India's premier maritime business magazine

maritime gateway

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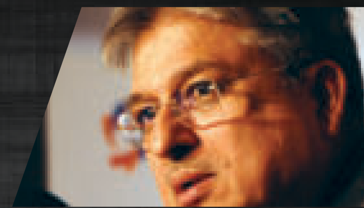

'Huge Opportunity for LNG' **Dr Ashok Kumar Balyan**, CEO, Petronet LNG Ltd, speaks on the demand for LNG terminals in India

PPP IN PORTS

TOO MANY ROAD BLOCKS?

Irrational regulations and bureaucratic hurdles are making PPP in Port Sector a painful process. Can we remove the bottlenecks and increase the pace?

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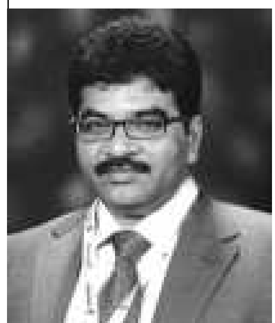
FROM THE PUBLISHER

Steer up, India



Terming it as merely an ambitious project would be an understatement. If numbers are anything to go by, this £1.6-billion project will spring up on an area equivalent to 12,000 football pitches. Owing to changes in world trade, the trend is clearly that of increased investment in port infrastructure. And, this is what countries like Brazil and China seem to have realised. In fact, to optimise the benefits of an increase in the demand for commodities from China, Brazil is investing heavily in port infrastructure. Moreover, there have been a number of upgrades to Brazil's busiest port, Port Santos, in Sao Paolo so as to alleviate the heavy congestion and delay.

China too has made mammoth strides in the port sector. According to the Chinese Ministry of Transportation, the number of ports with a throughput tonnage of over 100 million tonnes rose from 22 last year to 26 in 2012. But, even as Brazil and China progress with port capacities, India, despite its intentions to build capacities, has witnessed projects being bogged down with problems.

Recently, in a written reply to Rajya Sabha, Union Minister of Shipping G K Vasan said that the government had plans to invest ₹73,793 crore ($13.4 billion) during the Twelfth Five Year Plan to enhance capacities of the ports under the state and Union governments. The investment, it is hoped, will increase the capacity of 13 ports by about 78 per cent by March 2017. In 2012-13, at least 25 projects have been identified at various major ports in India under the PPP mode.

While it is encouraging to know that the government is keen on investing in port infrastructure, it would be even more interesting to see how the projects are implemented. Delays caused in project implementation are a matter of serious concern for the industry. As our cover story reveals, PPP projects in the port sector are being plagued by various bottlenecks; ranging from land acquisition, delays in bidding process, to awarding the project and so on. The need of the hour is a firm political will backed by a commitment, which will enhance and maximise efficiency of the ports. Bureaucratic support in speeding up the processes, the need for maritime companies to rise above individual issues and collectively work for the industry are some of the other factors which are likely to enhance prospects of the sector.

Encouragingly, Prime Minister Manmohan Singh's recent move to hasten projects being implemented under the PPP mode could spell the breakthrough that the industry has been waiting for.

Since we believe change is the only constant, all our features in MG have been given a new look. So readers, do let us know what you think of this facelift.

Best Regards

Ramprasad

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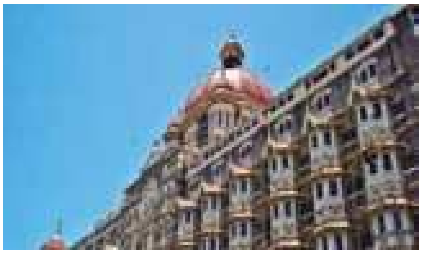

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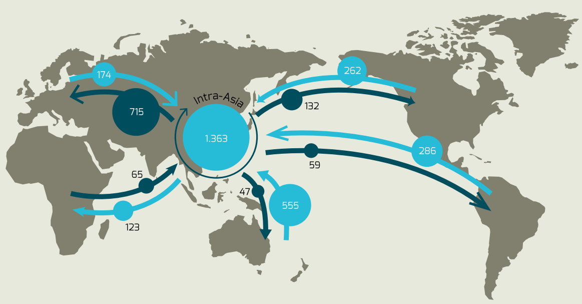
MAPS: TONNAGE SHIPPED ON DIFFERENT ROUTES IN 2010 AND 2050 (ESTIMATED), MILLION TONNES: **MAERSK LINE PERSPECTIVE**

Future trade flows

GLOBAL ECONOMIC output has developed rapidly alongside population growth. Between 1990 and 2010 global GDP has grown from $25 trillion to $75 trillion. An important element within this economic growth is that patterns of trade are shifting from the developed world to emerging economies. In the last five years, emerging markets have been responsible for 80 per cent of GDP growth and overall represent half of all GDP, compared to a third 30 years ago. Trade between emerging economies is also a growing trend, with trade between BRIC nations growing from $21. 6 billion in 2001 to $154.5 billion in 2009. In the last 50 years, international trade in manufactured goods has increased over 100 times, from $95 billion to $12 trillion. Containerisation has helped accelerate this trade growth. Today around 90 per cent of global trade uses sea transport. Maersk, the biggest shipping line expects the volume of goods moving from Asia to North America and Europe to continue to increase. Simultaneously, raw materials from Latin America, Oceania and Africa will increase to supply Asian manufacturing industries. As the GDP of countries on these continents rises, the returning trade flow will also grow. Asia will become an increasingly important customer as well as a producer. Intra-Asian trade will therefore increase significantly. The shipping industry has a major role to play in supporting these trade flows and making sure they are managed effectively.

Shipping lines need to partner with governments, ports and customers to ensure that infrastructure and capacity bottlenecks do not hamper prosperity and cause unwanted impacts. mg

2010



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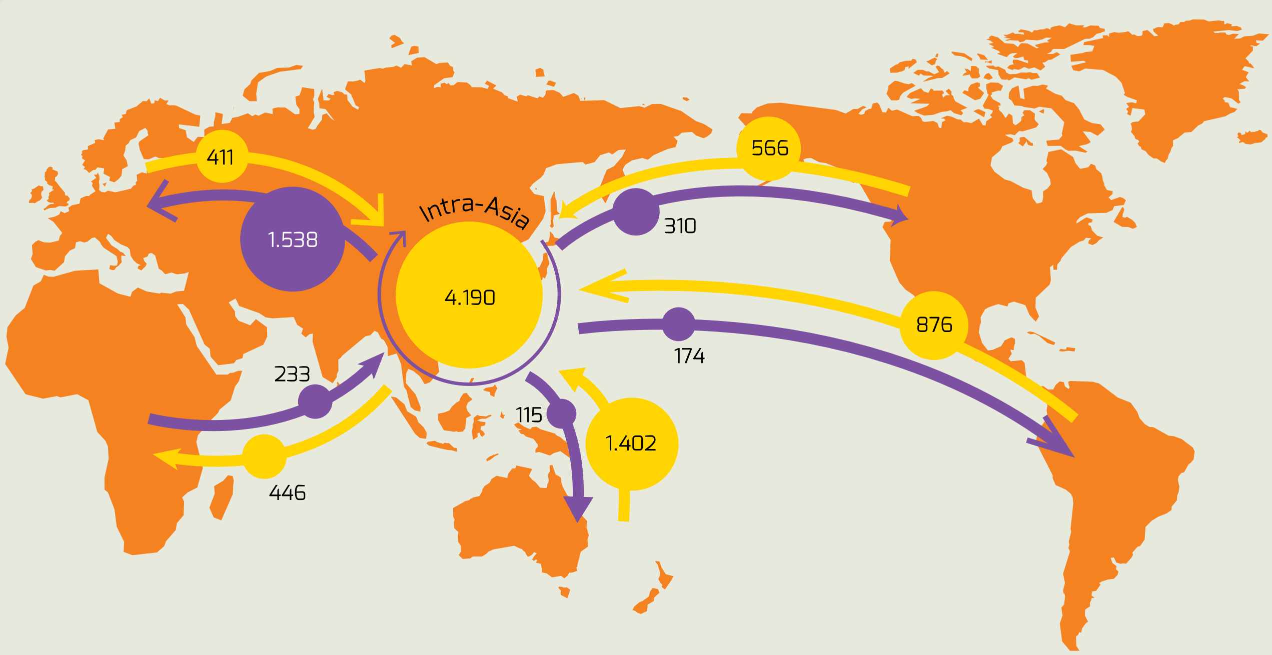


Source: Sustainability progress report by Maersk Line

The MS Turanor PlanetSolar catamaran dropped anchor in Monaco, completing the first-ever round-the-world trip by a solar-powered vessel. The vessel had left Monaco in September 2010 with the goal of showing the world that sustainable technology can help safeguard our planet well into the future.

