "The market is looking for this type of high-performance grab crane.

"Our first unit is being delivered for operations in Indonesia.
The whole of Southeast Asia is a very important market for these kinds of cranes and we have received recent orders for both K50 and K30 cranes from Thailand, India and Indonesia, demonstrating this large market for our K4 cranes," he says.

The continued demand for coal-powered energy production and the increased coal production in Indonesia makes the country a major market for these kinds of cranes. To strengthen its position there, Cargotec is preparing to open up a service station in the Kalimantan region.

Arshiya Rail

Box train from North India to Cochin Port

The Arshiya Rail Infrastructure began a container train service from North India to Cochin Port thereby improving connectivity between northern hinterland and ports on the east coast of the country at cheaper rates than road transit.

On its return journey, the biweekly service may begin carrying import containers coming through Vallarpadam ICTT, thereby opening up connectivity between Inland Container Depots (ICDs) in North India and ICTT. The first container train with 90 teu reached the Ernakulam Wharf of Cochin Port with a consignment of white cement from Jodhpur for distribution in various parts of Kerala and Tamil Nadu.

Landmark

SCR cargo crosses 100 million tonnes

For the first time, the South Central Railway (SCR) crossed the 100 million tonnes (mt) mark as its originating freight throughput in 2011-12 reached 103 million tonnes, which is a growth of 7 per cent.

Increased coal movement contributed significantly to the traffic growth. The SCR handled 53.32 mt of coal, which accounted for 52 per cent of the total loading. The other major cargoes were cement (24.70 mt), foodgrains (7.38 mt) and fertilisers (6.60 mt), which registered a growth of 2.8 per cent, 17.30 per cent and 8 per cent respectively. Out of its gross earnings of ₹8,194 crore, earnings from freight was ₹5,815 crore, which is 71 per cent of its total earnings.

Trunk routes

Rentals register an increase

With increased cargo from the manufacturing sector, truck rentals during March remained firm. According to a report in the Indian Foundation Transport Research and Training (IFTRT) report, 2011-12 witnessed a 10.6 to 18.3 per cent increase in rentals on trunk routes due to double-digit increase in cargoes such as food grains, cereals, fresh fruits and vegetables. Small and medium enterprises sustained decent flow of dispatches from the manufacturing sector, the report added.

Between March and April 2012, there was a robust flow of freight traffic from the manufacturing sector as production units registered 8 to 10 per cent growth on trunk routes with peak production. From October 2011 to February 2012, fresh vegetables and fruits registered a 25 to 30 per cent increase in dispatches.

During March, the arrivals from these agricultural items dropped by 10 to 15 per cent, causing truck rentals to remain flat, but firm on trunk routes.

Right talent

Promoter Award for Gati founder

GATI Ahead in reach

Gati founder and CEO, Mahendra Agarwal, received the Logistics Promoter Award at the Logistics Talent Hunt 2012 for his contribution to the logistics industry. The one-day event targets visitors, top level professionals from across the country and aspiring management students who foresee their career in the logistics sector. T2P Consultants Ltd & CLIP India in collaboration with Chartered Institute of Logistics and Transport, India, organised the event.

Earlier in February 2012, Mahendra Agarwal was awarded executive of the year (logistics) by the Indian Chamber of Commerce (ICC) for his contribution to the Indian supply chain & logistics industry.

In the offing

Logistics Park to spring up in Chennai soon

Sree Kailas Group is going to launch a state-of-the-art logistic park providing world class warehousing and storage facilities. Proposed in Chennai, the park is spread over 35 acres and will benefit the trading community and corporates.

Constructed on world-class pre-engineered structure, the facility will have insulation on roof and walls to reduce heat. It has floor loadings, numerous numbers of loading bay doors and sufficient space for auction yard besides protection from rodents. Proposed at Urgadom, Chennai, strategically the best location for logistics, the project is near to industries such as Nokia, Hyundai, Saint Gopan Glass, Flextronics, Dell, Delfi and very near to Renolt Nissan, Komatsu, Avera, Tristler Ltd, Ashok Leyland, Ford Ltd etc. The location is also suitable for FMCG goods warehousing since it is very close to GST 45 Road and Old Mahabalipuram Road and East Coast Road, where more than 70 per cent of Chennai's population resides.

All materials coming into Chennai will pass through NH4 and need not go into the city. People can take a diversion from 200 ft wide road and come into Uragadam, the main junction for secondary transportation to all destinations in Chennai. In order to make the park eco-friendly, initiatives such as rain water harvesting, developing greens and using natural sunlight during the day to conserve energy have been taken.

Additionally, there will also be amenities such as a built to suit warehouse, an ultra modern weighbridge, a petrol bunk, a drivers rest room, restaurants, technically ultra modern security and communication system, effective end-to-end supply chain solutions and scientific and reliable storage facilities.

Deficit widens

Jump in crude import bill

Full-year exports top $300 billion

A higher crude import bill has widened India's trade deficit at $185 billion in the fiscal 2011-12, which can have an effect on the country's current account balance and further weaken the rupee, said Anand Sharma, Minister of Commerce and Industry.

"The trade deficit is primarily because of the crude oil prices.... It is beyond us to control or regulate the crude prices in the foreign market," he added. India imports nearly 80 per cent of its crude oil needs, leaving it vulnerable to the vagaries of the oil market. Full-year exports have topped $300 billion, exceeding the target of around 20 per cent export growth set by the government despite a slowdown in the major export destinations such as the United States and Europe.

Imports increased to $485 billion during April-March, a jump of 38.2 per cent from the previous year. Crude bill aside, gold imports of nearly $59 billion have also helped widen the trade deficit. In 2010-11, Indian imports rose by 21.6 per cent from a year earlier to $350.7 billion, while exports grew 37.6 per cent on year to touch nearly $246 billion.

Better deal

MoU with eBay/Paypal

eCommerce exports touch $1.4 bn

To facilitate better eCommerce trade, the Federation of Indian Export Organisations (FIEO) and eBAy/Paypal entered into a MoU, which will open international markets especially for the MSMEs. Exporters through eCommerce can supply goods directly to global customers as it reduces the product cost at the users' end. In the last three years, exports from India through eCommerce have increased to $1.4 billion, which is an increase of about 400 per cent.

A series of awareness programmes to educate exporters will be held in various parts of the country. Retail exports have so far not being recognised for extending benefits under the Foreign Trade Policy. With the growing retail exports from competing countries such as China, FIEO expects retail exports to be encouraged through recognition in the Foreign Trade Policy.

LNG imports

Boost to bilateral trade

GCC-India trade to exceed $130 bn

India has expressed interest in importing additional liquefied natural gas (LNG) from Qatar, which will boost the trade between the countries. According to Doha Bank Group CEO R Seetharaman, "India will be one of the largest gas markets for Qatar apart from China. Cooperation in the power sector between India and Qatar is under deliberation. India has sought to purchase 2 million tonnes to 3 million tonnes (mt) of LNG from Qatar in addition to the 7.5 mt it already imports from Ras Laffan."

In 2010, trade between the two countries stood at $5.2 billion. The Gulf Cooperation Council (GCC)-India trade stood at $118 billion in 2010-11, and is expected to exceed $130 billion by 2013-14. India purchased 4 mt of oil from Qatar in 2010 while Qatari investment in India is mainly in the infrastructure sector. The Qatari side had highlighted its interest in getting access to the public sector undertaking disinvestments in India via the anchor investor route.

"With Qatar becoming the host for 2022 FIFA World Cup and massive investment likely in infrastructure, Indian companies are planning to secure lucrative deals in the engineering, procurement and construction contracts (EPCs)," he said.

Weak demand

Feb exports grow slowest in 3 months

India's merchandise exports during February grew just 4.28 per cent year on year, the slowest in three months, to $24.62 billion. This was because of the persisting weak demand in markets especially Europe for goods such as textiles, electronics and engineering.

Official data showed that imports during the month rose much faster at 20.65 per cent to $39.78 billion, resulting in a trade deficit of $15.2 billion. M Rafeeque Ahmed, president of Federation of Indian Export Organisations (FIEO), expressed concerns over the growing protectionism in many countries and its consequent adverse impact on trade. India's strategy to diversify its exports to Latin America, Africa and Asia, the decision of Brazil, Russia, India, China and South Africa at the BRICS Summit to boost trade in local currencies, and the emerging opportunities in Iran will help exporters sail through the rough weather.

The cumulative value of exports during April 2011-February 2012 touched $267.4 billion registering an increase of 21.42 per cent. Shipments for the 11 months in 2011-12 have crossed the total exports of the previous financial year of $250.46 billion. The main drivers of exports during April 2011-February 2012 were engineering ($54.5 billion at a 20.9 per cent growth), petroleum products and gems and jewellery.

Net savvy

3G communications at Jebel Ali

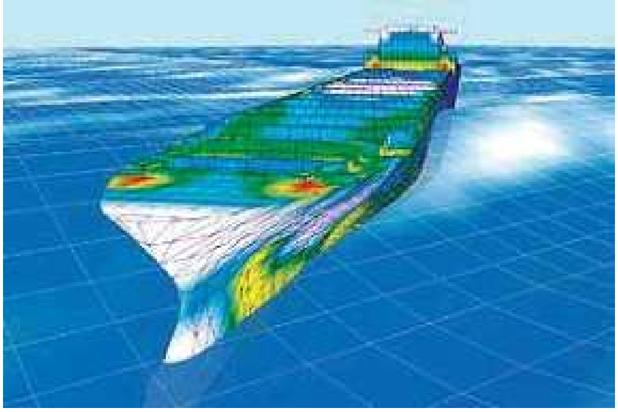
DP World recently introduced 3G Internet service for container liner operators calling at its flagship, Jebel Ali Port. The port is among the first of global ports to offer this vital communication service. The enhanced e-service enables carriers to connect to the port through the Dubai Trade portal *www.dubaitrade.ae* and file BAPLIE (Bay Plan/Stowage Plan of Occupied and Empty Spaces) information as the vessel departs for Jebel Ali, or acquire the data for onward ports. The data not only pinpoints each container and its location, but also identifies spaces available on board the vessel. Terminal operators can then access the data and plan the most efficient loading and discharge of containers and cargo, working closely with the carrier. The data also highlights any special handling requirements, and proper weight distribution for ship stability.

Hesham Abdulla, Director – Container Terminal, DP World, UAE Region, said, "Enhancing communication with ship operators is an important part of our work at Jebel Ali Port. The outbound BAPLIE data accessed via 3G service gives a snapshot of the stowage plan of the containers, both for the current situation and for a near future situation. This will enable ship operators to better coordinate discharge and loading moves on the ocean vessel's route."

Initiative

ClassNK Issues SEEMPcertification

In order to aid shipowners and managers comply with the new requirements of the International Convention for the Prevention of Pollution from Ships (MARPOL), ClassNK issued certifications for Ship Energy Efficiency Management Plans (SEEMP). Japanese shipowner Nippon Yusen Kabushiki Kaisha (NYK LINE) and Turkish ship management company Semih Sohtorik Management & Agency Inc. (SSMA) received the certifications, the first of their kind to be issued by ClassNK. ClassNK carried out an examination of SEEMPs and verified whether the procedures on energy efficiency were in line with the IMO Guidelines, before certifying the two companies.



Beginning January 2013, the new amendments require both new and existing ships with a gross tonnage of 400 tonnes or more engaged on international voyages to retain a SEEMP.

Removing hydrocarbons

Scrubber for ships

The National Science Foundation (NSF) awarded EnSolve Biosystems Small Business Innovation Research Grant ($445,000) to develop a prototype treatment device for the removal of hydrocarbons from sulfur oxide (SOx) scrubber treatment systems. Current scrubber systems focus on the removal of SOx and nitrogen oxides (NOx) from ship engines, rather than hydrocarbons that end up in the scrubber effluent. Such effluent would likely violate International Maritime Organization (IMO) clean-water standards due to excess hydrocarbon levels. EnSolve's technology, known as EnScrub, addresses the hydrocarbon portion of this waste stream.

"The developed product will be an add-on device to SOx scrubber systems," said Jason Caplan, EnSolve's CEO.

The EnScrub technology uses a combination of physical and biological methods to treat hydrocarbons from scrubber effluent. The commercial-ready EnScrub product is anticipated to yield lower wastes and, consequently, lower operating costs than conventional technologies due to the "green" nature of the technology.

Reaching for Asia

Lilaas sets the control

Marine and offshore controls specialist Lilaas AS has reached its first direct service and distribution agreements in Asia. This is part of the company's plan to support increasing demand for its levers and joysticks. The Norway-based company has entered into a service partnership and agency agreement with Singapore-based Z-Power Automation. Lilaas has a separate distribution deal with Shanghai EJH Group, Shanghai. Terje Akerholt, head of Lilaas sales and marketing, Maritime Division, said that the deal would provide critical support for the company's products in the region, given the expected increasing complexity of hardware and software. "We continue to invest heavily in design and development, safety and manufacturing capability in-house. This has been rewarded by current sales of around 9,000 control levers a year for maritime and offshore use. To sustain that level of business, we are rolling out a complementary back-up network. Establishing a service station within the port area in Singapore means we can offer local support across the range of the products we supply and build up stock to enhance delivery timings," Akerholt said. The new distribution agreement with Shanghai EJH Group came after the Chinese organisation made an initial approach to Lilaas in 2011. It brings Lilaas into partnership with a well-known distributor of state-of-the-art technological services and products for industrial users in China.

Pic: Lilaas

Watch it

Machines on the Net

In a move to show their machines directly to customers, Sennebogen has created a *YouTube* Channel dedicated to showing high quality videos of machines in actual operations at various sites all over the world. Potential customers can see these videos on YouTube link *http://www.youtube.com/user/sennebogenmarketing*. Potential customers would gain a deeper insight and understanding of the multitude of applications for these versatile machines as well as showing customers from different parts of the world an insight into different practices which could be adopted in their own countries. Forsenia Engineering Pvt. Ltd, Mumbai, is the authorised representative for the German material handling machines manufacturer Sennebogen Maschinenfabrik GmbH and Grab manufacturer Kroeger Greifertechnik responsible for the sales and after sales support of Sennebogen material handling machines and Kroeger grabs in India. With sales offices in Mumbai and Chennai, they provide after-sales and warranty services from their service centre at Chennai. For details, contact *info@Forsenia.com*

Custom made

New management system

Hindley-based logistics software provider Ideal Business Services Ltd recently completed the development, installation and operator training of a custom-made facilities management system for the St Lucia Air and Sea Ports Authority. The new system will be used in the repair and servicing of air conditioning units, mobile and static equipment, and road vehicles to replacing airport runway lighting.

Paul Parkinson, Ideal's Director, said, "Anything from painting a wall to periodic checks on company vehicles and equipment would also be managed on the system."

Ideal has been developing software solutions for shipping ports, container storage and repair depots, airports, warehouses, cold storage and related logistics industries.

IN BRIEF

Mc-Kinney Moller passes away

Danish oil and shipping group A.P. Moller-Maersk partner and shipowner Maersk Mc-Kinney Moller passed away at the age of 98 recently. Born on July 13, 1913, Maersk Mc-Kinney Moller, son and grandson of the founders of the A.P. Moller-Maersk group, Arnold Peter Moller and his father, Peter Maersk Moller, took over the leadership of the group when his father died in 1965.

He handed over management of the group to Jess Soderberg in 1993, and the chairmanship to Michael Pram Rasmussen in 2003. Soderberg was replaced by Carlsberg Chief Executive Nils Smedegaard Andersen in 2007, while Rasmussen remains chairman. Moller, however, remained active in decision making and activities of the group, travelling the world to represent Denmark's largest privately owned enterprise himself.

Basmati shipment to Iran

After almost a decade, Indian basmati rice exporters have begun direct shipments to Iran following a new payment mechanism that allows importers from Iran to make payment in Indian rupee.

Direct exports will reduce the logistics costs for importers as the US and European Union sanctions against Iran had forced the Indian exporters to route their shipments through the UAE. Again the recent volatility in Iranian currency had triggered a payment crisis. Under the payment mechanism, UCO Bank is the Indian nodal agency while Persian Bank is its counterpart in Iran to facilitate the transactions. Iran is the largest market for Indian basmati and accounts for over 20 per cent of the country's annual shipments.

ONGC, ConocoPhillips sign a pact

The Oil and Natural Gas Corporation (ONGC) and the US-based oil company ConocoPhillips have entered into an agreement to explore and develop shale gas assets. Apart from sharing technical expertise, the companies will also look for opportunities to jointly bid for shale gas assets overseas. The agreement comes immediately after PM Manmohan Singh announced that India may launch the first shale gas licensing by the end of next year.