World Maritime University elects KR Chairman

Dr Oh, Kong-gyun, Chairman and CEO of the Korean Register (KR), an IACS member classification society, has been elected to the Board of Governors of the World Maritime University (WMU). His appointment was announced on April 30, 2012 by the WMU and the IMO.

APM uses wind to power terminal

Denmark's APM Terminals Cargo Service has announced that it has formed a new partnership with DONG Energy, to reduce the operator's energy consumption and CO_2 emissions at the Port of Aarhus. The strategically important partnership will focus on a 10 per cent energy reduction by way of improved lighting and electricity usage. Also, the terminal operator will purchase green energy produced by offshore wind farms to drive operations at its cargo terminal.

Headless Ports

The posts of chairman in at least three east coast ports have fallen vacant.

M L Meena, Chairman of Kolkata Port Trust, has been transferred to the Department of Revenue, Ministry of Finance. The post of Deputy Chairman in Kolkata Dock System (KDS) too has been lying vacant for quite some time. **Manish Jain**, currently the Deputy Chairman-in-charge of Haldia Dock Complex (HDC), therefore, has been asked to look after the functioning of both KDS and HDC. **G J Rao** opted for voluntary retirement as Chairman of Paradip Port Trust and quit the port. The Deputy Chairman, **S Anantha Chandra Bose**, is now heading the organisation.

Changes in roles of Cargotec's Executive Board members

Cargotec changes roles of Executive Board members in order to further accelerate the implementation of its strategy. Chief Operating Officer Pekka Vauramo has been appointed Executive Vice President, Marine as of August 1, 2012. He will continue as Deputy to CEO. President and CEO Mikael Mäkinen will act as the Head of Marine business area from May 14 until August 1, 2012. Olli Isotalo, currently Executive Vice President, Marine, has been appointed Executive Vice President, Terminals as of May 14, 2012.

Box tonnage falls

According to the latest data, the inactive containership fleet in April had shrunk to 271 ships/ 460,016 teu. In March, it was 290 vessels equating to 565,000 teu indicating more positive market sentiment.

Maersk ties up with Kottayam ICD

The Kottayam ICD (inland container depot) and Maersk Line have entered an agreement for transport of export containers through the Kochi Port. Wilson Jacob, Managing Director of Kottayam Port and Container Terminal, said the Kottayam ICD has been updated in Maersk systems, and the agreement will give a major boost to the exim trade. Maersk will now accept cargoes from all the leading ports around the world to Kottayam ICD. Currently, the cargoes are moved to the Kochi Port by road. Jacob said the cargoes can be transported through inland waterways once the dredging is completed in the Kodimatha area of Vembanad Lake.

DHL to move Irish Paralympics team

DHL is the official Logistics Partner of the London 2012 Irish Paralympics team. Under the agreement signed, DHL Global Forwarding, the cargo arm of the company, will provide entire logistics support for the team's participation at the London 2012 Paralympics. This includes moving over 100 pieces of equipment from Dublin to the pre-games training camp in Portugal, before transporting the specialist sports equipment to London. Liam Harbison, the chief executive of Paralympics Ireland and Chef de Mission of the 2012 Irish Paralympic team, said the deal was a huge boost ahead of the Paralympics.

Angre's ship repair facility

Angre Port aims to commission its ship repair yard by June 2013. MP Patwardhan, Managing Director of Chowgule Port and Infrastructure, said the facility being built at an investment of ₹430 crore ($78.2 million) will be the first such major facility for ship repair on the western coast. Currently, ships in the region go to either Colombo or West Asia for repairs, which is expensive and time-consuming. It will have a total of six berths of up to 150 metres in length.

China manufacturing expands

The China Federation of Logistics and Purchasing (CFLP) data said the country's Purchasing Managers Index (PMI) rose in April for the fifth consecutive month. It climbed to 53.3 per cent in April, a 0.2 percentage point higher compared to that of March. In April 2011, the PMI stood at 52.9 per cent. The sub-index for manufacturing rose to 57.2 per cent in April, up 2 percentage points from March. The sub-index for new export orders stood at 52.2 per cent, a 0.3 percentage point increase from March.

More coking coal imports

To meet an estimated steel demand of 58.7 million tonnes, the country's steel industry is likely to import 36.8 million tonnes of coking coal in 2012. The import is likely to increase to about 43.3 million tonnes in 2013 against a steel demand of 65 million tonnes. Though the domestic production of coking coal has declined since 2004, coke production has increased steadily during the same period thereby increasing imports. The country's import dependency on Australian coking coal would be in line with global trends since supplies from Australia would continue to account for 57 per cent of global demand by 2030 against 59 per cent at present.

Adani rated 'Overweight'

The rating of Adani Ports has been upgraded to 'Overweight' by JP Morgan. The financial firm has also revised the target price to ₹160. JP Morgan considers Mundra Port will be in a sweet spot over the next five years with spare capacity in high growth coal and container cargo segments. The actual investments in the Eleventh Plan by overburdened major ports slipped 75 per cent versus target, and a scalable non-major port alternative to Mundra on the west coast is still elusive. The company's stock underperformed on the Sensex over the past six months on account of unfavourable news, slippages in traffic due to delayed commissioning of end-use customer projects and weak GDP growth.

SCI Service

The Shipping Corporation of India has commenced its direct European service touching ICTT Vallarpadam. The vessel *SCI Chennai* has a capacity to carry 4,400 teu.

The United Kingdom joins the ReCAAP

The United Kingdom (UK) has become the 18th Contracting Party to the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP) on May 2, 2012. Though UK is geographically located outside Asia, it has a strong interest in the regional maritime economy and supports fully the ReCAAP aims of enhancing multilateral cooperation among its members. The latest addition to the ReCAAP signifies the growing strength of ReCAAP network and demonstrates the importance of the international cooperation to effectively address the challenges in combating piracy and armed robbery against ships in Asia.

RECORD DISCHARGE OF CARGO AT DHAMRA PORT

Dhamra Port recently achieved a record discharge of 98,119 MT of non-coking coal in 24 hours from the vessel *MV Alfa Friendship*. This is an all-India record which was achieved by the port with the use of two highly mechanised ship un-loaders.

VOICES

"Arms on board will not be institutionalised. These are exceptional circumstances and we hope these are temporary measures"

- **Koji Sekimizu**
IMO Secretary-General

We try to keep capacity tight to Europe and North America because there isn't much growth. We've seen that China's trade with emerging markets – Africa, South America, Middle East and India – are still growing strongly

- **Tim Smith**
Maersk Line's chief executive for North Asia

"Frankly, the outlook is not good in view of the fact that the current year has seen over eight months of the effects of the global slowdown as against four months in the last financial year"

- **Anil Gupta**
Concor Managing Director

We should have more powers to award the PPP projects up to ₹500 crore. At present, we have powers to award up to ₹300 crore

- **P K Sinha**, Shipping Secretary

"When Queensland catches a cold, the Indian steel industry starts sneezing"

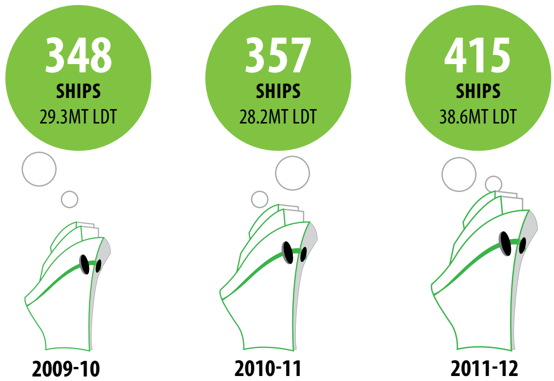
- **Arun Kumar Jagatramka**
Gujarat NRE Coke chairperson

BREAKING NEWS

100 SHIPBREAKING COMPANIES

TURNOVER ₹10,000 CRORE PER YEAR

Alang, Asia's biggest shipbreaking cluster, has set a record by breaking ships totalling 38.6 million tonnes of light ton displacement (LDT), according to the Gujarat Maritime Board (GMB).

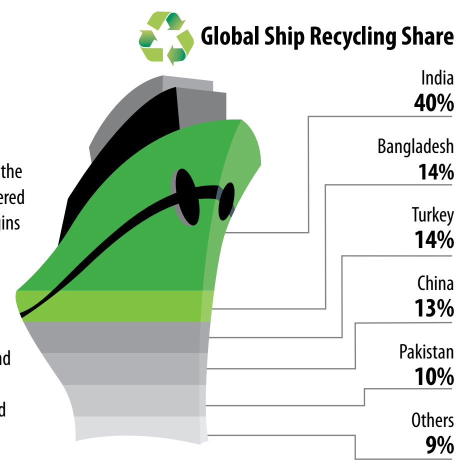


At present, of the 169 available plots, 131 have been allotted to breakers. A mild global recovery in 2010 had boosted Alang's global market share substantially

Factors Weighing the Industry down

Weak rupee: The recent ₹2 rise in the dollar value has lowered recycling firms' margins by 4 %

Slowdown: As a weak global economy hits demand for new ships, fewer vessels are being sold as scrap



Source: The Economic Times

JNPT
4th Container Terminal
Estimated Cost
₹6,700 CRORE

revised cost
due to delays
₹8,000 CRORE

₹73,793
CRORE
GOVT OF INDIA WILL INVEST IN PORTS DURING
12TH FIVE YEAR PLAN

221 million
cu metres
Capital Dredging of all Major Port

500 million
cu metres
Maintenance Dredging of both Major and Minor Ports

Kandla Port to set up satellite container terminal

Kandla Port Trust (KPT), one of the major ports on the northwest coast of India, has submitted bids for feasibility studies of a container terminal at its Tuna-Tekra Port, 20 kilometres away from its main port at Kenda.

Twelve engineering firms have submitted bids for setting up a terminal at Tuna-Tekra, including the Tata group-owned Tata Consulting Engineers Ltd and Consulting Engineering Services (India) Private Limited (CES). The reconnaissance survey includes a layout of the port, soil profile, existing facilities of the port which include a barge jetty for handling dry cargo and coastal shipping. It expects an engineer advisor to be named within four months from the bidding deadline in March.

The projected cost of development of two container handling berths at Tuna-Tekra with an annual capacity of 14.11 million tonnes, is expected to be ₹10,600 million ($196.5 million). Back in February, KPT awarded a BOT (build, operate and transfer) project for a dry bulk terminal at Tekra to ports arm of Adani group in a public-private partnership (PPP) model.

Konecranes to deliver 20 automated stacking cranes

In March 2012, Konecranes received an order for 20 Automated Stacking Cranes (ASCs) from Global Terminal & Container Services, LLC ("Global") in New Jersey, USA. Most of the cranes will be delivered to Global's container terminal in Jersey City in 2013. This is Konecranes' second ASC delivery to the US.

Global's Jersey City terminal is the closest container terminal to the harbour entrance of the Port of New York/New Jersey. In order to serve its customers better, Global is modernising and replacing equipment, and expanding the berth space at the terminal. It will continue to be the only terminal in the area that can handle larger container ships that will start coming through the widened Panama Canal in 2014.

With a lifting capacity of 40 tonnes, the ASC cranes can stack one over five containers high and nine wide. They are equipped with automation controls and Konecranes' Active Load Control (ALC) system. ALC combines advanced sway control and horizontal fine positioning, providing very efficient container handling in the ASC yard, both automatically and remotely. This is especially true in transfer areas and inside the stack, where placement tolerances are always present.

Maersk container unit may break even

AP Moeller-Maersk container division will report a "negative up to neutral" net result in 2012 as freight-rate continues to increase. Maersk's container division had a net loss of 3.4 billion kroner ($581 million) in the first three months of the year, compared with a profit of 2.3 billion kroner a year earlier. The division maintained its global market share of about 16 per cent in the quarter, a release from the company said.

JN Port terminates contract with DBC

The trust that runs India's busiest container port located at Nhava Sheva near Mumbai, decided to terminate the contract of DBC Port Logistics Ltd (earlier known as Speedy Multimodes Ltd) after complaints that the country's biggest container freight station (CFS) by capacity was charging customers more than the rates approved by the port tariff regulator.

Accidents in merchant ships

During the last three years, 93 merchant ships registered in India met with accidents. In the same period, 23 lives have reportedly been lost in these accidents. However, damages to marine species/habitat or public property due to these accidents on Indian merchant ships have not been reported.

As per the accidents reported to the Directorate General of Shipping, 19 ships of the Shipping Corporation of India were involved in these accidents. All accidents falling within the meaning of casualty are investigated under the provisions of section 359 of MS Act, 1958, as amended.

Subsequently, DG Shipping issued Marine casualty circulars, highlighting the causes of accidents and lessons learnt. Also, stringent Flag State Inspections (FSI) are being undertaken to ensure compliance of all international and national safety and environment protection requirements.

An emergency towage vessel manned by a specialised crew has been positioned from last year on the west coast of India for tackling marine emergencies during the monsoons. All efforts are now being made to facilitate recovery of charges, consequent to incidents of casualty from the shipowners or their insurance companies, Union Minister of Shipping, G K Vasan, said in the Lok Sabha.

Source: PIB

GE Shipping delivers its third VLCC

The Great Eastern Shipping Company Ltd (GE Shipping) took delivery of its 318,000-dwt Very Large Crude Carrier (VLCC) Vasant J Sheth from Hyundai Heavy Industries Ltd, (HHI) South Korea and subsequently delivered the vessel to its new buyers.

This is the last vessel out of the three VLCCs which the company had ordered at HHI in April 2010 and subsequently contracted to sell in Q1 FY12. The company's current fleet stands at 34 vessels, comprising 24 tankers (9 crude carriers, 14 product carriers, 1 LPG carrier) and 10 dry bulk carriers (1 Capesize, 3 Kamsarmax, 1 Panamax, 4 Supramax, 1 Handymax) with an average age of 8.9 years aggregating 2.62 million dwt.

SCI takes delivery of another vessel

State-run Shipping Corporation of India (SCI) took the delivery of a 33,185-tonne bulk carrier, taking its total fleet size to 77. The vessel *MV Vishva Diksha* has been built at a Chinese shipyard and is the last of an order of six similar Supramax bulk carriers to be delivered by the shipyard, SCI said in a statement here. At present, 25 vessels are on order with 13 scheduled to be delivered before end-2012.

Kochi Port cuts charges for feeder vessels

The Cochin Port Trust has announced 30 per cent concession on vessel-related charges for feeder vessels calling at the port. The Port Trust decision came after a request in this regard was made by the Cochin Steamer Agents' Association (CSAA) to extend 30 per cent concession tariff to feeder vessels till March 2013 in the wake of the problems being faced by the container shipping industry, given the recession in Europe.

According to statistics available with the Association, there has been a considerable fall in the number of feeder vessels calling at Kochi Port during 2011-12.

DB Schenker official team partner for London Olympics

At the presentation of the official uniforms for the German teams at the 2012 Olympic and Paralympic Summer Games, the German Olympic Sports Confederation (DOSB) declared Schenker Deutschland AG as the co-partner and official logistics partner of the German Olympic team for London 2012.

"The DOSB counts on top performance, not only in the field of sports, but also in logistics. That is why it is such a great honour for us, as a provider of sports logistics, that the organisers have once again shown their confidence in DB Schenker as logistics partner for the 2012 Summer Games," commented Christian Schultze, Head of DB SCHENKER***sportsevents*** at Schenker Deutschland AG, on receipt of the certificate at the convention center in Düsseldorf on April 24, 2012.

With a range of services for the 2012 Olympics, the logistics experts at DB SCHENKER***sportsevents*** will again ensure that the entire equipment of the German Olympic team – whether sports baggage, the materials required for training and the actual events, or even the medical kit for the teams – reaches its exact destination in the Olympic Village.

DB Schenker has traditionally been highly committed to Olympic events. The logistics specialist was named official transportation company as early as 1972, when Munich hosted the Olympic Games. Since the 2000 Olympics in Sydney, Schenker Deutschland AG has regularly provided services for the Olympic teams and the German House.