DHL buys out Lemuir

Global logistics group Deutsche Post DHL has acquired about 24 per cent stake held by the Lemuir Group. With this, DHL's stake in the company has risen to 100 per cent, consolidating its position in the international freight forwarding, supply chain management and customs brokerage services in India. Post acquisition, the entity would be renamed as DHL Logistics Pvt Ltd.

Cruise vessel calls at NMP

MV *Brilliance of the Seas* called at New Mangalore Port (NMP) with 1,938 passengers and 863 crew on board. This is her repeat call at NMP after the first call on April 1. The luxury cruise vessel was handled at berth 14. Most of the passengers visited various tourist places around Mangalore. According to P Tamilvanan, chairman of NMP, this is the third cruise vessel calling at the port in the current financial year. "Nearly 4,000 passengers have so far arrived in these three vessels. The feedback from the captain and owners of the vessel is very good and they are interested to visit the port again," he said.

Hapag-Lloyd to hike India-US rates

Beginning May, Hapag-Lloyd will impose a general rate increase on all cargo from the Indian subcontinent to the US and Canada by $400 per 20-foot, $500 per 40-foot, $565 per 40-foot high cube and $635 per 45-foot container. From ports in Pakistan, Sri Lanka and Bangladesh to the US and Canada, rates will increase by $320 per 20-foot, $400 per 40-foot, $450 per 40-foot high cube and $506 per 45-foot container.

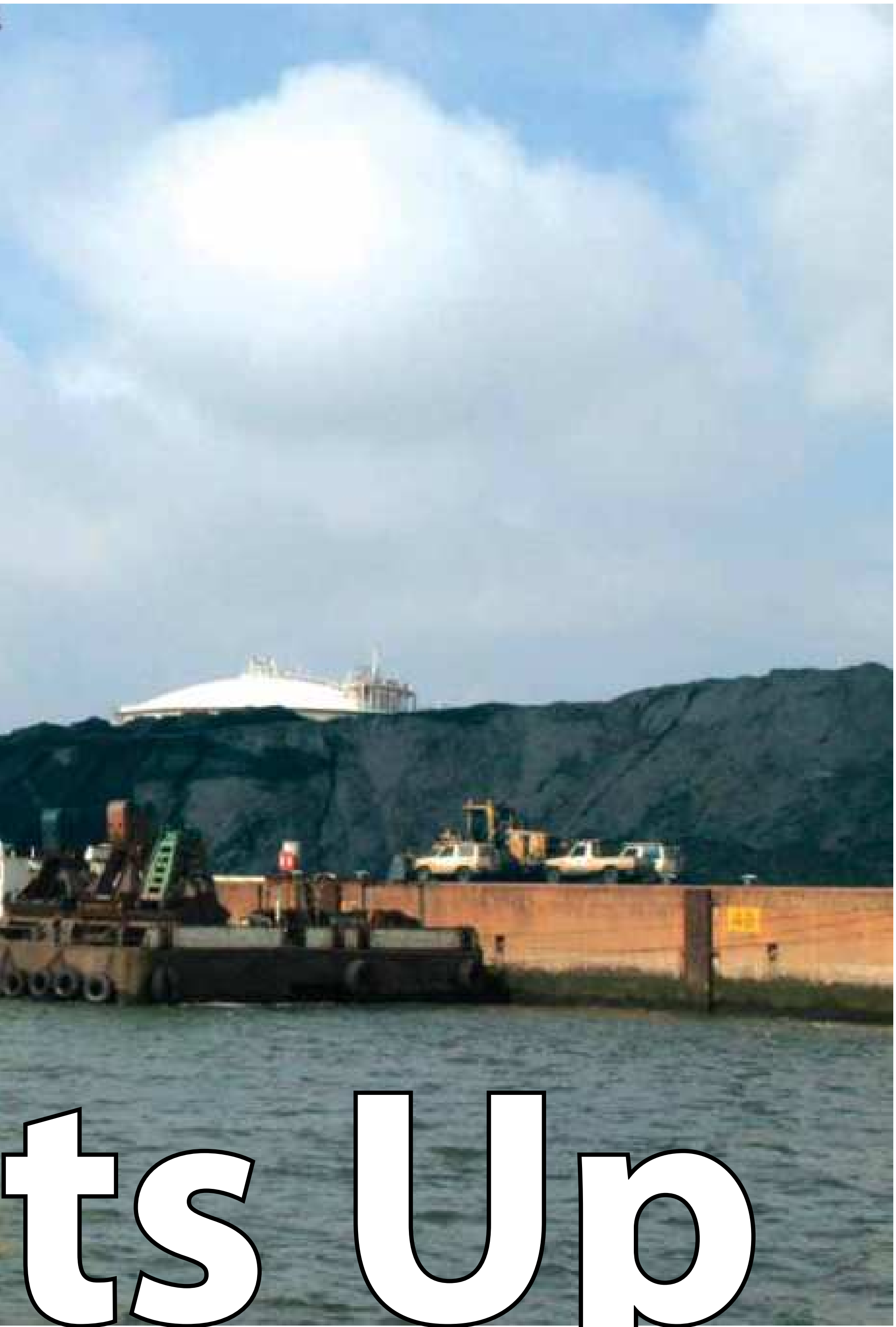
Oil glut expands

Expansion in oil cargoes is exceeding demand, creating a glut that threatens to reverse the biggest gain in shipping rates in five years. A *Bloomberg* report said rates for very large crude carriers will decrease 58 per cent to average $19,750 a day.

Coal Hea

Bulk

Demand for coal jacks up import volumes and keeps bulk handling ports going amid a tough trade situation.



ts Up Ports

by Radhika Rani G

India's major ports handled cargo traffic of 511 million tonnes from April to February 2011-12, up by 1.59 per cent the previous year. The overall growth for commodities like coal, container and other cargo was 5 per cent during the period. This simple figure is a feat by itself given the fluctuation in world trade. "This was achieved despite the slowdown in the global economy," says Union Minister for Shipping G K Vasan. Other commodities like fertilisers, raw material and petroleum cargo too saw a 2-per cent growth at the state-owned ports last year.

While coal imports are expected to slow down a bit this quarter with a seasonal lull in demand, the import figures, according to experts, could be promising in the next half and good enough for Indian ports to keep the business going in tough times. The imports could "substantially" increase, "probably by next year," if the biggest supplier Coal India raises domestic prices closer to global levels soon, says Wood Mackenzie's coal market analyst Prakash Sharma in a Reuters recently.

Coal imports, say analysts, have leapt 70 per cent in the six months between April and September 2011. Overseas purchase during the period rose from 12.3 million tonnes to 20.9 million tonnes. With the coal deficit likely to double to 265 million tonnes over the next five years, import of the black gold is on a growing curve.

Imports this year, according to the Ministry of Coal, could be around 114 million tonnes, up by over a third from the previous year. "The import dependence is increasing rapidly and the flows are from Indonesia, Australia and South Africa," says Coal Minister Sriprakash Jaiswal. State-owned Rashtriya Ispat Nigam Ltd and Steel Authority of India bring coal from Norfolk and Virginia.

Indian Ports Association
Coal traffic handled at major ports (During April to March 2011 vis-a-vis 2010)

Port	COAL			
	2011	2010	2011	2010
	Thermal		Coking	
KOLKATA				
Kolkata Dock System	-	-	97	8
Haldia Dock Complex	2173	1489	6008	6059
Total:	2173	1489	6105	6067
Paradip	13280	14818	6195	5003
Visakhapatnam	3538	3771	7344	7954
Ennore	9368	9279	103	-
Chennai	1925	1269	578	1790
Tuticorin	5349	5603	-	-
Cochin	40	148	-	-
New Mangalore	-	-	2830	2810
Mormugao	1633	957	4933	3784
Mumbai	3869	3745	-	-
Kandla	3082	2296	410	929
All Ports	44257	43375	28498	28334
% Variation from previous year			2.03	0.58

As domestic production is mired in issues such as environmental clearances, land acquisition and low investment, coal producers have been acquiring assets abroad to bridge the demand-supply gap. “From energy security point of view, the government has been encouraging acquisition of coal properties abroad,” the minister adds. This in turn is giving impetus to coal producers, some of them operators of captive ports and berths, to utilise the infrastructure for the inflows.

Mining ban

For most other ports however, it is a dire situation of staying afloat, given the unpredictable trade flows and policies. Already smarting under the ban on mining of iron ore that has taken a heavy toll on ports, transporters and the mining sector alike, several iron ore-handling ports have been facing a tough time.

Out of India’s present production of 230 to 235 million tonnes of iron ore per year, only 92 to 95 million tonnes is consumed in the domestic sector, while the remaining huge lot of 140 million tonnes is exported.

But the ban on mining, especially in mineral-rich states of Karnataka and Goa, has come as a dampener to stakeholders involved in ore trade, from foundries to ports. For instance, Vedanta’s iron-ore production over the last year fell steeply to 13.8 million tonnes from 18.8 million a year ago and sales from 18.1 million tonnes to 16.0 million tonnes, says the London-listed company.

The Commerce and Industry Ministry admits that such ban is indeed a non-starter, especially for bulk handling ports. “It would be tough to put a halt to export as storing huge volumes of iron ores for long would be environmentally hazardous,” says Commerce Minister Anand Sharma. Export volumes handled before the ban fetched whopping profits for ports. But thanks to high duty levied by the government, shipments declined 60 per cent in February this year.

Drastic Fall

Iron ore exports (in million tonnes)

	2010-11	2011-12	Change %
April	12.04	8.21	-31.82
May	11.48	9.33	-18.68
June	4.95	4.12	-15.42
July	4.58	3.62	-20.87
August	4.69	2.61	-44.48
September	3.34	2.88	-14.07
October	6.31	4.55	-28.00
November	8.30	4.66	-43.84
December	10.42	6.00	-42.48
January	10.56	5.51	-47.78
February	10.58	4.22	-60.12
Total	**872.56**	**557.66**	**-36.09**

Source: Federation of Indian Mineral Industries

Installed Generation Capacity (As on 29-02-12)

All India	Thermal				
	Coal	Gas	Diesel	Total	Capacity Addition
MW	105437.38	18093.85	1199.75	124730.98	59693
Percentage (%)	55.3	9.5	0.6	65.4	75.8

Photo: PIB

A group of industrialists call on the Union Minister for Coal Sriprakash Jaiswal to discuss issue of coal availability for power projects, in New Delhi recently.

The industry only again hopes that mining and transportation of iron ore will only be regulated in a firm and transparent manner leaving little room for illegal exports. "What is right will be done," the minister assures.

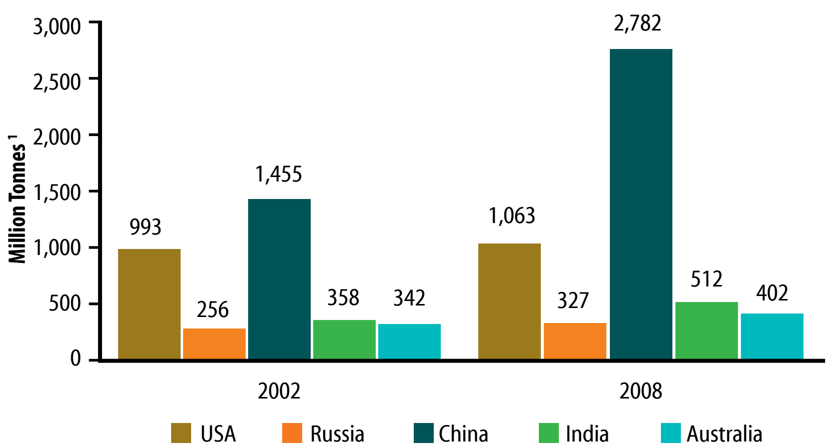
Meanwhile, the growing demand for coal is keeping ports busy berthing import vessels. Coal accounts for more than 60 per cent of India's energy use and the country being home to 10 per cent of the world's coal reserves after the United States, Russia and China, it still faces a shortfall from local supplies as more and more coal-fired power plants and steel units start operations.

Coal crisis

Minister of State for Power K C Venugopal says 18 power plants in the country are facing critical levels of coal shortage. In his reply recently to the Rajya Sabha, the Upper House of the Parliament, the Minister said that out of 89 thermal power plants being monitored, 34 had coal stock scarcity than seven days and 25 had stock less than four days. Of these, five are from National Thermal Power Corp (NTPC) – in Delhi (Badarpur), Uttar Pradesh (Dadri and Unchahar), Andhra Pradesh (Simhadri) and Bihar (Kahalgaon).

The data available with the Central Electricity Authority further points out to the grim situation in 30 thermal power plants producing 26,320 megawatt (MW). "It is simple – No coal, no power," says an official. Power utilities have reported a generation loss of 8.7 billion units in 2011-12 (up to February 2012) due to shortage of coal. For instance, 11 plants of state-owned NTPC lost 7.8 billion units because of shortage of coal during the current fiscal. Other utilities located in Madhya Pradesh, Maharashtra and Andhra Pradesh too faced a similar situation. "None of the power utilities in the country have reported any of their thermal power stations in stuck for want of coal, although inadequate availability

Global Coal Production by Country



Actual and Projected Coal Demand during XI Plan

Sectors	11-12 (XI Plan)
Power (Utility)	483.00
Power (Captive)	57.06
Steel & Coke Oven	68.50
Cement	31.91
Sponge iron	28.96
BRK & Others	61.58
Total	731.00

of coal vis-a-vis requirement has affected electricity generation in some of the power plants," the minister noted.

But steps are being taken to mitigate coal shortage of thermal plants. Already, state-run Coal India, which accounts for nearly 80 per cent of the country's output, is being asked to increase production levels. On the other hand, import duties on coal are being cut in accordance to the present Budget. The basic custom duty on steam coal is cut from 5 per cent to zero with countervailing duty cut from 5 to 1 per cent for the fiscal 2012-13 or 2013-14.

Growing throughput

With the effective reduction in import coal cost coming close to 9 per cent, India is likely to cross 60 million tonnes of coal imports during 2012-13. According to Wood Mackenzie, thermal coal imports are likely to rise to 95 million tonnes this year from 80 million tonnes in 2011 and further touch 165 million tonnes in 2015. Imports could rise to "something like 400 million tonnes by 2030 ... and could be even more if domestic prices were on a par with international," it says.

Market research points out that coal import demand in India to likely reach 1 billion tonnes by 2015. To meet this, 267 thermal power plants were granted clearances amounting to 1.76 lakh MW installed capacity – almost double the existing installed capacity in the country, in the Eleventh Plan period. According to the Planning Commission, India's growing demand for coal is set to touch 1,000 million tonnes by the end of the 2012-17 Plan period and domestic production 770 million tonnes, in accordance with the 7 per cent annual growth output. The additional 200 million tonnes is likely to come in the form of imports. This only means more coal bulk handling business for both major and private ports in the country that are gearing up to reach out to thermal power plants and coal-fired factories. MG

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- Another 1000 attached vehicles and market vehicles being plied regularly
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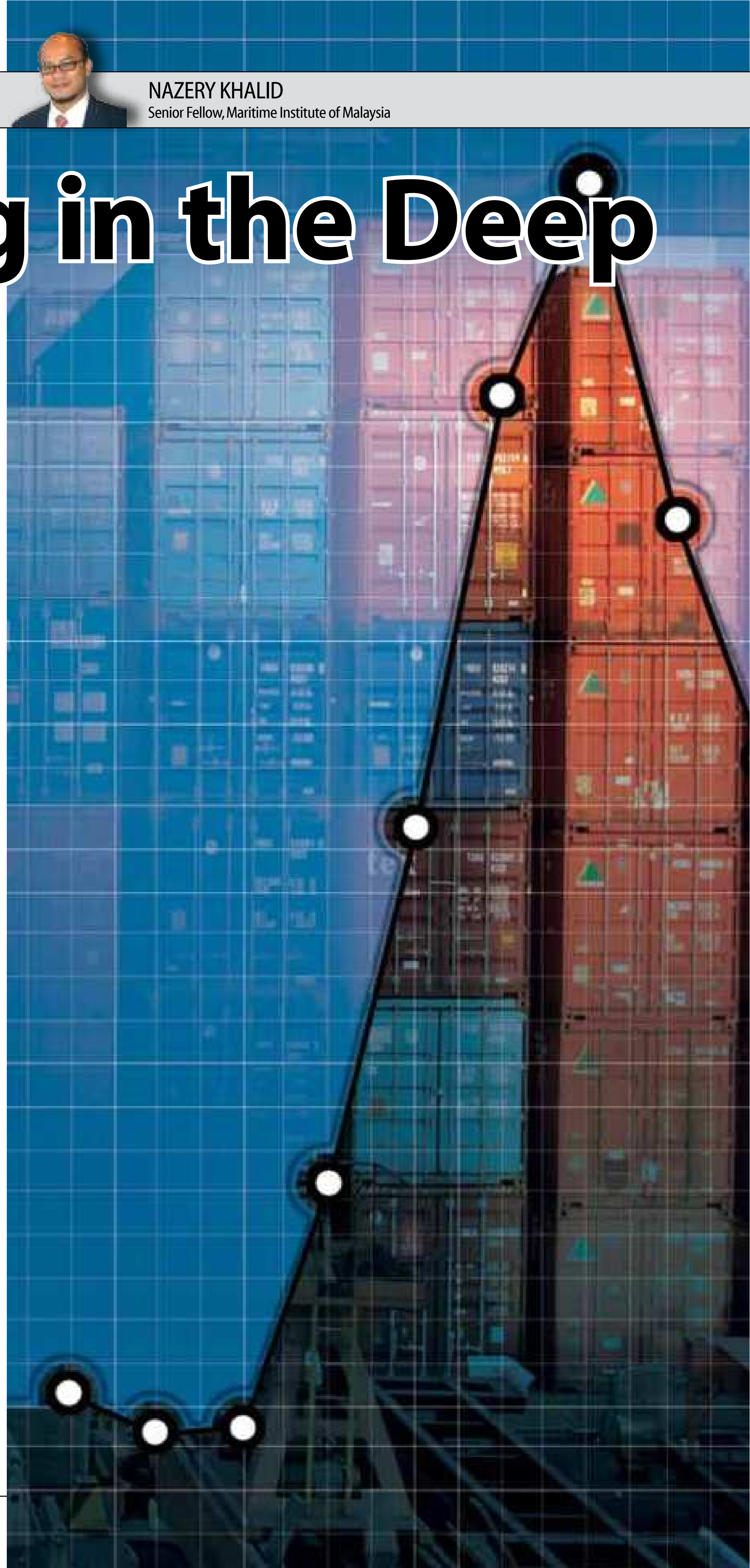
Senior Fellow, Maritime Institute of Malaysia

Rolling in the Deep



A review of the volatility in freight rates and some crystal-ball gazing on their near-term prospects.