Plan panel suggestion revives ICTT's hopes

With the Planning Commission recommending relaxation in the Cabotage law for three years, shipping majors are eagerly awaiting to hear the official announcement of that 'good news' from New Delhi.

At least four major shipping lines, including the Mediterranean Shipping Company (MSC) and Maersk, have expressed willingness to start services to the International Container Transshipment Terminal at Vallarpadam once the Central Government announces relaxation in the Cabotage law, said the authorities of the Dubai Port World (DP World) Kochi, the operators of the terminal.

Reverse trend: Private ports cut into major ports' cargo share

With private ports taking away a significant share of cargo and a decline in iron ore handling have resulted in a decline in cargo at major ports. The share of NMPs in the total cargo handling in the past two years has increased to 39.77 per cent as against 33.98 per cent. Major ports saw a decline to 60.22 per cent from 66 per cent in the period under review. In 2011-12, cargo handling at the country's ports increased by a 5.13 per cent over last year.

For major ports, the decline was largely precipitated by regulatory actions of the governments. Experts said award and implementation of PPPs (public-private-partnerships) should speed up without any delays. Major ports have to augment capacity and attract trade in fast growing segments such as coal and containers.

Karaikal Port receives first consignment of edible oil

Having posted impressive growth in annual cargo volumes during the just concluded financial year, Karaikal Port followed up the feat with yet another addition to its ever expanding cargo mix by handling its first consignment of imported edible oil.

The ship *MV Vitesse* was berthed on the port's designated berth for liquid cargo handling and the unloading operations were completed in just over eight hours after berthing. The entire parcel of refined edible oil was simultaneously moved into the dedicated storage tanks within the port. The port currently has four storage tanks capable of storing edible oils and other liquid cargo, offering a total storage capacity of over 18,000 KL. Edible oil is the second liquid commodity to be handled at Karaikal Port after the port recently started handling crude oil for Chennai Petroleum Corporation (CPCL).

Rising bunker costs to hit shipping companies

With rising bunker costs, the financial year 2013 is expected to be a difficult operating year for the shipping industry. The price rise of crude oil last year has led to a sharp hike in bunker fuel. Bunker fuel costs form about one-third of the total operating costs of the shipping companies.

The companies are unable to pass on the hike to customers due to oversupply of vessels and a global slowdown. The current fleet of dry bulk vessels globally is approximately 8,100. Another 1,000 to 1,500 vessels are likely to be added during the financial year 2013.

In March 2012, the average freight rate for a Very Large Crude Carrier (VLCC) in the tanker segment was $13,400 per day. This is quite low than the five-year average tanker rate of $27,000 per day. Going by this trend, the shipping companies would just break even at the operating level. Experts say that, in the short term, tanker rates are expected to remain stable.

Many companies are looking at the offshore oil exploration segment, which is very profitable when crude prices are high. Many companies such as GE Shipping have reported higher earnings from their offshore divisions. Though the earnings from this sector is less for Shipping Corporation of India, it is increasing its offshore fleet.

Rebound seen in India's steel offtake

The World Steel Association (WSA) has predicted a rebound in India's steel consumption in 2012, after a sluggish offtake in 2011.

"India is expected to resume its high growth trend in 2012. Steel use is forecast to grow 6.9 per cent to reach 72.5 million tonnes," WSA said in its latest short range outlook. "In 2013, the growth rate is forecast to accelerate to 9.4 per cent on the back of urbanisation and surging infrastructure investment," it said.

Shipping ministry seeks more powers

The shipping ministry has sought more financial powers from the Centre to award public-private-partnership (PPP) projects. Shipping Secretary P K Sinha said "we should have more powers to award the PPP projects up to ₹500 crore ($91 million). At present, we have powers to award up to ₹300 crore ($54 million)."

The move is aimed to speed up award of projects to private investors at various ports in the country, and have powers on par with the Ministry of Roads. Currently, a PPP project above ₹300 crore is sent to the Union Cabinet for approval. The other major proposal is on security clearance to companies that are bidding for PPP projects.

Sinha said the government should consider giving security clearance for a year, instead of project-wise clearance, for the companies that frequently bid for major port projects.

The ministry is also trying to expedite the steps, right from draft project report to request for proposal to award the contract, involved in awarding the PPP projects. It has suggested that some of these may be taken up simultaneously.

No takers for Alang upgrade

A plan to upgrade the Alang Ship Recycling Yard (ASRY) has run into rough weather as recyclers believe the project is not environmentally friendly and financially unviable. According to recyclers, the venture will increase debt as the project is backed by a $22-million fund from Japan that prefers a dry dock method for ship-breaking. Added to this is the new set of rules and regulations of International Maritime Organisation (IMO) to be adhered to.

Alang Ship Recyclers Association informed the Gujarat Maritime Board that they are not in a position to go in for the project. Once completed, the proposed project will put Alang in competition with China. But recyclers believe it will be more profitable for Japan than India. Each year about 425 ships are recycled here using a methodology called beaching.

Japan depends on China for recycling. It has offered to develop ASRY but with a rider that it adopts dry dock method, which is required under the IMO guidelines. But ship-breakers at Alang said they are not game to use the dry dock method, as they have been using beaching method for 20 years. They also informed that they are adhering to all the environment and pollution rules laid by the Supreme Court and other monitoring agencies.

Marg Karaikal Port attracts equity investment of ₹200 crore

Karaikal Port Private Limited, a subsidiary of Chennai headquartered MARG Limited, one among India's fastest growing infrastructure companies, announced that NYLIM Jacob Ballas India has invested ₹200 crore ($36.3 million) (by way of primary and secondary investments) in MARG Karaikal Port for a minority stake. The funds will be used for the MARG Karaikal Port expansion plans which will enhance the port's capacity from the already planned expansion of 21 mmtpa to 28 mmtpa.

Commenting on the investment, GRK Reddy, Chairman and Managing Director, MARG Limited said, "The investment from NYLIM-JB Fund into MARG Karaikal Port comes in at an opportune time. Karaikal Port had already attracted private equity investments by India Infrastructure Fund and Ascent Capital Advisors in the past. With the present investment by NYLIM-JB Fund, MARG Karaikal Port has three institutional investors adding value by their infrastructure exposure and expertise to augment and fuel the ambitious growth plans of Karaikal Port."

Sunil Chawla, Partner, Jacob Ballas Capital India Pvt Ltd, investment advisor to the investment manager of NYLIM-JB Fund, said, "Karaikal Port, with its strategic location and excellent connectivity, is well positioned to cater to the agricultural and industrial belts of central Tamil Nadu. Sunil Chawla will be joining the Board of Directors of KPPL.

Logistics picks up at Vallarpadam

The first Container Freight Station (CFS) on the premises of the International Container Transhipment Terminal (ICTT), Vallarpadam, is expected to be operational in the first week of May. The Customs authorities have issued permission to Gateway Distriparks (Kerala) (GDKL) to start customs activities at the CFS.

With this, the GDKL can store export/import containers, conduct customs inspections and other shipping-related procedures at the CFS (which is located right in front of ICTT), making it the first operational CFS in Vallarpadam island.

The CFS spread across an area of approximately 25,000 sq ft and storage facilities for around 1,000 teu and a Customs station, will have warehousing facilities. Aimed at developing Vallarpadam into a major logistics hub, the Cochin Port Trust has earmarked 54 acres of land near the ICTT for developing CFSs. The Centre has also given its nod for another CFS being set up by the state-owned Infrastructure Kerala Ltd (INKEL) and MIV Logistics Private Ltd.

Wärtsilä to supply 20DF engine

Wärtsilä has won a contract from Koedood Diesel Service to supply a complete power system, including two of its 6-cylinder 20DF dual-fuel medium-speed engines, for a new dry cargo inland waterway vessel being built for Combi International.

The new 135-m, first-ever medium-speed, dual-fuel, mechanically driven inland waterway vessel, which will be part of the ECO_2 Inland Vessel project, will be operating on inland waterways in the Netherlands, Germany, Switzerland, Belgium and France.

After installation of the engine, the vessel will be capable of operating for 95-99 per cent of the time on liquefied natural gas (LNG) fuel, with a minimal amount of pilot marine gas oil (MGO) used for ignition, while the engines will also be capable of operating fully on MGO if necessary.

Eric Herman takes the helm as Global CCO for Damco

Eric Herman has moved to a position as Global Chief Commercial Officer for Damco, the logistics arm of A.P. Moller-Maersk Group. He will take overall responsibility for Damco's global commercial activities. Aged 46, Eric Herman has 19 years of commercial experience and a strong execution record, which is exactly what Damco is looking for, says Damco CEO Rolf Habben-Jansen.

Shipping ministry calls for tax incentives

The shipping ministry asked the finance ministry to grant various direct and indirect tax incentives to boost the growth of the shipping sector in the country. The finance minister while presenting the budget said the shipping companies would have to pay a higher tonnage tax as the government increased the rate of daily tonnage income from the shipping companies.

Minister for Shipping G K Vasan while replying a question in Rajya Sabha said, "It has also been suggested to review the proposed change in the rate for computation of daily tonnage income. Since the tonnage tax is payable in spite of losses, such income tax liability remains a kind of fixed expenditure irrespective of profitability."

He said the shipping industry has been passing through a difficult phase from 2010-11, and most of the shipping companies were incurring losses. Since the tonnage tax is payable in spite of losses, such income tax liability remains a kind of fixed expenditure irrespective of profitability. Daily tonnage income is decided by the Central Government and it is a presumptive amount fixed by the government on the tonnage of the vessels.

New service for ship routes

Indian National Centre for Ocean Information Services (INCOIS), the Hyderabad-based institute, known for its Tsunami warning centre, will launch a new service called the Forecasting along the ship routes, which will benefit navigation users.

Ocean state forecasts are generated on a daily basis at three-six hour intervals on all days and provided to fishermen, shipping industry, Navy, Coast Guard and the ONGC.

Bharati unveils jack-up rig

Bharati Shipyard has unveiled a jack-up rig named 'Le Tourneau Super 116E', which can run under adverse weather conditions. The rig has a potential of drilling in 350 feet water depth and has a drilling depth capability up to 30,000 ft. The firm said its order book currently stands at ₹6,500 crore ($1.18 billion).

The rig can accommodate 110 persons and facilitate landing of helicopter on its heli-deck and operate in high pressure and temperature drilling. The American Bureau of Shipping and India Register of Shipping has given a green signal for the rig.

Cargo throughput: Gangavaram falls short of target

A slide in iron ore loadings saw Gangavaram Port fall short of its cargo throughput target. The port registered a cargo throughput of 14 million tonnes (mt), as against 13.93 mt handled in the previous year. This may upset the port plans to reach its full existing capacity of 25 mt within the set deadline.

Iron ore traffic declined to 2.14 mt from 2.58 mt, accounting for a share of about 15 per cent of its total cargo. Major ports across the country also witnessed a similar trend with a decline of 1.73 per cent in their combined throughput at 560.

ICT at Ashuganj Port

India will help in developing an Inland Container Terminal at Ashuganj Port in Bangladesh. Indian Foreign Minister S M Krishna and Dipu Moni, Foreign Minister of Bangladesh, said necessary formalities for use of Chittagong and Mongla seaports for movement of goods would be completed on urgent basis. They said increase in trade and investment between the two countries was mutually beneficial. The decision by India in 2011 to grant zero-duty access to all goods opened new opportunities for expansion of Bangladesh's exports to India.

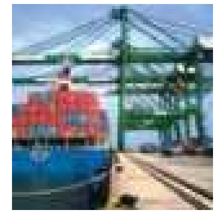
HHI to build deepwater drillship

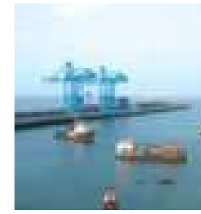
South Korea's Hyundai Heavy Industries (HHI) has won a $655-million contract from US-based Diamond Offshore Drilling to build an ultra-deepwater drillship.

The new vessel, which will be named *Ocean BlackLion*, will be built on the same design as Diamond Offshore's other three ships currently on order with the South Korean shipbuilder, and is scheduled to be delivered in the fourth quarter of 2014.

The latest drillship will have a maximum hook-load capacity of 1,250 t, dual activity capability and will be capable of operating at water depths up to 12,000 ft, though initially it will be able to operate at a water depth of 10,000 ft.

ChPT, Ennore to find solution





Chennai Port Trust (ChPT) and Ennore Port Limited (EPL) have been asked to work together to find a solution to the pollution issue and the subsequent stoppage of coal and iron ore handling in the city port. Union Shipping Secretary P K Sinha said, "Ennore Port was started as a satellite port of Chennai Port. So if both ports work in tandem, there will be a tremendous scope for their growth."

On easing congestion, he said barges in between the two ports would mitigate the issue to a certain extent. "If trucks and trailers can be stopped 10 to 15 km away from the port and transported through barges to container terminals, the pressure on road will be reduced and congestion inside port will come down," Sinha said.

He said the road infrastructure is also being improved to solve the congestion problem. The remaining equity fund of the ChPT would be released to speed up the Ennore-Manali road, and the work on the 1.6-km stretch from the port gate would commence soon.

Container offices for speedy approval

To expedite clearance of container-laden vehicles, the Chennai Port Trust (ChPT) has installed tailor-made offices at zero gate. Inaugurated by Shipping Secretary P K Sinha, the offices are made from containers that are fitted with air conditioners. Custom officials, who toil for long hours, were demanding for proper facilities at entry and exit gates to clear goods and vehicles.

ChPT officials said the facility has been modelled on the lines of toll plazas that eliminate the need for the driver to walk down to get the consignment cleared. Such container offices have been installed at six gates.

Logistics firm DTDC buys 53% stake in Eurostar Express

Logistics major DTDC Courier & Cargo has acquired a 53 per cent stake in UAE-based Eurostar Express for an undisclosed amount. DTDC's move to invest in a global company comes at a time when foreign companies are largely investing in firms in India. In recent times, logistics giant Fedex bought out Mumbai-based AFL Freight and private equity players have been investing in logistics players in the country.

Odisha court rejects plea on Chudamani Port

The Odisha High Court upset the state government's move to allow a private industrial house to construct a port at Chudamani in Bhadrak district even as the government's entire policy on port development is currently under judicial scrutiny. The High Court bench comprising Chief Justice V Gopala Gowda and Justice B N Mohapatra, rejected the government's pleas and said the restriction it imposed earlier asking the government not to sign MoUs or concession agreements for port constructions would continue.

Karaikal Port to handle passenger ships

Karaikal Port is set to handle passenger vessels soon. Once cleared, the immigration department will set up an office at the port to facilitate the immigration. Besides vessels from Chennai, the port may also receive cruise ships from Singapore and Malaysia, where there is a large Indian diaspora.

Since there are a lot of pilgrimage centres, such as Thirunallaru, Nagore and Velankanni in and around Karaikal, the government intends to make it a tourism hub. Setting up of an immigration office in the port will also enable the crew of cargo ships to step out of the port, said M L N Acharyulu, executive director, Marine Infrastructure, Marg Group.

Smit Lamnalco launch signals growth agenda

The official launch of Smit Lamnalco as a distinct entity has coincided with the global marine services group's first commitment to new growth-driven investments, following the 2011 acquisition of Smit's terminal and anchor handling tug supply activities by Lamnalco. Daan Koornneef, chief executive of Smit Lamnalco, said that the new identity has been adopted to reflect the extent of the turnkey services offered by the expanded group across the oil and gas sectors.

Smit Lamnalco owns, operates and crews one of the most modern terminal and ship-to-ship transfer auxiliary fleets in the world, as well as delivering a full range of dive support services. Its interests span pilot boats, mooring boats, utility craft and high performance tugs.

"We operate over 50 terminal contracts, employ close to 3,000 staff on around 180 vessels and are active across 30 countries," Koornneef added. "The new identity is an external sign of the work that has been going on behind the scenes to amalgamate the two companies to support further growth. By combining, we have significantly extended our reach in the FPSO and LNG sectors, in line with our target of becoming the leading supplier of cost-effective marine support services in the world." Royal Boskalis Westminster N V and The Rezayat Group of Saudi Arabia each continue to own 50 per cent shares in Smit Lamnalco.

India 46th in global trade logistics performance

Countries like India, China and the US, which pursued aggressive reforms, have improved their global trade logistics performance despite the slowdown in progress in the sector over the last two years amid the global recession, the World Bank said recently.