The volatility in the freight rates in the container shipping trade makes for fascinating analysis for maritime economists. It also pushes the blood pressure of liner shipping executives to dangerous levels.

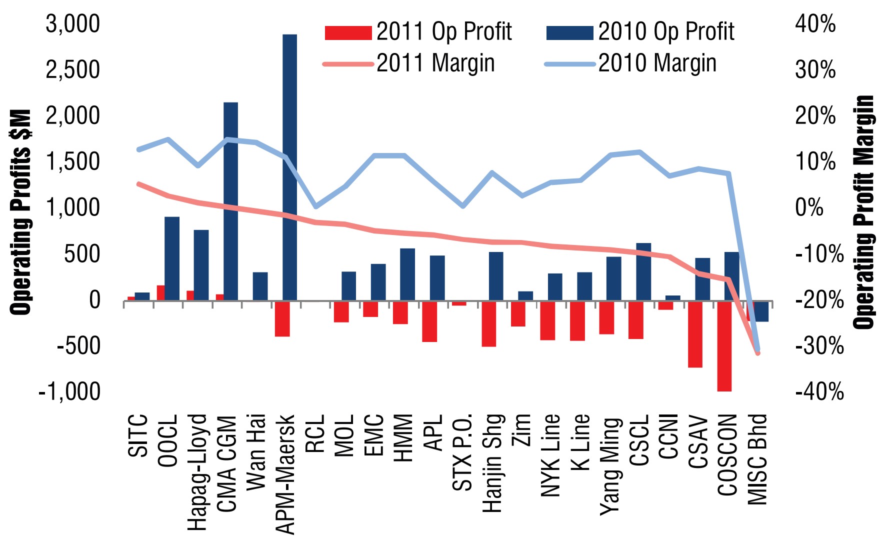
The euphoria of 2011 when container freight rates made a stunning recovery proved to be short-lived. No sooner than the box trade managed to claw out from the deep, the global economy delivered another sucker punch that sent line players hitting the canvas.

Few industries can offer such wild swings in rates than the container shipping industry. The industry has seen within a short space of time rates hovering at historical low levels to spiking to near historical high levels.

Indicative of this volatility, the rate to ship a 20-foot container (teu) in the Asia-Europe trade currently stands at around $1,660. The rate was around $540 per teu back in late November 2011. Back in early 2009, freight rates slumped to zero and shipping lines, in an unprecedented move in modern shipping, charged only the bunker cost and other surcharges.

Amid uncertainties of the global economy, volatility in freight rates is about as welcomed as having your mother-in-law tagging along on your honeymoon. The roller-coaster movements of ocean freight rates can cause havoc to the planning,

Main carriers : Operating Profits 2011 vs 2010 (Ranked by Operating Margin %)



operation, control and management of supply chains, which move the world's trade and deliver goods and services to people.

Peaks and troughs are the norm in any free markets, what more in a seasonal industry like shipping. However, it is hard for supply chain managers to unlock values and maximise savings along the chains by way of container management when ocean freight rates are erratic.

What accounts for this volatility when the container shipping trade has been consistently under pressure in the last few years? Why the jerky up and down movements of rates, which at times do not reflect the true demand and supply situation of container ships?

There are several factors contributing to the volatility. For a start, bearish forecasts by the likes of International Monetary Fund and World Bank of the global economic recovery suggest that the container trade will not turn the corner anytime soon.

The expected slower growth of China's economy has dragged down the global economic growth forecast. The impact of this cannot be underestimated; China's double-digit economic growth helped prop up the world economy during the worst phases of the global recession. The cooling of China's economy will certainly dampen the stuttering global economic growth.

Attention is also focussed on the US. Although there are tentative signs of recovery of the world's largest economy, there are fears that another round of quantitative easing by the Federal Reserve will have an adverse impact on financial market and global economic recovery.

The prolonged crisis in Eurozone economies also weighs heavily on the container trade. Although the worst seems over, with a rescue package engineered by France and Germany helped avert a financial version of a Greek tragedy in Greece, the debt crisis is far from over. Throw in the Arab Uprising and Iranian nuclear crisis that are disruptive to oil supply, North Korean missile tests that spook markets and potential occurrence of natural disasters that can cripple economies of nations, the concoction makes for grim outlook for the global economy in the near future.

Size matters

Given that 95 per cent of world trade by volume is carried by ships and most of the world's manufactured goods are transported by container ships, one can well imagine the impact of the slowdown in global economy on the container trade.

As economies splutter, consumers cut back on demands for manufactured goods and raw materials, and industries and businesses scale back production. This results in slow demand for container shipping services and therefore a decline in freight rates for container shipping.

This comes at a time when the container trade is saddled with huge overcapacity. The spectre of huge new tonnage coming into the trade, resulting from massive orders for newbuildings a few years ago during more favourable economic times, coincides with slumping rates and low demand for container shipping services. This further adds to the woes of container players.

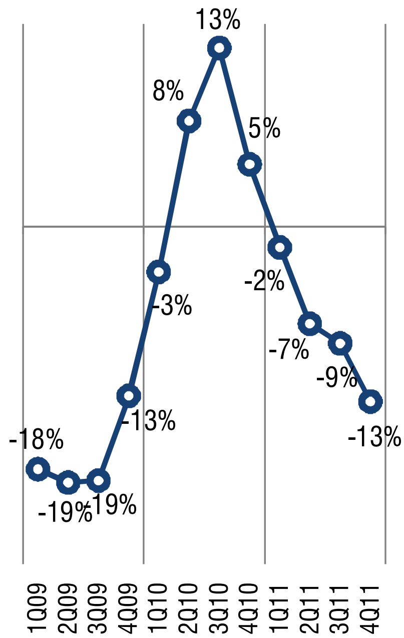
Box ships of sizeable tonnage are being deployed in trade routes where volumes are large, namely in the Asia-Europe and Trans-Pacific trades. This is mainly due to the fact that volumes in these trades, while still depressed, are still decent enough to warrant the deployment of large vessels. In addition, ports in these regions have the capacity and features to host big container ships.

However, if the economies in these areas do not perform well and demand for containerised goods there remains low, freight rates in these routes will come under further pressure and liner players will be in for a tough time.

Given that the Eurozone crisis is not showing signs of being resolved completely any time soon, it is hard to be bullish on the prospect of container trades in the Asia-EU routes.

Operating Margin by Quarter 2009-2011

(Average of 18 carriers)
by Quarter



One saving grace for the Asia-Europe trade is that several liner operators have begun to redeploy their large container vessels to other routes. This provides a bit of relief to the acute tonnage surplus in the Asia-Europe trade.

An example of this is giant Swiss container shipping operator MSC, which recently redeployed a 12,000-teu vessel from Asia-Europe to the Trans-Pacific trade.

However, relief in one trade is pain in another. While those servicing the Asia-Europe trade should breathe a bit easy with the reduction in capacity due to redeployment of tonnage, those in the Trans-Pacific trade will feel uneasy by the shift of capacity from Asia-Europe.

Adding to the woes is the entrance of huge new tonnage flooding into the container trade. It is estimated that half of container newbuildings to be delivered in the next year or so will be vessels over 10,000 teu.

One shudders to think that, should the global economy remain in the doldrums, the entrance of these new capacity will further depress the box trade and pile on more pressure on freight rates.

Several liner operators have cancelled their orders of newbuildings, which makes more economic sense than taking deliveries of ships which have no cargoes to carry. Some even sent newly delivered vessels straight to the scrapping yard to cut their losses. However, some have no choice but to honour the contracts with shipyards and pick up completed ships which have been fully paid for.

The economics of shipping is such that they are only economically productive when they are sailing and loaded with cargoes. When they are docked or sailing without cargoes, they are a liability to the owners.

It is foreseen that new deliveries over 10,000 teu will only be deployed in long-haul trade routes, which means Asia-EU and Trans-Pacific, where the volumes of trade justify the deployment of these ships and where ports can accommodate them.

That is of course provided the economies of the regions involved in the trades are performing at full throttle. It goes back to the same argument presented earlier as demand for shipping services derives from demand for the cargoes they carry.

Fueling the decline

Reports by reputable shipping research outfits such as Clarksons, Fairplay and Lloyd's gave an average of around 10 per cent decline in freight rates in 2011. In contrast, fuel prices climbed 30 per cent at the end of 2011 from the end of 2010 levels.

This underscores the tough operating environment that liner players had to deal with. Few industries offer such a yawning mismatch between operating costs and returns. To cover the slack, several liner operators had no choice but to increase freight rates. This, coming at a time when demand for their services is low and huge new capacity continues to come into the market, of course is not appreciated by shippers.

Fuel prices are not the only culprit contributing to high operating costs in liner shipping. Other costs include crewing, port charges, maintenance/docking charges and spare parts. High operating costs should not be scoffed at. Failure to manage them can break a container shipping line.

Underlining this, MISC, the Malaysian national carrier, had to pull out from the liner business after incurring huge losses stemming from its inability to absorb operating costs and the shift in global container trade patterns that rendered its liner operation as unviable. The carrier announced in November 2011 that it stared at a loss of $789 million over three years – no chicken feed amount even for the big boys amid these trying times.

MISC announced in November 2011 that it stared at a loss of $789 million over three years – no chicken feed amount even for the big boys amid these trying times.

Meanwhile, MOL, Japanese container giant, announced in early April 2012 that it was projecting a loss of $329, the largest in its 128-years history. The loss was incurred despite the company doing its best to introduce cost-saving measures amid depressed freight rates and capacity glut in the container trade. Also conspiring against MOL were the strength of Yen against major currencies, the devastating Japanese tsunami of 2011 and high fuel prices.

MISC's mishap and MOL's predicament showed that the liner business, in which the only way to be profitable is to attain economies of scale by having big capacity vessels, is not for the faint-hearted and those with anything less than very deep pockets.

Turning tables

It is hard to predict the direction of the container trade amid the uncertainties in the global economy and the volatility of freight rates. The outlook may be bleak now but as could be seen last year, freight rates can suddenly pick up when the global economy shows signs of recovery. This, however, is not always a given. Even with demand for container services picks up, freight rates may be depressed by overcapacity in the trade. This can be the case for certain routes such as the Trans-Pacific trade which may see a flux of newly built large container ships joining the trade, as dictated by the economics of shipping and seaborne trade.

It is not foreseen that freight rates will stage a sharp rebound this year, given the multiple factors conspiring against a convincing global economic recovery. At most, rates will hold firm and make steady gains if the global economy stages a credible recovery and other negative developments are kept in check.

It would take more than a flash in the pan in the recovery of the global economy to push container freight rates to sustainably firm levels. The entrance of huge new tonnage in the trade will be an Achilles Heel to the container trade, even when the global economy gets back on the growth track.

Line operators will be quick to increase rates in certain trades at the first sign of recovery in order to regain their cost and steer the trade back to sustainable levels. This may result in shippers going for modal shift, for example using railway, whenever they can, to reduce shipping cost.

This will in turn reduce demand for container shipping services and offset the gains painstakingly made by container players when the container trade picks up.

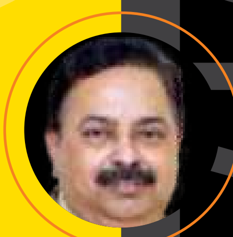
As the rough waves continue to roll the container shipping trade, liner operators are expected to undertake several measures to survive the tough times. These include trimming or cancelling services in unprofitable routes, laying up vessels, cancelling newbuilding orders, delaying fleet expansion and sailing at slow speed.

The near-term outlook for the container shipping trade is grim, but being the main form of transport for the majority of the world's trade, the industry will the be among the first to stage a rebound when the global economy picks up. It would take spectacular set of events to push demand for container shipping services to fever-pitch level and set the trade afire again. MG

QUOTES

GK Vasan
Minister of Shipping

"Dredging requirements both capital and maintenance of the Indian ports would go up substantially, and Dredging Corporation of India would continue to be a major player in this area."



Sudhir Vasudeva
Chairman, ONGC

"India has a lot of potential in shale gas. We want to exploit that with the technical expertise of ConocoPhillips."

GRK Reddy
Chairman & Managing Director
MARG Karaikal Port

"Despite the rising inflation, tight liquidity, high interest rates, industrial slowdown and a challenging business environment, Karaikal Port posted an impressive performance."

P Tamilvanan
Chairman, The New Mangalore Port (NMP)

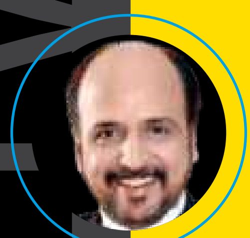
"Due to the loss of export of iron ore, the port's core sector traffic, particularly ore exports, came down by 22 per cent, they are going to slide further down in coming years."

Atulya Misra
Chairman, Chennai Port Trust

"We are having several ongoing projects at the port and these 20 projects seem to have come up in one stroke. Right now, we can't say how many of them will be implemented."

G J Rao
Chairman, Paradip Port Trust

"PPT plans to set up a new port at Bahuda Muhan near Gopalpur in a joint venture with Odisha government to handle thermal coal cargo and cater to power generation units in southern region."



R Seetharaman
CEO, Doha Bank Group

"India will be one of the largest gas markets for Qatar apart from China."

SS Kulkarni
Secretary General , Indian Private Ports & Terminals Association

"From the TERI guidelines on tariff regulations, the only view we support is that there is a scope to do away with regulation of tariffs given the competition in sector."

Gateway SpotLight, a special feature by *Maritime Gateway*, showcases the unique initiatives of business groups across maritime sectors in their products, services and processes that helps them achieve and sustain better productivity, efficiency, environment conservation and above all judicious business practices. **Gateway SpotLight** provides an opportunity for businesses to bring to light their best practices at work and thereby such a **FOCUS**.

Presenting **APM TERMINALS** (Lifting Global Trade) under this feature.

Making **excellence** part of its **DNA**

Offering shipping community integrated services in the inland container logistics space, **APM Terminals Inland Services** has been playing an important role in facilitating India's EXIM growth. Known for its best practices, it is now implementing 5S in its Chennai CFS facility to set new standards of efficiency in its operations.

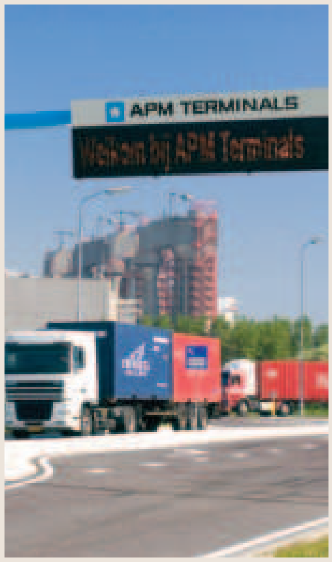
Currently, APM Terminals Inland Services South Asia runs seven container freight stations with a total bonded yard area of about 3.3 million square feet, empty depots in over 10 locations, with state-of-the-art dry and reefer repair workshops.

Backed by a strong trucking fleet to manage shunts and primary transportation, the company also caters to Pakistan and Sri Lanka. For this, it has a dedicated team of over 280 accomplished professionals who provide for market integrated solutions in inland container logistics.

APM Terminals Inland Services South Asia is a part of APM Terminals, a global Port, Terminal & Inland Services operator, with 53 ocean ports and terminals in 36 countries, along with 150 inland services locations in 46 countries across the world.

Implementing 5S

In pursuance of its quest towards improving safety and operational excellence, APMT Inland Services undertook the implementation of 5S at its CFS facility in Chennai.



5S is a Japanese workplace methodology which uses a list of five Japanese words which are *seiri, seiton, seiso, seiketsu* and *shitsuke,* which when translated, mean Sort, Set in order, Shine, Standardise and Sustain. The list describes how a work space should be organised for efficiency and effectiveness by identifying and storing the items used, maintaining the area and sustaining the new order. The decision-making process usually comes from a dialogue about standardisation which builds a clear understanding among employees of how work should be done. It also instills a sense of ownership in every employee.

How was it done?

Sort (*Seiri*): 'The first 'S' focussed on eliminating unnecessary items from the workplace. An effective visual method was used to identify these unnecessary items through red tagging. Sorting proved to be an excellent way to free up valuable floor space in the facility and eliminate broken tools, obsolete jigs and fixtures. This concept was very effective in areas like maintenance, repairs and warehouses. It benefits employees working in respective zones since it not only creates space, but also removes the risk of unwanted items posing a threat to people working in those zones.

Set in order (*Seiton*): Second of the 5S's, it focusses on efficient and effective storage methods. In each zone, floors were painted, work areas were outlined; shadow boards were installed along with modular shelving and cabinets for regular requirements; clear parking areas were marked for trailers, reach stackers, forklifts and other vehicles. Each of these items was segregated into its respective place and accessible to everyone at convenience. In short, the company managed to have "a place for everything and while keeping everything in its place."

Shine (*Seiso*): This is an integral part of the company's business routine. The entire facility is cleaned, kept tidy and organised for a clean and clutter-free work area. Workers saw noticeable changes in equipment and facility location such as air, oil and coolant leaks, repeat contamination and vibration, broken, fatigue, breakage, and misalignment. These changes, if left unattended, could lead to equipment failure and loss of production.

Standardise (*Seiketsu*): The fourth S describes maintenance standards. Unless and until there are standard operating procedures for each process in place, the actual scope of a particular process will erode over a period of time. In each zone, employees are aware of how to carry out work in a better and safer manner. These standard operating procedures have come to be a part of the company's manual.

Sustain (*Shitsuke*): The last S is the most challenging to achieve, and at the same time, the easiest if cultivated as a habit. Resistance to change is natural in a work place and there is a possibility that it will become cluttered and unorganised in a few months time. The tendency is to return to status quo and the comfort zone to the "old way" of doing things. Regular training was provided to all stakeholders of the Chennai CFS facility and they were kept aware of the changes and expectations from them.

Course for the future

The Chennai CFS facility regularly audits the implementation of 5S in its facility. All developments are monitored and reported to the management with regular interim reviews. This best practice implementation is now being replicated in other facilities of APMT Inland Services South Asia. MG

VIJAY KURUP

What to do When BL is Lost

Losing a Bill of Lading (BL) can be a very traumatic experience to a shipper because of stringent requirements imposed by shipping lines for issuance of a duplicate set of original Bills of Lading (Bs/L). The requirements for a shipping line to issue a duplicate set of Original Bill of Lading is a bank guarantee of 300 per cent of invoice value of the cargo valid for a minimum period of five years. If the commercial value of a containerised cargo is (on a conservative estimate) is ₹40 lakh, then the shipper is required to submit a bank guarantee of ₹1 crore 20 lakh valid for a period of five years – a very tall order for any businessmen to freeze such a large amount of money.

What does a shipper do if a Bill of Lading is lost? I have known cases where a shipper had to hypothecate his house to comply with the shipping lines requirements for getting a duplicate set of BL. Often shippers are forced to abandon the cargo. The 'intransigent attitudes' (as some shippers have accused them) of most shipping lines compel them to take this very harsh decision. So what is the solution if one loses a BL. The solution is DO NOT LOSE THE BL! Let me explain.

The most common reasons for losing BL are:

1. Lost by the runner boy while returning to the office after collecting the BL from the shipping line
2. BL misplaced in the office
3. BL lost by the courier company
4. BL lost by the bank
5. Fire in the office

Whereas the first two incidents are within the control of the shipper, the remaining three, for obvious reasons, are not. But certain procedures can be adopted by the holder of the BL to minimise the probability of loss.

Treat the BL as if it were a hard cash worth ₹1 crore 20 lakh (in the example above) and not a mere document. Give it all the care and precautions that you would adopt while handling cash of this large sum.

The runner boy should be made to understand the importance of the documents. He should be somebody who is experienced and trust worthy. A good and a secure bag to carry the BL would be a good investment. Bs/L should not be taken home. It has to be deposited in the office the same day. At times when Bs/L are issued late in the evening, there is a tendency to take the document home and bring it to the office the next day.

I have known a case where a BL was misplaced in a pub!

Once the BL reaches the office, it would have to be 'tracked'. Maintain a register to identify the person in whose possession the BL is currently lodged with. If the BL is to be moved from one department to another, the change is to be recorded and signed off. At least this procedure would ensure that the responsibility does not fall between two desks. At the end of the day, deposit the Bs/L in a safe in your office. DO NOT LET IT LIE AROUND. Did I hear you say, "cumbersome procedure"? Remember you are handling cash worth over ₹1 crore.

What do you do if the BL is lost by the courier company? All courier companies have a liability clause limiting their exposure which is of paltry use to the shipper. Here the shipper can step in to reduce the incidence of loss. Bs/L are issued in triplicate. If you are couriering the Bs/L to your head office, despatch it in three separate packets or despatch the packets on different dates or through three different courier companies (This, of course, will not work if you are couriering the Bs/L to a bank). Expenses will no doubt mount, but it would be worth it. Remember only one BL is required for taking delivery of cargo.

What do you do if the bank lost the BL while it was in their possession? You can arm-twist the bank in forcing them to give the bank guarantee to the shipping line, on your behalf, without any commitments from your side. But there are some precautions which you need to undertake or adopt before the Bs/L are handed over to the bank. Ensure that you have clear evidence of submission of BL. The duplicate copy of the covering letter must have the stamp of the receiving bank. More importantly, it should be signed by the person who is AUTHORISED TO RECEIVE THE DOCUMENT. Even if you are handing over the document to your 'friend' in the bank, ensure that he is authorised to receive it and there is evidence of receipt. If you have covered your tracks well, you can force the public undertaking to submit the bank guarantee to the shipping line on your behalf!

So far, so good. But what if there is a *force majeure* situation – like a fire in the office or the Bs/L have just vanished! You have actually lost the BL– *Galti se mistake ho gaya!*

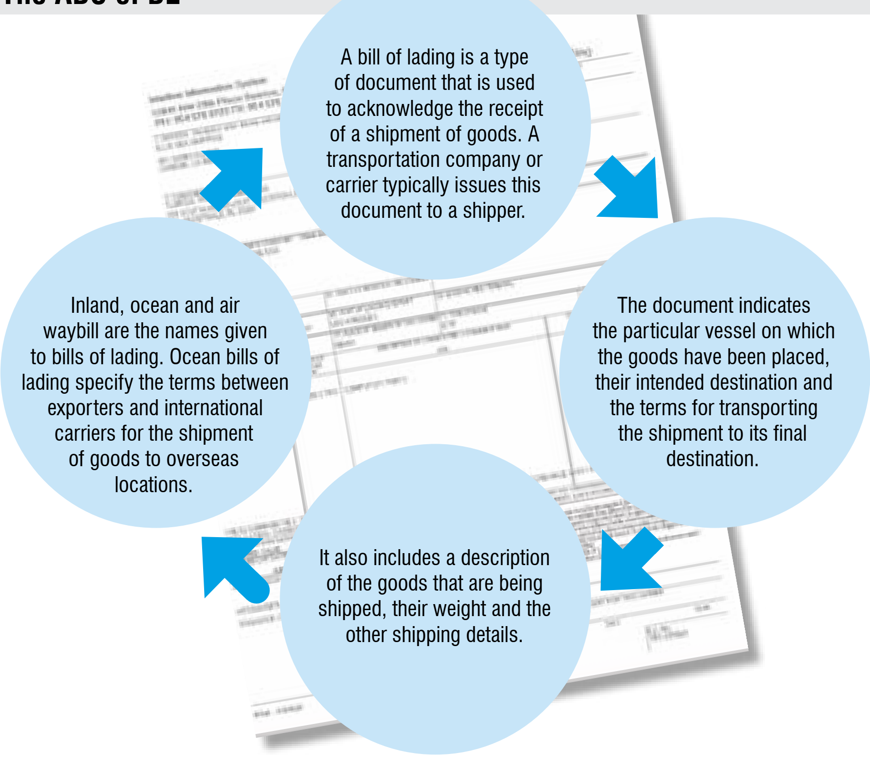
Go through the motions of informing the shipping line of the missing Bs/L. Instruct them to inform the destination office to release the cargo only against duplicate set of Bs/L. Ensure that you get a reply from the shipping line informing you that the destination office has been informed. With these critical procedures done with, you would now need to gird yourself up for some hard bargaining with the shipping line. NEGOTIATE.

It is a big risk for the shipping line to issue a duplicate set of Bs/L, since it exposes them to unlimited liability. The shipping lines are doing you a favour by issuing you a duplicate set of Bs/L and in order to safeguard themselves they have a right to impose stiff conditions by way of formidable bank guarantee stipulations which explains their 'intransigent attitude'.

So negotiate. Negotiate for less stiff bank guarantee conditions – strive to bring down the value of bank guarantee or the number of years. Negotiate directly with the top man of the company – the managing director, no less. It would not be easy for the MD to peremptorily dismiss your pleas if you confront him directly. No other personnel would have the authority to take a decision on so serious a matter. Dwell on your past clean record – on the volume of shipments – past and future.

Accidents do happen notwithstanding all precautions. However, you can reduce the probability of loss to bare a minimum. Negotiate, bargain, convince for more moderate conditions and hope for the best. Good luck! MG

The ABC of BL



Iran Oil Voyages:
Ship Insurers Set New Rules

The US and European sanctions against Tehran have significantly hindered the ability of Iran's oil customers to continue the financing, purchase and transportation of crude from Iran. Growing pressure by the West has led some Iranian oil buyers to cut imports, but the problem over obtaining maritime insurance could altogether halt shipments to Asian customers, says a Reuters report.

Concerns over the disruption to Iranian oil supplies have raised global crude prices by more than 13 per cent so far this year to above $122 a barrel. For the maritime industry, European insurers and reinsurers will be banned from indemnifying ships carrying Iranian crude and oil products anywhere in the world, in line with sanctions on Tehran.

Japan reducing imports of Iranian crude oil

The Japanese insurer Japan P&I Club has set new rules on Iranian oil transport. The Club has asked the shipowners it covers to inform it in advance of any plans to transport oil and petrochemicals from Iran. The US and EU have imposed several sanctions aimed at reducing Iran's oil trade, to stem the flow of petrodollars to Tehran and force the OPEC member to halt a nuclear programme the West suspects is intended to produce weapons.

European insurers and reinsurers will be prohibited from indemnifying ships carrying Iranian petrochemicals anywhere in the world from May, and crude and oil products from July.

Although Japan's P&I Club, which provides insurance for shipping companies, does not directly fall under the sanctions regime, it is largely dependent on the European reinsurance market to hedge its risk.

Japan's main ship insurer said it wanted to know ahead of time of any member sending a tanker to transport Iranian oil because the insurer had the right to deny coverage.

"The member shall conduct any such voyage in the full knowledge of the risk that the club may lawfully cancel the contract of insurance or decline to pay claims," the Club said in a circular to its members on Tuesday.

Crude oil prices are up nearly 14 per cent since the start of this year on concerns that Iranian supplies may be disrupted due to Western sanctions. Brent Crude has been trading around $123 a barrel.

The insurer, whose members include shipping firms Kawasaki Kisen Kaisha, Mitsui O.S.K. Lines, and Idemitsu Tanker Co, has said that it would only provide coverage worth a maximum $8 million for a tanker carrying Iran oil and petrochemicals, down from the typical $1-billion coverage.

"Any reinsurers including other (P&I clubs) subject to EU legislation will not be able to pay out if a claim involves a sanctioned cargo," the Club said. "Because of this, the member could suffer a significant shortfall if any claim is made."

Japanese trading houses were reducing Iranian crude imports from April, industry sources said on Tuesday, joining the country's refiners in deepening cuts even after the United States said Japan had done enough to support sanctions against Iran.

The United States has been citing Japan as an example for other Iranian crude buyers as the country has reduced purchases even though it needed more oil overall to help meet rising domestic demand after the earthquake, tsunami and nuclear disaster in March 2011.

UN sanctions

- Asset freeze of individuals and companies linked with nuclear or missile programmes
- Banks abroad with suspected links to nuclear or missile programme
- Financial curbs on individuals and companies
- Sales of all items and technology with both civilian and military uses (dual use)
- Travel curbs on certain individuals
- Arms embargo
- Setting up of cargo inspection regime similar to one in place for North Korea

EU sanctions

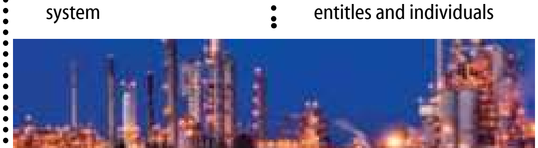
- Funds transfer over €40,000 or €10,000 if not related to foodstuffs, healthcare or medical
- Public bonds by Iran government or banks
- Provision of insurance and reinsurance to Iranian government and its entities
- Access to airports under member state jurisdiction of all cargo fights
- Trade or transfer of equipment and technology for refining liquefied natural gas, exploration or production.
- Ban of Iranian crude imports to member states
- Visa ban on certain senior officials, top nuclear and ballistic experts
- Import and export of arms, all equipment materials and technology that could contribute to uranium enrichment

US sanctions

- Foreign firms investing over $20 mn in five years in Iranian energy sector
- International banking institutions involved with Islamic Revolutionary Guard Corps or nuclear programme
- Ban of doing business with 21 Iranian banks
- All US Iran trade with some exceptions - gifts valued below $100, foodstuffs, carpets, among others
- All oil products trade
- Companies supplying Iran with refined petroleum products
- Washington has sought to cut 16 banks off from the International financial system

Japan sanctions

- Bans banking activities with 15 designated Iranian banks
- Insurance services and brokering of securities that could contribute to nuclear activities
- Bans branches of Iranian financial institutions in Japan
- No new medium to long-term (2 years or over) export credit commitment for trade with Iran
- Ban of all new oil and gas-related investment by not providing export credit
- Travel ban to entities and individuals that could contribute to Iran's nuclear activities
- Asset freeze for designated entitles and individuals



Britain sanctions

- Bans all British financial institutions to do business with their Iranian counterparts, including the Iranian central bank
- Freezing of business ties with Islamic Republic of Iran Shipping Lines

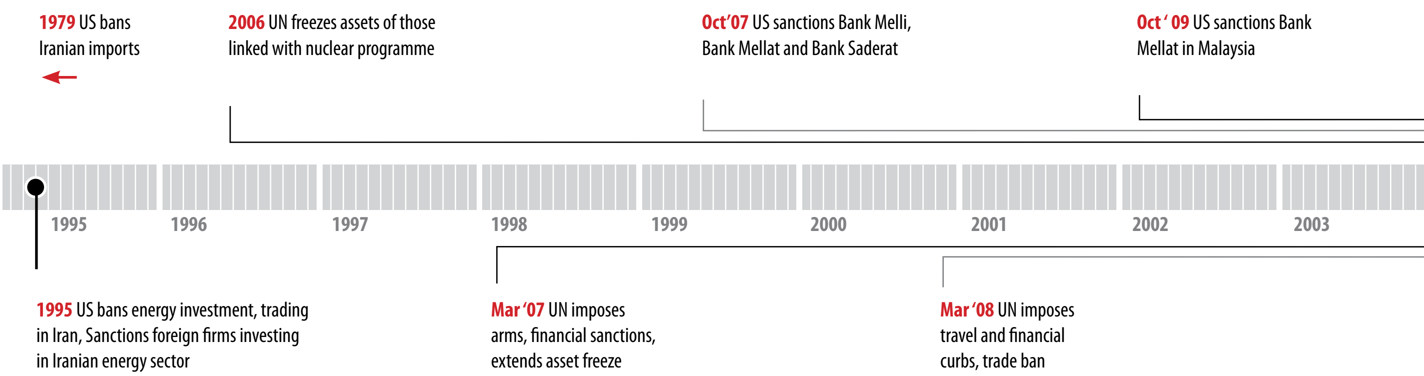
Canada sanctions

- Blocks virtually all transactions with Iran, including with its central bank, with an exception for Iranian-Canadians to send money home
- Ban the export of all goods used in Iran's petrochemical, oil and gas industry

France sanctions

- While not taking concrete actions, it urges European Union and other nations to freeze the assets of Iran's central bank and to suspend purchases of Iranian oil

Sanctions Timeline



China insurer deals new blow

A major Chinese ship insurer will halt cover for tankers carrying Iranian oil from July amid tightening Western sanctions against OPEC's second largest producer, two officials from the insurance provider said.