India now ranks 46th in global trade logistics performance. The top-five slot is occupied by Singapore, Hong Kong, Finland, Germany and Netherlands in the list of 155 countries. The US is ranked ninth, while Japan occupies the eighth spot.

Countries like Chile, China, India, Morocco, South Africa, Turkey and the US have all improved their previous performance, the World Bank said, citing a study based on a comprehensive global survey of international freight forwarders and express carriers, as it released the "Connecting to Compete 2012: Trade Logistics in the Global Economy" report.

In the upper-middle income country category, top performers include South Africa, China and Turkey. In the lower middle income category, India, Morocco and the Philippines have above average performance improvements. Among low-income countries, outperformers included Benin, Malawi and Madagascar.

Balaji Shipping begins direct service on India-Sohar sea route

Balaji Shipping Lines (BSL), part of the Transworld Group of Companies, has begun direct service of shipping service – AGS Liner Shipping Services – in India-Port of Sohar sea route. The new direct service will connect Mundra Port in Gujarat to Oman's Port of Sohar, further connecting Dammam, Jebel Ali, Karachi and North Indian ICD via Mundra port, a release on Sohar Port website said.

The Port of Sohar, which is a 50-50 joint venture between the Government of Oman and the Port of Rotterdam, is a deep sea port with a draft of 18 metres. It is located 220 km northwest of the capital Muscat.

Equipment benefits 15 Asian OSVs

In April, Cargotec secured new contracts to deliver MacGregor anchor-handling, mooring and towing solutions for 15 offshore support vessels (OSV) of various types being built in China for Asian customers. The ships are being built at several shipyards in China for delivery throughout 2013 and 2014 to Coastal Offshore, Nam Cheong, Ezion Holding and the Middle East.

Cargotec is supplying anchor-handling/towing solutions for two 59-m anchor-handling tug/supply vessels, a 56.2-m anchor-handling tug, and five 50-m towing/utility vessels. Positioning mooring solutions are destined for two 100-m/300-person accommodation/work barges, two 85-m subsea maintenance/work support vessels, a 60-m diving support vessel and two 105-m subsea operation vessels.

"We clearly see OSV demand coming back strongly in Asia, the Middle East, West Africa and South America at the beginning of 2012, and the market outlook is even promising," Francis Wong, Cargotec's sales director for offshore winch solution said.

Arshiya Intl to add 10 container trains

Arshiya International will be adding 10 trains to its existing fleet, as the domestic container rail business gains fresh ground. Along with Arshiya, other private operators are also ramping up capacities on the back of projections of a spurt in movement of container rail cargoes, especially after the new GST regime is in place.

Sharpening focus on railway business is part of Arshiya's strategy to mature from a service-driven business to an asset-driven company. Asset-based revenue, including earnings from its Free Trade and Warehousing Zones (FTWZs), accounted for 42 per cent of its earnings last fiscal, up from 24 per cent. Arshiya will also be focussing on trimming its debt and interest burden this fiscal – it is currently carrying a debt of ₹1,700 crore ($311 million). For this, it will be using the dollar earnings from its two FTWZs at Panvel and Khurja (near Delhi).

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 JSW **Jaigarh Port** under this feature.

gateway SPOTLIGHT *Innovation in Focus*

Maharashtra gets its first deep water private port

JSW Infrastructure Ltd has developed the first deep water private port in Maharashtra, the "JSW Jaigarh Port", which is aggressively and ambitiously gearing up to become the most preferred gateway port to coastal and central Maharashtra and Northern Karnataka. Backed by state-of-the-art technology and well-qualified manpower, the ultimate goal of Jaigarh Port is to emerge as one of the most modern and mechanised ports in India, benchmarked to international

standards. The port's strength lies in handling both captive as well as commercial cargoes in the most efficient and environment-friendly manner.

Currently, the Port has constructed two berths in Phase I; Berth 1 is mechanised to handle bulk and Berth 2 to handle multipurpose cargoes. Together, they can handle 20 million tonnes of cargo. The present draft of 14.0 metres makes it the deepest port in Maharashtra. In 2010-11, the port handled a total of 1.26 million tonnes and by 2011-12, it has achieved the target of handling 5 million tonnes of cargo. JSW Jaigarh Port Ltd (JSWJPL) plans to add eight more berths and with that, it will be able to add 35 million tonnes of handling capacity. On completion, there will be a total of 10 berths with a capacity of 55 million tonnes.

The liquid terminal at Jaigarh Port in Phase- I is catering to the immediate requirement for export of molasses as it offers significant advantages to both shipper and receiver of cargo. Shippers benefit from close proximity to sugar producing areas such as Kolhapur, Solapur, Sangli, Satara, Pune and Belgaum, which reduces the overall logistics cost. Shipments through JSW Jaigarh Port reduce the land logistic costs by up to 75 per cent, thereby making India's export of molasses more competitive in the global marketplace.

The availability of deep draft of 14 m at berths enables the receiver to bring large-sized tankers of around 40,000 MT for loading the cargo, thus obviating the need to call at multiple ports to fill up small parcels of the cargo. This saves the receiver substantial amount of time and costs associated with calling at multiple ports and the delays consequent to multiple calls.

To further add value to the proposition, JSW Jaigarh Port has constructed six tanks with a total capacity of 40,000 MT. These tanks, equipped with automatic gauging systems, enhanced pumping and piping capabilities, enable quick and efficient transfer of cargo from the road tankers to the tanks and from the tanks to the vessel. The port has achieved loading rates of upto 10,000 tonnes per day.

With many entities showing interest in setting up refining and other processing industries in the vicinity of Jaigarh, the port is finalising plans for expansion of the tank farm and associated terminal structures. These will be implemented as part of the Phase II expansion of the port, which is expected to commence soon. mg

Irrational regulations and bureaucratic hurdles have made PPP a painful process as far as port investment is concerned. Focussing on what measures can be taken to improve the situation and hearing the grievances of industry players will help address the issue to a large extent

Ritu Gupta

PPP IN PORTS TOO MANY ROAD BLOCKS?

This is a case of a white elephant which officials would never have fathomed when they incepted the project. Now, their worst fears are being confirmed as construction of a container terminal at the Jawaharlal Nehru Port Trust (JNPT) is being dragged indefinitely over imprudent problems. The situation is quite grave, since the delay will not only cost ₹500 crore ($90.29 million) in revenue losses every year to JNPT, but shippers are also likely to move to other ports to do away with congestion, leading to more time in loading and unloading containers.

The ₹6,700-crore ($1.2 billion) terminal was to be constructed by a consortium of Port of Singapore Authority (PSA) and India's ABG Ports. As per media reports, now it has decided to move out of the project, owing to stamp duty issues and regulatory hassles. The nuisance being faced by this terminal due to "regulatory enigma" is also resounded in the happenings of many other public-private-partnership (PPP) port projects, owing to which their pace has been much slower than what is needed.

The situation is inopportune as the PPP concept was introduced in the 1990s to enable scaling up of capacity, given that the surplus with major ports was inadequate for the incremental investments required and reliance only on budgetary support for large-scale capital expenditures, was unsustainable. The port sector requires an investment of ₹550,000 million ($10 billion), of which ₹340,000 million ($6.2 billion) is expected to come from private sources, mainly in commercially viable projects like the development and operation of berths and terminals. However, many industry players and investors are unhappy about the regulatory regime for the ongoing project and they are doubtful about the quantum of future investment.

Also, many problems are making investors shy away from the sector, starting from ones like land acquisition, to those like lop-sided policies and poor support from port authorities. For instance, in August 2010, the Union Shipping Ministry made a statement, "If there is only one private terminal/berth operator in a port for a specific cargo, the operator of that berth or his associates shall not be allowed to bid for the next terminal/ berth for handling the same cargo in the same port."

According to investors, such statements certainly do not give them any incentives to remain in the sector on a long-term


CAPITAL
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ORNATE
CMA CGM
MAERSK

basis. Policy related impediments come at both at the pre- and post-award stages. In the pre-award stage, the problems initially arise because of a lack of clarity on the bidding framework, qualification criteria, and concession terms. After considerable duration, these are resolved with the finalisation of model documents. In the bidding stage, the process has tended to be protracted with the bureaucratic procedures at most major ports, often leading to cancellations and re-bidding.