This is the first sign that refiners in China, Iran's top crude buyer, may struggle to obtain the shipping and insurance to keep importing from the Middle Eastern country. Iran's other top customers – India, Japan and South Korea – are running into similar problems, raising questions on how Tehran will be able to continue to export the bulk of its oil.

With Western sanctions on the Islamic Republic increasing, sources at the China P&I Club told Reuters that it did not want to stand alone in the market, especially as insurers in Japan and Europe plan to either limit or ban their own coverage for tankers operating in Iran.

Crude oil prices are up nearly 14 per cent since the start of this year on concerns that Iranian supplies may be disrupted due to Western sanctions. Brent Crude has been trading around $123 a barrel these days.

The China P&I Club is a specialist marine insurer owned by the Chinese shipping industry, whose members include major Chinese shipping firms Sinotrans and COSCO Group. It is the first Chinese maritime insurer to confirm that it will halt business with tankers operating in Iran.

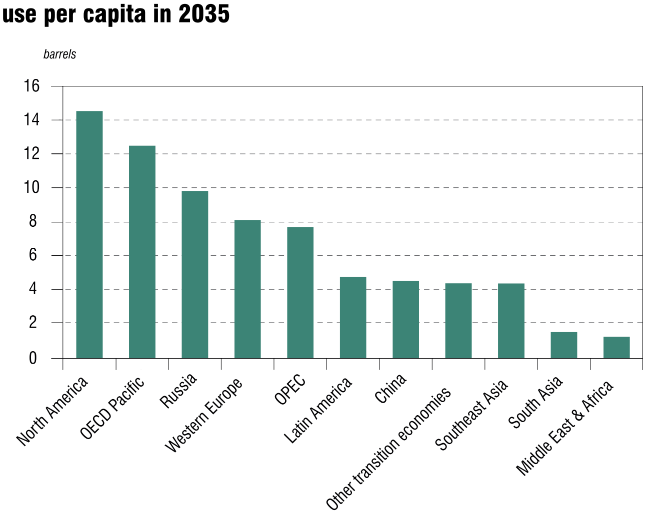
"Many shipowners want to join our club and want our club to cover this risk; but considering all these regulations from the United States and the EU, I know China P&I Club will not do that," said a Hong Kong-based official with the insurer, which provides coverage to more than 1,000 vessels.

"The China P&I Club will not take the risk. We have asked our members not to go there; if they go there, they take their own risk," the official added, who wished not to be named because he was not authorised to speak to the media.

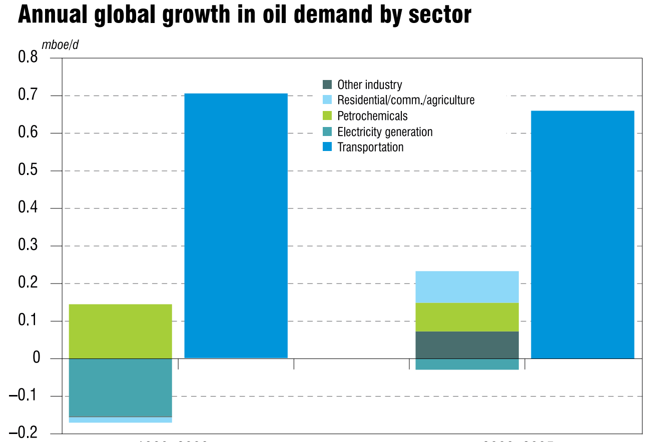
Starting in July, European insurers and reinsurers will be barred from indemnifying ships carrying Iranian crude and oil products anywhere in the world, in line with sanctions on Tehran.

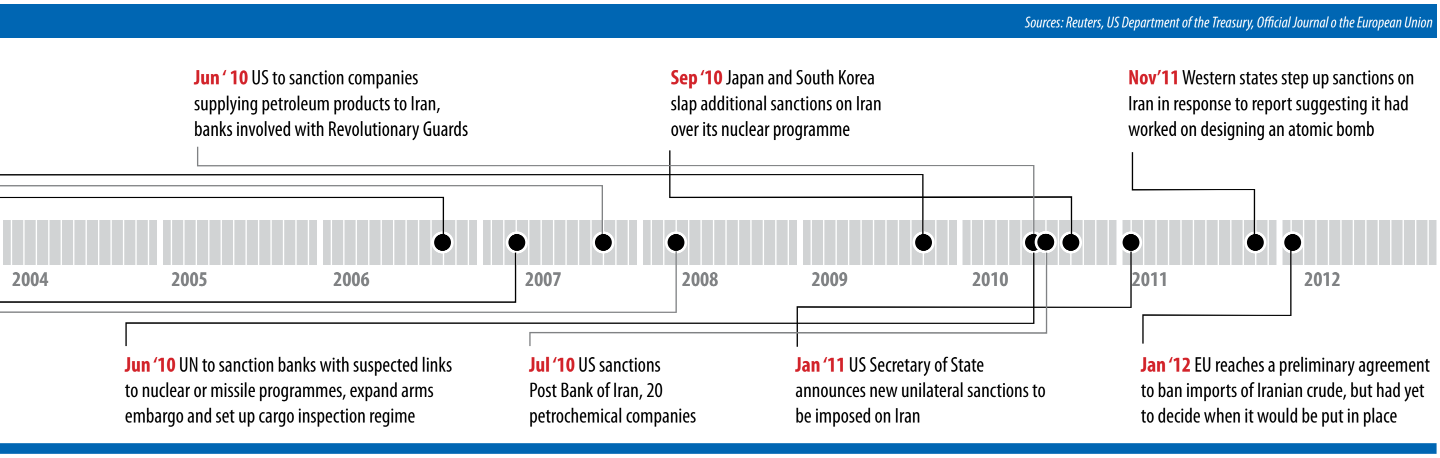
"This is definitely going to bite and the big state-owned companies such as COSCO will have no choice but to go along with it," a ship

Oil use per capita in 2035



Annual global growth in oil demand by sector





insurance source said. "At the same time, others will need to find a plan B option and look to source alternative cover if they can, from commercial insurance players that are still able to get around the restrictions."

Iran sells most of its 2.2 million barrels per day of oil exports in Asia, where China, India, Japan and South Korea are the four biggest buyers.

Growing pressure by the West has led some Iranian oil buyers to cut imports, but the problem over obtaining maritime insurance could altogether halt shipments to Asian customers. Chinese imports from Iran are already down more than 21 per cent in the first two months of 2012 to around 395,000 barrels per day compared to the same period last year.

Hong Kong insurers unable to fill void

Hong Kong maritime insurers too have decided not to provide full cover to tankers carrying Iranian oil from July when EU sanctions take effect, a senior industry official told Reuters – another blow to Chinese importers struggling to find ways around the measures. As more insurers confirm they will soon halt or sharply reduce coverage to tankers operating in Iran, China's government may need to step in and take the risk to get contracted crude supplies from Tehran, said Arthur Bowring, managing director of the Hong Kong Shipowners Association. China is the top buyer of Iranian crude.

Bowring's comments came days after officials at China's P&I Club, which covers more than 1,000 ships, told Reuters the insurer would not extend cover to tankers carrying Iranian oil when the new EU sanctions come into force. "For the liability coverage that we now need, the reinsurance is essential and that comes from the international market, which of course is affected by the sanctions," said Bowring. The association represents shipowners who receive insurance coverage for more than 2,000 ships.

Reinsurance helps spread the risk when the coverage surpasses what commercial insurers can handle. The EU sanctions on Tehran will close off the European re-insurance market for all tankers carrying Iranian oil whether bound for Europe or anywhere else in the world.

"It's now non-life (insurers) and shippers who can tell us how many cargoes we will be able to ship from Iran," said a manager from a Japanese firm that buys Iranian crude, adding that importing cargoes without insurance was unthinkable.

India asks Iran to bear insurance

Meanwhile, 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.

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

"Shipping companies are having a problem obtaining enough insurance, in particular in respect of liability coverage, providing the minimum US$ 1 billion coverage to call at foreign ports," said a top shipping executive familiar with the matter.

An increasing amount of Iranian crude oil was being transported by the country's own fleet, reflecting the narrowing field of shipping firms willing to operate in the Islamic Republic.

Iran's leading tanker operator, NITC, has a total of 14 ships scheduled to load at the country's largest crude export terminal at Kharg Island in the last two weeks of March, according to shipping data obtained by Reuters.

That is the highest number of NITC vessels to load over a two-week period so far this year, and more than triple the amount from January. MG

‘Retaining talent the biggest challenge’

Established in 1755, Coats is the world market leader in industrial yarns, threads and textile consumer crafts. As a global organisation, it has worked together its IT and colour management systems, global supply chain and innovative approach over the years to develop inspirational ideas for its customers. Despite cost inflation of approximately $100 million, the company’s operating profits increased by 9 per cent in 2012 to $143.6 million, making it a $1.6-billion company. With a presence in over 67 countries, it employs nearly 23,000 people.

Coats India is Coats’s largest worldwide operations subsidiary. Managing over 4,000 order lines per day and more than 300,000 SKUs, it can be called a world-class supply chain organisation.

Sandeep M Gupta is vice-president, Marketing- Industrial and Exports, Coats India. Prior to this, he worked as regional supply chain director for South Asia and head of Coats India supply chain when Coats India went ahead with the implementation of SAP and APO in 2007-2008. With an expertise in demand planning, supply planning and use of other supply chain tools, he is often invited to speak at high-profile supply chain events like the Supply Chain and Logistics Asia Summit. He speaks to **Anuradha M** on his experience and role in managing the supply chain for such a large organisation. Excerpts from the interview.

Q Coats implemented SAP to manage the supply chain aspect of the business. What platform were you using prior to that?

We implemented SAP in the year 2007 and went live in 2008. Prior to that, we worked on a legacy platform. In the depots, we used a COBOL-based platform while the mills/supply chain worked on a SQL-based platform.

Q What were some of the challenges you faced back then?

Fire fighting! That was the biggest challenge we faced back then. Every day, we would be spending several hours addressing ad hoc customer demands, facing shipping issues and logistics nightmares.

Q What steps did you take to implement SAP?

SAP-Coats Global Template was implemented in a phased manner with the entire country being covered in three phases between August and December 2007. In August 2007, we experienced problems with customer service during SAP implementation and our sales was affected. My team and I worked for nearly 12 to 14 hours a day back then, fire fighting, to make things work. Phase II and III went on without a hitch though it was delayed by nearly four months. There was also a cost overrun with the implementation partner.

Q What was your experience during the post-implementation stage?

Our main criterion was to ensure that all data as per business needs had been captured. We also had to get our employees familiarised with SAP and its transactions. Obviously, there was a lot of reorganisation of work, training and retraining to

ensure that people were able to perform their tasks with the required efficiency. In 2008, we introduced Business Warehouse (BW) and Every Angle (EA) which helped in MIS and identification of potential problems. With this, most if not all our problems, came to an end.

Q What do you believe is the key benchmark for customer service?

Sales Order Lead Time (SOLT) is the single biggest benchmark in customer service. The SOLT is an organisation-wide process which starts from the order booking stage and encompasses the entire supply chain, till the delivery of finished goods to the customer. SOLT can be divided into small steps and we should look at critical success factors for each of the step to ensure that supply chain is flexible and in line with the customer requirement.

Q What does SOLT ensue?

Sales Order Lead Time (SOLT) requires the setting of a target and achieving a perfect order in terms of quantity and deadline. Sales & Operations processes require forecast accuracy along with medium term supply planning. Integrating and utilising sophisticated planning systems with alerts to achieve perfect supply planning on a day-to-day basis results in quicker and more efficient service to customers.

Q What are the best practices a company should follow to ensure a world class supply chain?

The first step would be to get a good planning software (Coats has Advanced Planner and Optimizer (APO) from SAP) which helps organisations in demand planning, supply planning and S&OP process. Advanced Planning and Optimizer is designed to help a company improve production planning, scheduling, and deployment of FG to the demand. Implementation of S&OP process, with the sponsorship from the top management, is critical for a world class supply chain. A good transactional ERP, reporting software and diagnostic tool (such as Every Angle) add to the productivity of the organisation.

Q What are some of the key advantages of ERP implementation?

A huge saving in time! Back then, nearly 50 per cent of mine and my team's time would be spent in fire fighting and the main activities which we had planned for the day would be put on the back burner. Now, fire fighting is reduced considerably, which frees time for quality activity.

Q What are customers really looking for?

Customers are looking for reduced lead time in delivery and to have an efficient and flexible supply chain. Since the thread is the last component of procurement, (only after the fabric is received), the time available is really short. Optimisation is possible when you have a great supply chain mechanism in place.

Q Did you face any pushback from employees during implementation?

Yes! Change is not something everyone welcomes and obviously, there was a lot of push back. Also, SAP is not a very intuitive system. It is not straight-in-your's-face software. Therefore, mere training cannot help in maximising its benefit. Users need to align their thinking with the platform to be able to perform on it. We had to hire a new set of people who were skilled and trained in SAP. Also, we ensured that those who were not comfortable with the platform, were trained and given simpler tasks. Having said that, acquiring good talent and then being able to retain them remains one of the single biggest challenge for many organisations. MG

Engineering the new era

Ports | Power Projects | Dams | Roads | Bridges | Metros

Buildings | Special Foundations | Marine Structures | Major Irrigation Projects | SEZs

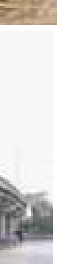
Navayuga is fulfilling the dream of its visionary founder and making contributions to the emergence of India as a global super power. Navayuga has been making big strides in developing world class infrastructure - Highways and Bridges, Ports, Irrigation, Urban Transportation, Power Plants, SEZ and Special Foundations.

We are proud to have contributed significantly to the development of key infrastructure in the National Capital Region even as we build several other projects across the country and in select international locations. We are excited about the opportunities the New Year will open to us as we make strong progress in our journey to be amongst the top infrastructure conglomerates.

Our efforts to 'Engineer the New Era' took us to the Middle East in 2008, China in 2009 and now we step forward into newer territories.

We remain steadfast on our commitment to create world class infrastructure, adopting latest technology solutions that provide an optimum blend of quality, speed and safety. The strong foundation of our corporate values coupled with our team's dedicated efforts will ensure we earn the trust of society and of clients, and will bring pride to our team, our associates and all our stake holders.

Piling work - Qatar



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What a Safeguard!

If your business is getting hurt by too much import of the commodity that you deal with, then the directorate general of safeguards may help, writes **Ritu Gupta**.

In April 2012, the New Delhi-based Directorate General of Safeguards (DGS) once again came to the aid of the Indian industry, when it recommended a 10 per cent safeguard duty on the import of Phthalic Anhydride (PAN), a chemical intermediate used by the plastic industry, to protect its domestic producers from surge in shipments. "..it will be in the public interest to impose safeguard duty on imports of PAN (Phthalic Anhydride) for a period of one year," the DGS said, while recommending the safeguard duty. The DGS is authorised to recommend a safeguard when after investigating, it finds that the import of a particular product has increased unexpectedly, and they are unfairly hurting the domestic producers. Safeguards give domestic producers a period of grace to become more competitive vis-a-vis imports.

The domestic producers of PAN in their complaint to the DGS, which is under the Union revenue department, had sought imposition of the duty on the imports alleging that its increased shipments were causing them serious injury. Based on the preliminary findings of the DGs, in January this year, the Union government imposed a 10 per cent ad-valorem safeguard on the import for 180 days. The final findings of the DG concluded that import of the chemical caused and threatened to cause serious injury to the domestic producers. However, it recommended that "the import of product under consideration (PAN) originating from developing nations except Pakistan, China and Thailand may not attract Safeguard Duty."

PAN, a colourless solid, is used in the production of various chemicals and is an important chemical intermediate in the plastic industry. Although it is imported in India from a number of countries, it is primarily shipped from Korea, Israel, Iran and Taiwan. Imports in the July-September quarter of 2011-12 increased by 7 per cent to 10,436 MT from 9,752 MT in the previous quarter.

In such situations, wherein increased imports have impacted domestic producers, the role of the DGS is a crucial one. It is required under the Customs Tariff (Identification and Assessment of Safeguard Duty) Rules, 1997, to investigate the existence of “serious injury” or “threat of serious injury” to the domestic industry as a result of increased imports of an article into India and submit his findings to the Central government along with its recommendation regarding the duration and amount of safeguard duty adequate to remove the injury or threat of injury to the domestic industry. Besides, the Directorate General is also required to investigate cases relating to transitional safeguard duty against imports originating from China under the Customs Tariff (Transitional Product Specific Safeguard Duty) Rules, 2002. In addition, it also needs to coordinate with the domestic industry/trade associations.

Safeguards are not only applied in India, but also in other countries which are part of the WTO regime; they are seen as the brakes on the trade liberalisation car. By offering a temporary escape route, safeguards give WTO members a confidence to offer each other greater liberalisation measures in trade negotiations than they might otherwise do. The roots of this trade remedy lie in Article XIX of GATT, 1994 (and its pre-WTO version). This provision allows a WTO member to restrict temporarily imports of a product (known as ‘safeguards’ action) if its domestic industry is affected by a surge in imports.

By offering a temporary escape route, safeguards give WTO members a confidence to offer each other greater liberalisation measures in trade negotiations than they might otherwise do.

In India, the Customs Tariff Act, 1975, has been amended to include various provisions for giving relief to the domestic producers against injury caused to them by imports in accordance with the Agreements. These include Section 8B, Section 8C, Section 9A, Section 9B and Section 9C of the Customs Tariff Act, 1975 and the Rules made there under. The provisions are aimed at offsetting the adverse effects of increased imports, subsidised imports or dumped imports and imports from Peoples’ Republic of China. The Customs Tariff (Identification and Assessment of Safeguard Duty) Rules, 1997 and Customs Tariff (Transitional Products Specific Safeguard Duty) Rules, 2002 govern the procedural aspects.

“In India, an application for initiation of a safeguard investigation can be made by any aggrieved producer/manufacturer, trade representative body, firm or association, which is representative of domestic industry, to the DGS, and the final findings and the recommendations of the DGS is considered by the Standing Board on Safeguards under the chairmanship of Commerce Secretary,” an official of the directorate said. Then, the views of the Standing Board on Safeguards are placed before the Union finance minister for approval in respect of safeguard duties and to the commerce minister for imposition of quantitative restrictions. The duty is notified by the Central Board of Excise and Customs (CBEC). The Directorate General of Safeguards performs the following duties on behalf of the CBEC:

- Investigate the existence of a serious injury or threat of serious injury to the domestic industry as a consequence of increased import of an article into India
- Identify the article liable for safeguard duty
- Submit the findings, provisional or otherwise, to the Central Government regarding ‘serious injury’ OR ‘threat of serious injury’ to the domestic industry consequent upon increased import of an article from the specified country
- Recommend the following:

(i) The amount of duty which, if

The Directorate General has carried out 35 investigations so far

Year	No. of cases
1998	6
1999	3
2000	2
2001	2
2002	3
2003	1
2004	1
2005	0
2006	0
2007	0
2008	0
2009	16
2010*	1

** As on 31/03/2010*

levied, would be adequate to remove the 'injury' or 'threat of injury' to the domestic industry

(ii) The duration of levy of safeguard duty and where the period so recommended is more than a year, to continuously monitor the levy

(iii) To review the need for continuance of safeguard duty

Once imposed, a safeguard cannot last longer for more than four years, unless through a new investigation, its continuation is found to be necessary to prevent or remedy serious injury and there is evidence that the industry is adjusting. The sum of the initial period of application and any extension may not exceed eight years (or ten years for developing countries). Moreover, safeguard measures due to last longer than one year, must be progressively liberalised at regular intervals during the period of application. This requirement also carries over into any extended period. Under normal circumstances, safeguard duty is product specific, and is applicable to all countries from which the product is being imported.

During the past several years, the DGS has recommended several safeguards to protect the interests of Indian manufacturers. For instance, a few months back, it suggested a 21 per cent duty on aluminum flat-rolled products as well as aluminum foil imported into India. In addition, 31 per cent safeguard duty has also been recommended on imports of Chinese soda ash by the directorate.

The complaint on Chinese aluminium imports was filed by the Aluminum Association of India with active support from Hindalco Industries Ltd, which accounts for 70.66 per cent of flat-rolled products produced in the country. The same company also accounts for half of aluminium foils produced in the country. According to data provided by the association to the DGS, the

DGS recently recommended a 10 per cent safeguard duty on the import of Phthalic Anhydride (PAN), a chemical intermediate used by the plastic industry, to protect its domestic producers from surge in shipments.

share of domestic industry in flat-rolled aluminium products decreased from 85 per cent in 2005-06 to 77.3 per cent in the April-December period of 2008. In the same time span, the market share of Chinese imports in India expanded about three times to nearly 15 per cent in the April-December period of 2008. As a result, capacity utilisation in Indian factories producing the product dropped from 107 per cent to 90.3 per cent. Hence, producers decided to approach the directorate.

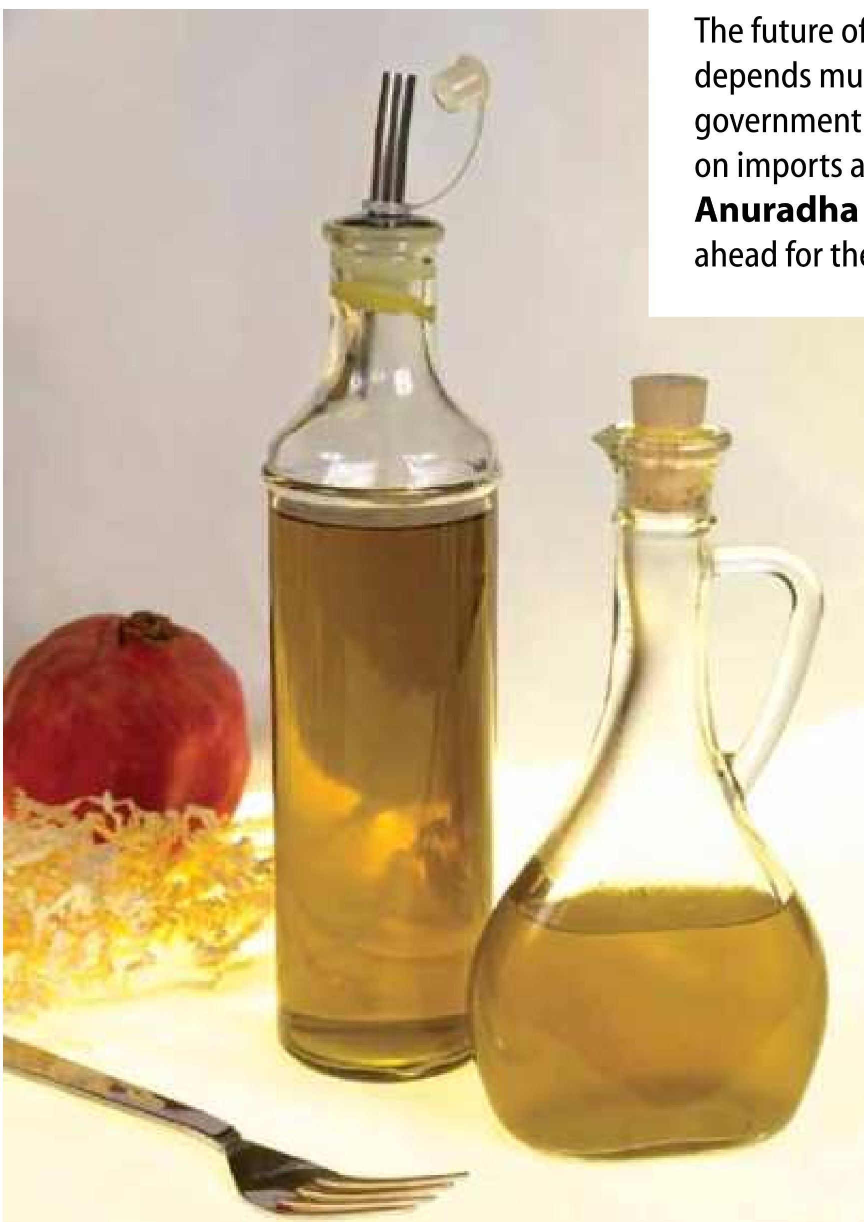
Complaints from soda ash producers were filed by a consortium of industries, including Tata Chemicals. These companies said that in the April-October period of 2008, average imports per month were about 4,041 metric tonnes. But in November 2008, the country imported 10,000 metric tonnes of the chemical from China. In December 2008, imports stood at 15,000 metric tonnes. The companies complained that their inventories grew 20 per cent between November 2008 and January 2009 due to the surge in Chinese soda ash imports.

The role of the DGS is a significant one, as it provides protection to all levels of the Indian industry. In times of global recession, the domestic industry naturally looks for relief from the DGS. However, some experts question the significance of the decisions taken by DGs by pointing to data such as that furnished in response to a query in the Lok Sabha, which shows that during 2008-09 and 2009-10 (up to mid-July 2009), anti-dumping duty was imposed in 22 cases and safeguard duty in just four cases out of 14. A number of petitions have been withdrawn, such as the one for acrylic fibre, where an interim safeguard duty was recommended, but the Standing Board on Safeguard rejected it. For coated and paper uncoated, an interim duty was recommended, but the Board rejected the same. The affected parties complain that even if authorities do not help them to survive cheap imports they should not damage the industry's standing by recording negative findings.

The industry at times finds it difficult to approach the DGS, as the directorate is said to have sought more than normal information, exceeding even mandatory needs and set off prolonged process of preliminary inquiry. In some cases, the affected industries aver, the directorate has even gone ahead informally in "convincing or coercing" the industry to withdraw its case or face negative findings. According to industry associations, it is crucial for the Centre to look at why certain industries decided to withdraw from the Directorate, particularly when they had succeeded in convincing the authorities of their case of initiation of safeguard measure.

They further add that the split function of the safeguard machinery – the investigation part with the directorate in the Union finance ministry, the duty recommendation remit with the commerce ministry, and the final approval with the Union finance minister, appears to be pulling the affected industry in different directions with the three functionaries coming together to lend support to the sectors affected by import surge. This situation needs to be rectified if the government wants the industry to adequately use the safeguard measure. MG

An Uncertain Proposition?



The future of the edible oil industry in India depends much on the measures taken by the government to reduce market's dependence on imports and ensure quality standards. **Anuradha M** tries to explore as to what lies ahead for the sector.

Over the last ten years, the demand for edible oils in India has displayed a compounded year-on-year growth of nearly 4.5 per cent and is estimated at 16.2 million tonnes in 2010-11. Purchases of edible oil spiked to 900,000 metric tonnes from 437,735 tonnes last year, as per the median estimate of five processors and brokers surveyed by *Bloomberg News*.

In the global arena, India plays an important role accounting for approximately 10.2 per cent edible oil consumption; 7 per cent share of oilseed production; 5 per cent share of edible oil production and 13.6 per cent share of world edible oil imports. As per USDA estimates, India is the third largest consumer of edible oils after China. This year, the import of crude and refined oil jumped to 650,000 tonnes and the growth is a result of improvement in per capita consumption.

Historically, edible oils have been an important component of food expenditure in Indian households. In 1986, the Indian government established the Technology Mission on Oilseeds and Pulses (TMOP) to enhance the production of oilseeds in India. In fact, TMOP even launched several initiatives including:

- Improvement of oilseed production and processing technology
- Additional support to oilseed farmers and processors
- Enhanced customs duty on the import of edible oils

Domestic or imported? Murky scenario

As a result of these initiatives, there was a considerable increase in production and yields in the 1990s. However, as demand for edible oils continued to grow, India relaxed its import restrictions on edible oils to meet its demand-supply deficits. But as imports increased, domestic supply suffered in terms of price vantage and the government modified the duty structure on import of edible oils. Due to our high dependence on import, domestic edible oil prices are not correlated across the sector resulting in price volatility.

This growing demand, aggravated by limited supply, has propelled upwards, the price of edible by 10 per cent as on March 31, 2012. Obviously, the figures are proof that there is a growing demand and experts believe that the Indian government needs to wake up to this sector's obvious potential by focussing more on it. A three-pronged approach – of opening up the processing for groundnut and mustard oil to large players, bringing in reforms to the import policy and duty structure and finally, raising the productivity of seeds which have higher oil content – will be the way the government can milk the oil out of this industry.

The government as an enabler, has worked on bringing down import duties on crude and refined edible oils based on an agreement entered by India with ASEAN countries. With increasing incomes and affluence levels, branded oils will play a stronger role than unbranded local producer.

Currently, India imports nearly 45 to 50 per cent of its edible oil requirements. With no new measures to reduce our dependence on imported edible oils in this year's budget and with no change in tariff with custom duty at around 3 per cent, the situation in terms of production versus imports might remain status quo this year.

Key trends and implications

According to Indian Edible Oils Industry (ICRA), the long-term demand outlook for edible oils remains positive, but one cannot ignore the recurring trend of India's dependency on import supply to meet demands. While demand grows, the domestic supply remain largely stagnant, as a result of low productivity triggered by cycle harvesting system of alternating oil seeds with other crops by farmers.

Other than the price, oil consumption in India is also influenced by regional preferences. For example, mustard oil is consumed to a large extent in north-eastern India while soyabean oil is used mainly in the northern and central regions of India. South Indians prefer palm oil and sunflower oil. The increased awareness about saturated fat content in oil is also a higher influencer with people preferring to use soya bean or mustard over palm oil.

In terms of domestic production over import, mustard oil is produced in India while soya bean is mostly imported with palm oil being entirely imported in crude form for refining in port-based refineries.

Fragmented supply along with competition plays an important role in influencing pricing margins. Several smaller players have quit the game, unable to maintain pricing under these conditions, but there are other larger players like Marico Ltd, Cargill India Pvt Ltd and Ruchi Soya Industry that have a large product portfolio out of which edible oils is also one of their offerings. Due to their bigger manufacturing units along with diversified product ranges, these companies are able to withstand pricing margin pressures.

The domestic market is heavily connected to the import market due to its dependence on crude palm

oil as well as soya bean oil and as a result fluctuations in international pricing have an impact on local pricing. During 2008, pricing of crude oils reached a peak and then in August 2008, experienced a sharp fall by nearly 50 per cent. In 2010, the pricing remained volatile and continues to display volatility till now.

The government as an enabler, has worked on bringing down import duties on crude and refined edible oils based on an agreement entered by India with ASEAN countries. In 2008, import duties on crude palm oil was nil while on refined palm oil it was 7.5 per cent. Going forward, this will remain a key determiner in pricing fluctuations.

For the future, the trend is likely to be more in favour of branded oils by major players with the unorganised participants opting to sell their produce in loose form to local, lower strata income groups. With increasing incomes and affluence levels, branded oils will play a stronger role than unbranded local producer. Major players include Ruchi Soya, Cargill India and Mantora. Similar players will have a stronghold on the domestic market, given the brand awareness which is growing amongst urban Indians. However, since even here pricing margins are thin; these companies will have to withstand a long gestation period before they start raking in good profits.

It is also likely that this industry will experience acquisitions and consolidations as larger players acquire smaller producers to increase their output and grow at a faster rate. AWL has taken over the operations of other Wilmar associates in India (like Acalmar Oils & Foods Limited) so as to consolidate its pan-India presence. Sanwaria Agro Oils Limited has added 1,000 tonnes per day (TPD) crushing capacity in 2009 through acquisition of two plants. KS Oils has set up new facilities at Kota, Ratlam and Guna, totaling 3,400-3,600 TPD, and acquired a refining unit at Haldia. Some other edible oil manufacturers have also undertaken backward integration to strengthen their overall business model. K S Oils has acquired 1,38,000 acres of palm plantations in Indonesia while Ruchi Soya has access to 1,75,000 hectares of agricultural land with palm plantations across different Indian states.