Post award, there have been delays in execution because of the time taken to obtain environmental and other statutory clearances. Post commissioning, BOT terminals have had to face operational problems because of their high dependence on the port trust for common facilities like capital dredging, pilotage and vessel movement. Additionally, these have had an adverse impact on their efficiency and competitiveness. Also, the tariff fixing methodology of the Tariff Authority for Major Ports (TAMP) has had a negative impact on the profitability and returns of PPP project developers.

"Due to the present PPP guidelines, most projects' private players start getting negative returns after seven to eight years of investment. The guidelines are a big hurdle for capacity addition and they are leading to a lot of shutdowns. These guidelines are due for revision on June 30, 2012, and we hope that the government is able to take stock of its irrationality by then," hopes Dinesh Gautama, vice-chairperson of the Container Shipping Line Association (India).

Several factors are responsible for the negative returns, including the lengthy process of tariff fixing and review; anomalies in the tariff setting mechanism (like not allowing full pass-through of revenue share); low rate of allowed tariff increase because of indexation to inflation; and uncertainty on whether the operator would be allowed a tariff increase if its investment was higher than originally envisaged. The tariff problem got escalated recently with a fiasco at the third container terminal at JNPT, operated by Gateway Terminal of India (GTI). JNPT has fixed the minimum mandated volume at 1.3 million containers. But in 2011-12, the terminal handled 1.85 million containers. Following this, TAMP slashed the tariff at the terminal by a whopping 44 per cent though GTI had proposed the rate to be raised by about 8 per cent. "Port tariff regulations, which penalise increased throughput and productivity will not aid in developing the needed infrastructure," fears Kim Fejfer, chief executive of APM Terminals. GTI has now decided to pull down the capacity to the minimum mandated levels. With this, the JNPT management has promised to take up the issue with the government.

JNPT officials said they would not want any private operator to slash the number of containers handled at the port, raising fears of congestion at India's largest container port. Ironically, to date, TAMP has failed to realise the rippling effects of his irrational decisions. According to a ministry official, the JNPT incident is not a fair one, but the tariff structure has been designed to protect the interests of the exporters and importers. "The government has to take care of the 'trade' rather than protecting a particular industry group," he says. Industry players feel that such statements and happenings at JNPT do provide food for thought for new investors. They aver that tariff, which is the only incentive for any investor, has now been taken away.

In the earlier system, after the project was completed, TAMP fixed tariffs on a cost-plus basis, allowing a return of 16 per cent on capital employed. In the new dispensation, a tariff is fixed upfront even before the project is bid for the full period of the concession (usually 30 years). Although adjustment for inflation is allowed each year, the operator effectively gets the same tariff

"Due to the present PPP guidelines, most projects' private players start getting negative returns after seven to eight years of investment. The guidelines are a big hurdle for capacity addition and they are leading to a lot of shutdowns"

KANDLA PORT TRUST WAS THE FIRST PORT TO INVOLVE PRIVATE PARTICIPATION WHEN GEE PEE BULK HANDLERS FROM BANKOK STARTED A BERTH

GATEWAY TERMINALS AT JNPT CONSIDERED AS THE MOST SUCCESSFUL PPP PROJECT ON ALL PARAMETERS

for 30 years or more. The logic of the new system is not easy to comprehend. Furthermore, when tariffs in container terminals are reduced, the only beneficiaries are shipping lines that pay cargo-related charges to ports.

The tariffs charged by lines to shippers are a function of market forces and have nothing to do with what they pay to ports. Thus, if there is any reduction in cargo handling charges, the chances that these will be passed on to users are remote. And, which are the shipping lines that will benefit? More than 90 per cent of Indian container cargo is carried by foreign vessels. So, policies framed ostensibly to benefit Indian port users will not only inhibit the development of the port sector, but will also benefit foreign lines. What's more, in the wake of such happenings, it is no wonder that global terminal giants such as APM Terminals, DP World and PSA have threatened that they would reduce the number of containers handled at their facilities.

Another important issue is the impractical revenue sharing promised by international operators in bidding. Terminal operators promise huge revenue sharing with landlord ports in order to win projects. While GTI is sharing 35.5 per cent of revenues with JNPT, Singapore's PSA has won bids for the fourth terminal at JNPT by promising an astonishing 50.82 per cent with the port. This means that PSA has to part with half of its annual revenues with JNPT (which is not allowed to be passed as cost while fixing tariff), and operate with the tariffs fixed by TAMP which allows 16 per cent rate of return. Can this ever be a financially viable model?

Also, the government's doggedness to protect Indian exporters and importers from private operators imposing excessively high handling rates (given the intense pressure on port capacity) is a legitimate concern. However, its insistence on continually reducing box handling rates is only making investment in Indian ports ever less attractive. "When India unveils its next major terminal tender, who will be willing to buy the bid documents when they understand that whatever parameters are set out can also be changed down the road by TAMP? India needs to modernise its port infrastructure, and for that, it needs global terminal operators, who have the required expertise. However, they will be reluctant to participate until the government understands the investment climate," asserts S S Kulkarni, secretary general of the Indian Private Ports and Terminals Association. Former shipping secretary Michael Pinto concurs that the guidelines for PPP need a drastic make-over. He avers they should be such that they promote productivity, efficiency and envisage an increase in capacity with the passage of time.

> "When India unveils its next major terminal tender, who will be willing to buy the bid documents when they understand that whatever parameters are set out can also be changed down the road by TAMP?

While the government did try to amend the guidelines in 2005 and 2008, it did not involve stakeholders in the process. Some experts believe that India should follow the example of China which has witnessed tremendous port development owing to a decentralised policy. Institutional changes and transferring port management to local municipal authorities too have had a tremendous impact in the modernisation of China's ports. Moreover, these measures have created a competitive spirit between ports of various provinces. Ironically, the Indian government has other thoughts on the matter. According to sources, the Union government is planning to bring private ports under its ambit. Officials say there is certainly a strong case to have a single consolidated law which would be applicable to all ports, be it major or private ones. However, states have opposed the move saying it would undermine their authority over private ports.

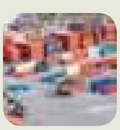
Industry players feel that this will only add fuel to the fire and fear that the situation may reach a point of no return. Instead of acting unwisely, the government, they suggest, needs to either dispense with the TAMP altogether, or reform its mandate. The necessity to regulate services in order to protect user interests arises only in an imperfect market. That objective may have been better served in this case through the mushrooming of private ports and the stiff competition they have given to their 'major' counterparts. It is crucial for the government to ponder over the situation and grievances of the industry players before it introduces the new guidelines. mg

MARCH, 2009

JNPT calls for tenders to build fourth container terminal. In June 2009, GTI, a joint venture (JV) between APM Terminals, which operates the third container terminal of JNPT, and government-controlled Container Corporation of India - was disqualified from participating in the bid due to security reasons. APM approaches courts against it and the Supreme Court bans JNPT from awarding the terminal project to any company till the verdict is announced. In May 2011, SC allows APM to bid for the terminal project. But APM decides not to participate in the bidding, citing various reasons such as project's cost escalation; lack of approach road and the requirement of additional dredging work.

AUGUST, 2010

A consortium led by Spanish port operator Grup Maritim TCB SL wins terminal project at Ennore port. But in May 2012, the consortium misses the deadlines set by the port to tie up funds for developing a ₹1,407 crore ($256 million) container loading facility. As per the original time line, the new terminal is slated to open in 2013. But the delay in arranging funds would mean that the promoters will have to complete the construction within a shorter time-frame. This is almost impossible considering the tight liquidity conditions and macro economic environment.



OCTOBER, 2010

The Cabinet Committee on Infrastructure approved the proposal for construction of a Mega Container Terminal at Chennai Port at an investment of ₹3,686 crore ($670 million). March 2012, Adani, Essar in the race for the project. But both the companies are yet to get security clearance from the defence ministry.

FEBRUARY 2012

The country's port tariff regulator (TAMP) announced a rate cut of 44.28% at Gateway Terminals India at JNPT, India's busiest container gateway. The facility is 74% owned by APM Terminals Management B.V.

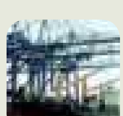
LOOKING BACK AT PPP PROJECTS

The concept of PPP in major port projects is more than a decade old. However, 80 per cent of the projects on this mode were awarded between 1997 and 2004. It was only last year when the Ministry of Shipping awarded 13 more projects to various private enterprises, most of which are in various stages of implementation.