Conclusion

In the short term, the demand for edible oils remains favourable given the overall industry indications. Because of the supply constraints, there is also a strong possibility of volatility in this market which will continue to affect pricing. The strong role that import plays in this sector, could also result in thin profit margins. This sector needs focussed involvement by the government to enable better quality seed production to accelerate local produce. To achieve this, the government needs to make a concerted effort to help farmers by providing them with adequate incentives and subsidies. This could ensure that the domestic market will grow and India's dependence on imported edible oil can be brought down. Larger players in the market will ensure that quality standards are not compromised and this could be a key enabler in growing the domestic market even further. Consolidation and capacity expansion could gather further momentum even as pricing will be a sensitive factor for more time to come. MG

Reference: Indian Edible Oils Industry: Key Trends and Credit Implications

MARK MILLAR

Challenges for Asia

The high-tech sector in Asia is experiencing significant shifts in sourcing, manufacturing and distribution. With labour and other manufacturing costs steadily rising and the consumer markets rapidly expanding, high-tech manufacturers are being forced to rethink their strategies.

High-tech sector dynamics typically involve high-value goods, with short product lifecycles for which competitive pricing and time-to-market are as critical as the technology itself. Therefore, the supply chain ecosystems have an intrinsic need-for-speed and have to be both flexible and agile!

Serving new consumers across developing economies

High-tech supply chains have traditionally been built around manufacturing in various low-cost locations throughout Asia for subsequent export to North American and Western European markets. The developed markets in USA and EU are currently experiencing a variety of economic, political and financial challenges – all of which are impacting consumer demand, resulting in a slowdown of high-tech exports from Asia.

In contrast, having firmly entered the "Asia Era", we are seeing most domestic markets here in the region experiencing rapid economic growth and increasing consumer spending. High-tech brands are consequently looking specifically to Asia for growth – seeking more volume and more revenue – and therefore need to revisit the structure and configuration of their supply chain ecosystems in order to better serve these local markets in Asia.

However, throughout the Asia region, different countries are at vastly different levels of maturity and sophistication in their supply chain and logistics capabilities – which are of course especially critical for high-tech supply chains.

As the high-tech brands expand into these domestic markets, they are experiencing significant diversity in logistics capabilities – both in the hardware and the software. For example, the developing markets of China and India both have very large territories and massive populations with hundreds of millions of consumers for high-tech products. There are, however, some significant supply chain challenges.

In many countries, the geography itself presents some of the largest challenges – in terms of difficult terrain and insufficient road infrastructure. In China, the challenges of the extensive land mass are being met by a vastly expanded and improved network of toll expressways, resulting in the world's second largest highway network – now over 75,000 km. India is also a very large land mass with varying levels of transportation infrastructure. Indonesia and Philippines are substantial archipelagoes with their large populations dispersed over hundreds of islands – many of which are only accessible by water, whilst Vietnam is long and narrow strip of land, with its two major consumer markets being located at the northern and southern ends of the country.

Challenges also arise from the bureaucracy and regulatory environments that are typical in rapidly growing markets. This results in supply chain inefficiencies, impacting logistics activities in China, India, Vietnam and Indonesia.

Challenges also arise from the bureaucracy and regulatory environments that are typical in rapidly growing markets. This results in supply chain inefficiencies, in particular impacting logistics activities, which we see particularly in the key developing markets of China, India, Vietnam and Indonesia. However, some of these regulatory barriers are slowly being reduced, with gradually maturing economic environments driving expanding free market access in certain areas.

In India, the state-level tax system means that high-tech companies typically have up to 25 distribution centres in various different states in order to serve the whole domestic consumer market. Once a national level harmonised tax is implemented – much debated and long promised, now likely to happen next year – then the typical high-tech company can optimise its network to a more manageable and practical five or six distribution centres.


India is also a very large land mass with varying levels of transportation infrastructure.

An industry executive at a recent high-tech supply chain summit commented that there are two types of business opportunities in developing markets; one is strategic and the other is profitable! The journey for any strategic business has to eventually result in a profitable business, and if it does not, then the business should have an exit strategy in place.

One electronics brand reported that it had withdrawn from having a direct presence in the domestic India market and had instead established a licensing agreement with a local third party. The result was a shift from a loss-making business to a profitable business – profitable both for the brand and for the local partner.

A key concern amongst industry executives is that the regulatory environments are a big part of the challenge. The regulations themselves are often difficult to understand – they are open to different interpretations, are applied inconsistently and then are not uniformly enforced.

Another aspect is the ever-changing nature of the regulations – some of the new regulations appear not to have been thought through with enough diligence or consultation, and often there is minimal notice to the practitioners whom the new or changed regulations will impact.

For example in China, the latest changes to social benefits taxes were announced to be implemented within just two months, whilst the latest VAT changes in Shanghai have initially caused much confusion and have resulted in something of free-for-all negotiations between high-tech customers and their logistics service providers.


Indonesia and Philippines are substantial archipelagoes with their large populations dispersed over hundreds of islands

Local or global logistics service provider?

High-tech company supply chain practitioners are divided in their opinions on whether – especially in emerging and developing markets – they should be using global or local logistics service providers. The three essential dimensions to evaluate in this decision-making process can be summarised as follows:

1. Local market knowledge

Local service providers have the depth of experience in-the-market. They know not only the regulations that apply in a particular area, but also how to get things done – on the ground and on a day-to-day basis. They have specific cultural and language advantages over the multinationals, who sometimes lack the breadth and depth of local knowledge and experience to match the local companies.

2. International best practices

The multinational logistics service providers invest substantially in deploying leading edge information technology to support their global activities. Likewise, they have strength and depth in their management talent pool and would typically have decades of experience in serving the high-tech sector. They are therefore well-positioned to transfer and deploy international best practices into a local market environment.

However in many cases in these developing markets, the multinationals are partnering together with local service providers – either because they have to, for example due to joint venture regulations, or in many cases because they choose to – in order to leverage local market connections and expertise.

3. Price

High-tech customers of course want to secure the best service at the lowest price, and whilst the local service providers generally have a cost advantage, the solutions provided by the multi nationals do provide additional value, with their sector experience and technology solutions.

The major high-tech brands are diligently evaluating these alternatives – and the related value vs. cost trade-offs – and have recently been adopting what can be described as “combination solutions”. Such a combo solution would mean that in certain areas – particularly inland areas and challenging geographies, or rapidly changing regulatory environments – the high-tech customers are using predominantly local providers, leveraging their local experience and expertise. Then in other markets, they are using global service providers, thus taking advantage of their sector expertise, information technology platforms and their depth of management.

Therefore, there is no ‘one-size-fits-all’ solution. High-tech businesses must choose their partners wisely and should consider using a combination of both local and global service providers in order to enable efficient and effective high-tech supply chain ecosystems for these developing markets.

Conclusion

For the foreseeable future, we are firmly in the “Asia-Era” and high-tech companies now have to review their supply chain strategies accordingly. Reconfiguring supply chain ecosystems is now essential in order to expand beyond the traditional low cost manufacture-in-Asia for export to the developed markets and capitalise on the domestic market potential in the rapidly developing countries across Asia, whilst overcoming the logistics challenges associated with serving these new consumer markets. MG

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e-mail : corporate@tprcincia.com Gram : TIPISHIP
HALDIA
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1st Floor, Haldia, Midnapore - 721 602.
Tel : 03224-274786 / 276681 / 278556
Fax : 03224 - 274035
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Freight in East to Profit Railways

Growing freight traffic in East Coast ports is good news for the Indian Railways that is gearing up to surpass its past volumes. By Our Correspondent.

Union Railway budget for 2012-13 has set a target of handling 1,025 million tonnes of freight, 55 million tonnes more than the target set for the year 2011-12. Based on the new target, it is estimated that freight receipts of ₹80,000 crore are likely to be realised for the year. Realisation of the ambitious target, however, will much depend on the growth of the economy. Given the current state of economy, attaining the set target this year may prove to be a quite difficult affair for railways. A top Railway Ministry official said, “Much of our future freight traffic growth will be based on the non-coking and coking coal requirements of core sectors like power and steel. Besides, demand for iron ore, one of our key business areas, will also be instrumental for higher movement of wagon rakes in the short and medium term.” Coal and iron ore account for 45 and 12 per cent of business respectively for the railways.

Railways' major customer Coal India Limited's production remaining static at a little over 400 million tonne in recent years, coal loading level at CIL's mines is expected to remain more or less the same during the Twelfth Plan period. CIL's recent initiative to liquidate its stocks did not yield many results due to whatever may be the reasons on the part of the coal producing major and the railways. The public sector undertaking was only able to bring down its pit head stocks from 75 million tonne during the early part of 2011 to 45 million tonnes at the end of the year.

East imports

With coal availability remaining static, power producers and steel plants will resort to large-scale coal imports. According to Arun Srivastava, Director, Tata Power, "As a stop-gap measure, power producers are likely to continue looking for coal assets abroad for commissioning new projects. Imports will continue to be focussed as desired local coal availability is unlikely to materialise soon."

A senior Railway Ministry official confirms, "Imported coal loading has gone up through Gangavaram, Vizag, Ennore, Tuticorin, New Mangalore, Krishnapatanam and Paradip ports during the previous and present year as well. The trend is expected to prevail with fewer improvements in the availability of coal from domestic sources."

According to East Coast Railway (ECOR) sources, there has been a spurt in the demand for imported coal through Paradip Port from power utilities and steel plants located in eastern India. Sources inform imported coking and non-coking coal is also being carried by the railway to industries based in central and northern India as well.

Coal traffic

ECOR sources inform that the throughput of domestic coal traffic from its loading points is likely to

remain unchanged at the last year's level of 33-34 million tonnes despite significant jump in domestic loading in the second half, particularly at Mahanadi Coal Field's Mines Talcher mines (Asia's biggest rail-based coal loading point), which accounts for 60 per cent of ECOR's domestic coal loading. Talcher loading in the first half was low, around 20 rakes a day on an average against 28 so far in the second half. Low loading has been attributed to loading 'limitations' in the mine.

Considering the rise in demand for imported coal, ECOR has made a target to handle 128-129 million tonnes of freight traffic in the next financial year. In 2010-11, the volume handled was 109 million tonnes. Bulk of the incremental targeted traffic will be coming from imported coal which is attributed to rise to 33 million tonnes as compared to 27 million tonnes during 2010-11. Coal accounts for 56 per cent of ECOR's traffic.

Rise in imported coal traffic through Paradip, Krishnapatnam, Ennore and Vizag ports to an extent is also due to the prevailing draft restrictions at Haldia Port. Last year, shipments of imported coal, by Tata Steel for its flagship Indian Iron and Steel Plant at Jamshedpur, have called Paradip and Gangavaram ports instead of Haldia. Traffic diversion was also done by Steel Authority of India Limited for its plants located in West Bengal and Orissa. Overall rise in the demand for imported coal is also due to the prevailing lower dry bulk charter rates across all the bulk vessel segments.

Empty rakes

Availability of imported coal augurs well for the railways but fall in ore traffic has taken away the advantage. This is on account of the fact that, earlier wagons meant for exporting iron ore were utilised for inward movement by carrying imported coal from ports. Now for getting coal traffic, the Railways has to move empty rakes to the ports.

But on the positive side, in the absence or iron traffic for exports, the railways does not need to move empty rakes in a large way to iron ore mines for loading. Nonetheless, the issue of empty rakes prevails with many freight loading zones. Railway Ministry officials say railways will be looking to attract different cargoes both through piecemeal and full rake load so as to attain the given freight target. MG

Looking for a Change

With little happening in terms of solving the problem of Indian logistics, an industry which lacks skilled manpower, the solution lies in better training and imparting skills which are in sync with what the sector requires, writes **Ritu Gupta**.

During the past decade, the growth of the Indian logistics sector has been surpassing that of the global industry. However, there is an acute shortfall of trained personnel. In 2007, a white paper predicted that the sector will grow rapidly, and there would be a dire need of skilled manpower. But since then, not much has been done to hone the requisite skills for the sector.

The crisis has only aggravated over time, with logistics providers now expected to provide complete end-to-end logistical support throughout the supply chain cycle of a business. Currently, management and mid-tier levels of the Indian logistical sector suffer from poor organisation, lack of leadership, disjointed skills, positions, and a lack of process-driven systems. One of the key reasons for the sad state of affairs is lack of awareness about the possibilities in this sector and the few training programmes available.

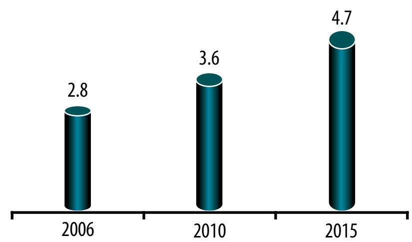
Educational institutions too have been slow to join the logistics bandwagon. In India, there are not as many management institutes teaching logistics as other professional courses. What's more, since this is a relatively new field, the curriculum is still not standardised across various institutes. "The need

The solution

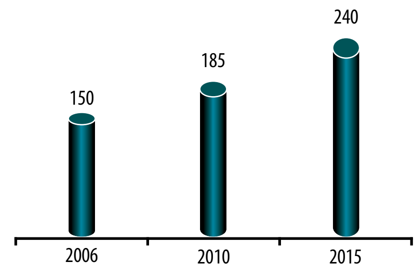
Steps required to ensure better training and education in logistics sector:

- Accelerate consolidation, integration and organisation in the industry
- Undertake initiatives to uplift the image of the industry
- Create incentives for development of skills for logistics employees
- Adopt competency-based training to achieve sustainable performance improvements
- Develop pilot training options that can be feasibly and effectively scaled up for wide scale roll-out and adoption
- Inject motivation and follow-up support through incentives into all aspects of instructional design and HR process
- Embed sustainability by linking service training to identified competencies, and aligning the performance appraisal and incentive systems accordingly

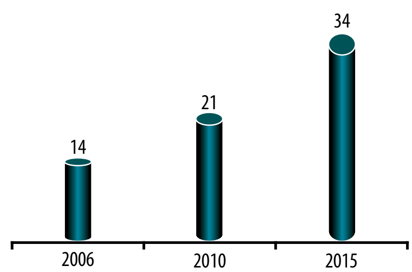
Estimated projections for number of M & HCV drivers in the country (million)



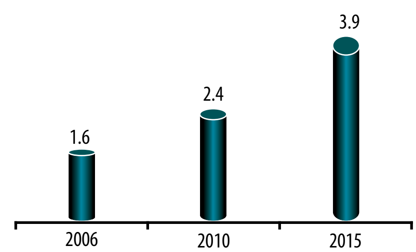
Estimated training schools (capacity 1000 drivers/annum) required for new driver training



Estimated projected number of warehouse managers in India ('000)



Estimated training capacity required for warehouse managers (Nos.)



for logistics training is still in its infancy and has a long way to go. There are a few universities who have started offering programmes in port management. Additionally, a few MBA colleges are also offering PG Diploma or certificate programmes in various segments of logistics like custom clearance, freight forwarding, warehousing, retail management supply chain etc. But this is not enough," says Tamal Roy, VP-BD, TM International Logistics, Kolkata.

Some of the institutes offering courses in logistics and supply chain management (SCM) include the CII Institute of Logistics, Chennai; J B Shah-AMA Centre for Shipping & Logistics, Ahmedabad; Garware Institute in Mumbai; and Narottam Morarjee Institute of Shipping Management, Mumbai. One of the reasons for very few organisations offering courses for the industry is lack of quality teachers with industry experience. Teaching jobs in academic institutions are not attractive to lure good talent from the industry. Moreover, because of the poor image, the industry is not able to attract female workforce into it.

"There is a lack of contextual courses and training programmes in most institutes. What's more, there is also a dearth of supporting infrastructure (both physical and education and training related)," says Vyas Ahmed Vyas of the Institute of Logistics and Aviation Management.

Apart from the above stated factors, other core issues leading to the skill gap are poor sectoral image, lack of attractiveness for new recruits arising from poor working conditions and relatively lesser attractive pay and progression incentives, which are results of the fragmented and unorganised nature of the industry. An emergence of attractive alternate career options (like organised retail) are also leading to attrition in the sector.

Some of the key business areas where this gap is being felt are: transportation (mainly trained drivers), warehousing, IT capabilities and value added services (customised services, track and trace etc.)

While there is scope for the industry to absorb workforce from all sections of the society, specific profiles which need to be developed in terms of quality and quantity are truck drivers, loading supervisors, warehouse managers and seafarers. Truck drivers constitute the profile with the most critical skill gaps in the road freight segment. The profession attracts largely illiterate people with no formal training for the job. Most of them graduate from working as helpers or driving smaller vehicles. It is estimated that while there are around 3 million truck drivers for M & HCV in the country currently, this number is likely to swell to nearly 1 million by 2015. Even if 50 per cent of all drivers in India were to be trained, almost 100 institutes of the size and scale of the existing one run by Ashok Leyland in Namakkal (Tamil Nadu) would be required to be set up in the next seven to eight years.

The warehouse managers' (including supervisors) position has also been most affected by shortage of manpower. From the current

situation where warehouse managers are typically the administrative in-charge of small-scale godowns and are multi-tasking as commercial managers, the organised portion of the market will require managers with training and experience in warehousing specific operations. Some areas where existing skills are lacking include familiarity with warehousing formats (WA and VNA compared to the prevalent ground storage), with modern equipments (reach stackers, and pallet trucks), with IT systems (WMS, handhelds, and RFID), industry-specific stocking and handling practices (FMCG, perishables, textiles etc), practices around safety and security of stock.

Presently, the number of warehouse managers required in the organised sector is estimated to be around 14,000, which will go up to around 35,000 by 2015. This will require supplying around 8,000 new warehouse managers by 2015. Again, if it is assumed that the industry can provide around half this number, there needs to be an institutional capacity to train 4,000 new warehouse managers each year by 2015.

How it can help

If you do a course in logistics, you can land up in one of these companies:

Aviation

Jet Airways, British Airways, Kingfisher, Lufthansa, Emirates, KLM

Logistics

DHL, Blue Dart, TNT, DTDC, ABC LTD, Gati, UPS

Retails

Walmart, Pantaloon, Shoppers Stop, Westside, Lifestyle, E-zone, Big Bazaar

Banking

ICICI, Citi Bank, ABN, HDFC, HSBC, Axis

Manufacturing

Hindustan Lever, Aditya Birla Group, Haldia Petrochemical, Birla Yamaha, TATA, Reliance

FMCG

Nestle, ITC, Colgate, Hindustan Lever, Johnson & Johnson, Himalayas

Pharmaceuticals

Ranbaxy, Merck, Roche, Bristol-Myers Squibb, Astelles, Cipla, Glaxo, Pfizer

Is there a way out?

The combined efforts of industry stakeholders, government, and the academia can only bring about a transformation. “Good certification programmes for logistics service providers is the need of the hour,” says Ahmed. Furthermore, experts firmly believe that mere academic brilliance will not be good enough, and practical training is required to hone the dexterity. They aver that universities can plug in this gap by asking the industry to participate in the education system. Hands-on-training should be a key part of the curriculum, and more and more lecturers should be given by professionals.

These initiatives will necessarily require a collaborative approach by various industry stakeholders. Also, market leaders would need to pull together their clout and resources to push for establishment of an institutionalised training infrastructure and create incentives for training by creating and mandating certification levels for recruits. The government would need to support industry players in their initiatives and provide for a more conducive enabling environment by continuing to upgrade infrastructure, accelerate drivers for organisation and consolidation of the industry and providing recognition by granting industry status. If these initiatives are put in place, the sector will able to mitigate acute shortage of trained manpower.

Some educational institutions have started catching up with the realities on the ground and are slowing increasing the number and depth of courses. If all goes well, then from bottom to the top, a change in the efficiencies of personnel will spur the growth of the industry, and allow Indian businesses to scale greater heights, domestically and globally. Furthermore, a change in the situation is a must, as being a service-based sector, logistics services can only be as efficient as the efficiency of its lowest rung employee. MG

Chugging on Track?

Will the PMO's monitoring of the implementation of the Dedicated Freight Project ensure its completion on time? **Ritu Gupta** tries to explore the nuances and the nitty gritties involved.

The month of March 2012 proved to be good for the government's ambitious dedicated freight corridor (DFC) project, which is said to be running behind schedule, typical of any Indian Railways or mega infrastructure project in the country.

Firstly, this year's railway budget gave it a major push through an equity injection and assurance of smoother land acquisition. A mammoth investment of ₹2,000 crore for land acquisition and equity in DFC was sanctioned under the budget. "This was much needed to keep the project going, as the investment will help match the equity infusion levels with the ever rising loan component," said an official from the New Delhi-based Dedicated Freight Corridor Corporation of India Ltd (DFCCIL), the nodal agency which will implement the project under the aegis of the Union Railways Ministry. The second blessing for the project came when it was decided that the project would now be monitored by the Prime Minister's Office, as the PM felt that it has been considerably delayed.

Prime Minister Manmohan Singh recently held a meeting to take stock of the progress, and it was decided that the PMO would intervene for completion of the project by March 2017. The PM directed the states (through which the two dedicated freight corridors pass) to constitute monitoring committees to resolve issues like acquisition of land for completion of the project on schedule. Chief secretaries of the states concerned and officials of Central ministries who attended the meeting, were directed to accord highest priority to the ₹1-lakh crore high-speed railway tracks project owing to its economic importance.

The 3,278-km long dedicated freight corridor conceived by the government in 2005, will surely prove to be a vital backbone of the economy. The Eastern Corridor, with a route length of 1,839 km, will start from Ludhiana in Punjab, run through the states of Haryana, Uttar Pradesh, Bihar, and end at Dankuni in West Bengal. On the other hand, the Western Corridor will cover about 1,483 km from Dadri to Mumbai, through the states of Delhi, Haryana, Rajasthan, Gujarat and Maharashtra. It involves construction of a double electrified rail track with two 25 kV AC 50Hz overhead catenary systems, which will increase the axle-load limit from 22.9 tonnes to 25 tonnes as well as allow trains to ply at a speed of 100 kmph.

For the Western Corridor, the Japan International Cooperation Agency (JICA) has sanctioned a ₹42,000 cr and ₹25,000 cr has been sanctioned for the implementation of phase-I. For the Eastern Corridor, the World Bank has sanctioned a $2.7 billion loan.

The dedicated freight corridors will ease congestion and reduce travel time for passenger trains as well as increase rail transport capacity, improve service quality and create higher freight capacity. Traffic studies carried out by Indian Railways have revealed that since the existing routes on the Western Corridor, which carry 25 to 35 freight trains a day on different sections are already saturated, they are incapable of meeting future transit needs. By providing higher speeds of 100 kmph and higher per train throughput capacity, a high axle load of 25 tonnes per axle, the western DFC

Progress of land acquisition up to end of March 2012

Eastern Corridor

Project description/ section	Total scope		Section/area notified under 20A		Section/area notified under 20E		Progress of issuing of 20F	
	Length (Km)	Area (Ha)	Length (Km)	Area (Ha)	Length (Km)	Area (Ha)	Length (Km)	Area (Ha)
Khurja-Bhaupur APL-1	343	1320	343	1320	343	1320	314	1172
Bhaupur Mughalsarai APL-2	393	1400	393	1400	393	1400	363	1083
Ludhiana-Khurja Section APL-3	447	802	447	802	447	802	317	520
Railway Funded Mughalsarai-Sonnagar	118	319	118	319	106	303	74	186
Sonnagar-Dhankuni	538	1002	123	180	0	0	0	0
Total EDFC	**1839**	**4843**	**1424**	**4021**	**1289**	**3825**	**1068**	**2961**
Western Corridor								
Phase-1 Rewari-Vadodara	930	3608	930	3608	826	3205	776	2998
Phase-II Vadodara-JNPT & Rewari-Dadri	569	2252	589	2252	464	1718	143	782
Total WDFC	1499	5860	1499	5860	1290	4923	919	3780
Total of EDFC & WDFC	**3338**	**10703**	**2923**	**9881**	**2579**	**8748**	**1987**	**6741**

**APL-Adaptable Programme Loan*

is expected to generate additional capacity to handle about 120 freight trains in each direction each day. Furthermore, as trains running on the DFC will not be overtaken by other passenger trains, they will have uninterrupted runs and be able to achieve average commercial speeds of 60 kmph or more.

Progress so far

The government aims to complete the project by 2017. In the short term, it wants to commission the two stretches of Sonnagar-Mughalsarai and Khurja-Kanpur by 2014-15. Both these sections put together, will run into 470 km. So far, DFCCIL is said to have completed acquisition of 67 per cent of the required land for the entire project through the Railway Amendment Act 2008. "Around 5,344 hectares of the 9,700 hectares required have been acquired. Bids for civil works have been floated. Fourteen firms have been short-listed. By mid-2012, project execution is expected to be in full swing," the DFCCIL official said.

Various revenue sharing models involving the investors have been worked out and forwarded to the Railway Board for consideration. For the Western Corridor, the Japan International Cooperation Agency (JICA) has sanctioned a 679 billion yen (₹42,000 cr) loan and 405 billion yen (₹25,000 cr) has been sanctioned for the implementation of phase-I. For the Eastern Corridor, the World Bank has sanctioned a $2.7 billion loan and $975 million of this has been sanctioned for the first phase to construct the 343-kilometre track from Khurja to Kanpur. "The good part is that funds have been tied up for phase I for both the corridors, which runs into 1,000 km. We just have to now award the contracts which would only take up to a few months," said the official.

According to the organisation, changes in alignment design have caused a delay of 18 months. New elements, including higher axle load and electrification, have been added to project design. Besides, there are environmental clearances and other pre-requisites which have been stipulated by the JICA and the World Bank. All this has taken time and added to the project cost. "Despite all the problems, we are not shifting the deadlines. We want to complete the project by December 2016 and if need be, will extend it only by two to three months," the DFCCIL official added.

The stretches, which are scheduled to be taken up first are the 640-km long Rewari to Palampur line in the Western Corridor, and the 343-km link between Khurja to Kanpur in the Eastern Corridor. While presenting this year's railway budget, former Railway Minister Dinesh Trivedi had informed the Parliament that "contract for civil and track works for 1,000 km on eastern and western DFCs would be awarded during 2012-13."

DFCCIL is said to be in the midst of opening the technical bids for the 300-km Kanpur-Khurja section on the eastern DFC. This will be followed by finalising the financial bids in four months. Construction on the stretch is expected to begin in August 2012 if all goes well. Work on another 600-km stretch on the Western Corridor is expected to commence by December 2012.

The works listed above may give an impression that all is well, but this may not be the case. Like any other mammoth infrastructure project in India, DFC project is also delayed by thousands of man hours and has been beset by numerous problems, including the Central Vigilance Commission (CVC) investigating three large contracts awarded by DFCCIL for corruption. It specifically looked at whether DFCCIL tampered with contract documents, hired officials who did not have appropriate qualifications, and conducted improper negotiations with bidders. The investigation report shows that it had cause to believe that there was corruption in awarding contracts. The contracts investigated are the award of a consultancy contract for the Eastern Corridor to a consortium of international consulting firms in September 2008 for ₹133.86 crore; another worth ₹781 crore awarded to BSCPL Infrastructure Ltd in December 2008; and a third worth ₹605 crore issued to Soma Enterprise Ltd in December 2008. These three are among the most expensive contracts awarded by DFCCIL.

According to an industry analyst, such happenings are not proving to be good for the financial health of the project. “Inflationary cost overruns have ensured that the total project cost is likely to cross ₹1 trillion. The original cost was about ₹27,000-28,000 crore,” he added. According to DFCCIL, the cost of the project had increased because of several factors, including the fact that the scope of the network had not been finalised when the earlier estimate was announced.

Such explanations notwithstanding, experts aver that the government should get its act tighter, as the DFC project is essential for growth. Industry organisations, like the ASSOCHAM, have also repeatedly expressed concerns about the sad state of affairs. “India’s level of containersation is about 30 to 35 per cent, as against the international standard of 70 per cent. Hence, there is a lot of scope for growth of container traffic in the country. The delay in implementation of Dedicated Freight Corridor and increase in haulage charges by the railways remains a cause of concern to the private operators,” said D S Rawat, general secretary of ASSOCHAM.

A recent *New York Times* report rightly described India’s sad freight corridor movement “It takes goods four days to travel 4,500 nautical miles from Singapore to Mumbai, but it takes two weeks then to travel 870 km to New Delhi by rail.” To rectify this situation is a must, and the only hindrances are the ignorance of targets and red tapsim. Experts hope that DFC does not meet the same fate as the GAP and YAP projects, where already, crores of rupees have gone down the drain without much being seen on the ground. According to Rawat, any delay in the project would cost the economy dear. “It is imperative that all parties work in tandem to ensure the timely completion of the project. It is a viable business option capable of attracting capital investment needed for its growth, but what is required is impetus from the government,” concludes Rawat. MG

Photo: PIB

Union Minister for Railways, Mukul Roy, along with Minister of State for Railways, K H Muniyappa and Railway Board Members meet a high-level German delegation from the Railway Transport headed by the German Minister for Transport, Building & Urban Development, Dr Peter Ramsauer, in New Delhi recently.

German know-how for the Indian Bahn

Banking on the strong cooperation India and Germany share in the field of Railway transport, the ministries of both the countries are geared up to move further ahead. "Indian Railways and DBAG, the German Railways, had a Memorandum of Understanding (MOU) for cooperation from 2006 to 2009. A fresh MOU between the two Railways is presently under finalisation," said Union Minister for Railways Mukul Roy. Referring to the past association, the Railway Minister said German companies have earlier been involved in the procurement of LHB coaches and signalling equipment.

Highlighting the focus areas as enshrined in Indian Railways Vision-2020 document, Mukul Roy pointed out that the document has an ambitious plan on safety improvement, modernisation and capacity augmentation. He said major activities to be undertaken include safety, train protection and warning system, high speed, speed upgradation on existing network, station development, dedicated freight corridors, logistics parks and public private partnership. India hopes to have active participation of German companies in Indian Railways' endeavours to achieve the goals of Vision-2020 MG

Launch of DCI Dredge XIX

Binding ties with Netherlands

Union Minister for Shipping, G K Vasan (centre) with Bhaswati Mukherjee, ambassador of India to The Netherlands and other officals during his recent visit there

Union Minister for Shipping, G K Vasan, was in Netherlands from April 1 to 3, as head of an official delegation from India. On the second day of his trip, he witnessed launch of the trailer suction hopper dredger *DCI Dredge XIX*. It has been designed by Dutch company IHC Merwerde, a company renowned for supplying dredgers.

DCI Dredge XIX is the first vessel from a series of three (including the *DCI Dredge XX* and *DCI Dredge XXI*). It will be deployed for the maintenance and capital dredging project on the port and inland waterways in India. During his visit, areas of mutual interest, particularly in the ports, maritime transport and logistics sector were deliberated. In February, 2008, during the visit of the former Dutch Minister Camiel Eurlings to India, India and Netherlands had signed a MoU for cooperation in the field of ports, maritime transport and logistics. In 2011, the MoU was extended for three more years. Ambassador of India, Bhaswati Mukherjee, representatives of the local government, officers of Embassy of India and media and Sunitha Vasan, wife of G K Vasan, also accompanied the minister on his visit.

Hosting 13th edition

Conference in Bangalore

With margins becoming wafer-thin, companies are now looking at cutting costs, improving efficiencies and reengineering their operations in order to become profitable. In such a scenario, supply chain and logistics operations assumes significance. The 13th Supply Chain and Logistics Conference and Expo 2012 or popularly called 'Scale 2012', will be held in Bangalore on May 18 and 19, 2012 at Hotel Lalit Ashok.

Organised by Indian Institute of Materials Management (IIMM), the event will address opportunities related to the realm of supply chain and logistics in IT and BPO, healthcare, construction, automobile and retail industry. It will present strategic solutions to the challenges of accelerating financial returns, containing costs, implementing information technology, streamlining supply chain management processes among others. Scale 2012 is for practitioners of supply chain management, logistics, transport and procurement. Scale 2012 will also host a one-day workshop on May 17, 2012, on e-procurement and services buying.

Channabasappa Herur, co-chairman of Scale 2012 and chairman of IIMM- Bangalore said, "The conference is going to focus on improving profitability through supply chain and logistics in India. Take for instance one part of the supply chain – logistics, which is growing at rapid pace. Outsourcing of 3rd Party Logistics (3PL) in India is all set to acquire a size of $90 million and efficient sourcing and moving operations will make all the difference between – winners and losers."

Day one will take up different industries, viz automobile, IT & BPO, retail, healthcare and construction. The second day will discuss opportunities of supply chain management and logistics in the sea, air, surface logistics.

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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

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

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

June 1-2

CSCMP India Conference 2012

ITC Maratha, Mumbai, India

CSCMP's India 2012 conference will provide you with the education, solutions, networking, and inspiration you need to manage your supply chain successfully in the coming years. Global supply chain thought leaders will discuss the vital and dynamic processes you should master to compete in today's marketplace, including network design, risk management, talent, sales and operations planning, sustainability, and collaboration. This is one event that every forward-thinking supply chain management professional needs to attend! For updated session information, or to register, visit cscmp.org and click on "CSCMP India 2012 Conference" under the Educational Events menu tab.

http://cscmpasiapacific.org

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

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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