The total private investment envisaged for the Eleventh Five-Year Plan (2007-12) is falling short by 43 per cent with only ₹10,584 crore ($1.92 billion) invested so far. Under, the country's port sector requires an investment of ₹2,87,000 crore ($52.23 billion). Out of this, ₹1,67,930 crore ($30.55 billion) is expected from private sources, mainly in commercially viable projects like development and operation of berths and terminals, among others.

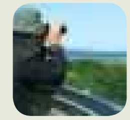
MAY, 2011

Security clearance for the Adani Group-promoted Mundra Port SEZ (MPSEZ) was withheld. The company approaches Bombay High Court against this. In July 2011, Adani Group withdraws its petition.



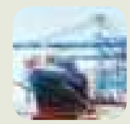
SEPTEMBER, 2011

The fourth terminal project was awarded to PSA-ABG. However, the agreement was never signed. In January 2012, at the last minute PSA refused to pay the stamp duty for registering the concession agreement. In fact, awarding the project had to be postponed by over a month after some trustees raised concern over the performance of ABG-PSA run container terminal at Kandla, Gujarat. The matter was later resolved.



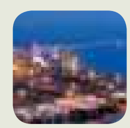
JANUARY, 2012

The Union home ministry rejects Mundra Port and Special Economic Zone's (MPSEZ) plans to develop a port in Kerala and a mechanised facility to handle fertilisers in Visakhapatnam on security grounds.



FEBRUARY 24, 2012

Three Dutch and Belgian groups submitted bids for channel deepening project at JNPT. But this had to be called off as another bidder Hyundai was disqualified as the tender stipulated that the executing contract should not be older than 15 years. Hyundai filed a complaint with the shipping ministry. In May, 2012, the ministry after consultation with the law ministry allows the company to bid.



FEBRUARY, 2012

Again the Tariff Authority for Major Ports (TAMP) cut rates by 12.23% at the container terminal facility run by PSA International Pte Lt. The operator had asked for a 15% raise on the ₹3,007 it charges customers for handling a standard container at the terminal. But TAMP found no justification for any rate increase and decides to reduce it as warranted by the estimated cost position.

APRIL 2012

Consortium partners decide to part ways. Informs JNPT that PSA International alone will take up the project. JNPT is yet to take a final decision.

'PPP approach enabled speedy implementation of projects'

Gajendra Haldea, a career bureaucrat currently the advisor to Deputy Chairman of Planning Commission, at various points in his life wrote up model concession agreements. After a great deal of study and wide range of consultations, these MCAs have by and large laid down the grand rules by which infrastructure in India to be developed. In this interview he expresses his views on revisiting MCAs and voices concern about the current challenges in PPP framework.

Q. You have overseen Indian Infrastructure landscape for more than two decades. How do you summarise the success and growth of PPP in infrastructure?

A. PPP in infrastructure has been a significant success in India. According to World Bank reports, India ranks at the top among all developing countries in attracting private participation in infrastructure. Private investment has risen quite rapidly during the past five years and has contributed significantly towards addressing the infrastructure deficit. Our success is largely due to the policy and regulatory framework adopted in different sectors. The most notable feature of our policy has been the standardisation of documents and processes based on a fair, transparent and competitive approach. This has enabled us to roll-out projects at a pace not know to any other country.

Q. How much investment is planned into infrastructure during the Twelfth Plan period? Do we have any thrust areas in PPP?

A. During the Eleventh Five Year Plan (2007-12), investment in infrastructure is estimated to be about ₹20 lakh crore ($364 billion) (at 2006-07 prices). This is double the investment made during the Tenth Five Year Plan. We expect yet again to double our investment during the Twelfth Plan, as compared to the Eleventh Plan.

Private investment would continue to play a significant role in all infrastructure sectors. During the Tenth Plan, about 18 per cent of the total investment came from the private sector.

In the Eleventh Plan, this increased to about 36 per cent. Our projections for the Twelfth Plan suggest that 50 per cent of the total investment in infrastructure would have to come from the private sector. This would not only fill the gap in public investment, it would also improve the efficiency and competitiveness of our infrastructure.

Q. In spite of the exciting opportunities for investment, keen interest of PE players – PPP projects are not at the optimal level and large projects are facing huge delays. Is there any lack of correlation between policy and implementation?

A. PPP projects do not normally suffer from time and cost overruns, which are widely prevalent in public sector projects. However, they do get delayed at times for reasons such as delays in land acquisition and environment clearances. So far as project implementation is concerned, the PPP approach has enabled a very speedy implementation of projects which was hitherto unknown. For example, in the highways sector, PPP projects typically take half the time as compared to conventional contracts. This means a huge saving on time and costs, besides enhancing toll revenues.

Q. There is an argument that Model Concession Agreement should not be like one-size-fits-all and also it should allow the particular entity to leverage its strength and compensate for its weakness. Hence the Agreement needs to be re-visited. Your comment?

A. The MCA is not a one-size-fits-all document. It allows project-specific flexibility on a large number of parameters. The standard terms relating to allocation of risks and obligations to the respective parties don't need to be changed on a case-by-case basis. Only project-specific changes are necessary and they are allowed under the present framework. In any case, the MCAs are not cast in stone. Based on the experience gained, modifications have been made from time to time, as necessary.

Q. Is it not more appropriate for the administrative ministry, which has a better knowledge and understanding of the project requirements to approve the project rather than committee from finance ministry approving the same?

A. PPP projects require a great deal of inter-sectoral and inter-disciplinary inputs. They also involve large contingent liabilities for the government.

> "Our projections for the Twelfth Plan suggest that 50 per cent of the total investment in infrastructure would have to come from the private sector. This would not only fill the gap in public investment, it would also improve the efficiency and competitiveness of our infrastructure"

User interests also need to be protected while curtailing wasteful expenditure due to over-engineering. Above all, good governance requires checks and balances. As such, approval of PPP projects by an inter-ministerial committee has proved to be far more successful than leaving matters to the administrative ministry alone. Moreover, the appraisal and approval process is very well defined and streamlined with clear timelines at each stage. There have been no cases of undue delay in inter-ministerial approvals of PPP projects.

Q. Land acquisition, environmental clearances and policy impediments in pre- and post-award stage seem to be still challenges that exist in the way of successful PPP framework. How do we overcome these and step into better environment?

A. This is an area of concern. Though some progress has been seen in the recent past, much more needs to be done to streamline the processes of land acquisition and environmental clearances. mg

RAIL CONNECTIVITY: A BIG FAILURE

PPP has succeeded more in non-major ports. At least seven Greenfield ports have come into existence and begun operating because of PPP policy. While 12 major ports developed over a period of 200 years, seven private ports have come up in 15 years time. So, much of private investment has flown into the port sector which would not have been possible otherwise.

A large number of captive jetties which were not allowed previously, also came into existence owing to the PPP policy. For example, Jamnagar Refinery's captive jetty handled 103 million tonnes of cargo during 2011-12, which is the largest throughput handled by any port in the country. In case of major ports, they could not leverage on the available infrastructure and perform better in terms of growth and adding capacities.

A big concern

A big failure in PPP projects is because of not having a clear and consistent policy on rail connectivity to non-major ports. This is the biggest bottleneck so far and ports continue to suffer because of this. Some of the non-major ports have invested several hundreds of crores in rail connectivity, yet, the Railways has not signed the agreements. With monopolistic tendency and like a Shylock, Railways demands haulage charges. Also, it wants revenue without risk and investment. Why does the Railways want to charge haulage on a line which was laid by the port? Private ports should be allowed to make investments and run their rail systems. Railways has a huge inefficiency in its haulage and the private ports are transforming that inefficient system into an efficient one.

Why are PPP projects delayed?

Consistency, clarity and predictability are missing in the policy. The success of any policy does not lie in changes that you make to the policy, but in predictability. The project reports on whose basis bidding is done are of poor quality. Financial viability of the project is never shared. Because of this, there is no way to find out the viability of the project. That is why we end up having some crazy numbers quoted. In one port, bid is awarded for 51 per cent revenue sharing and in another bid is rejected because of 5 per cent. There is no mechanism to identify how much off the mark the bids are quoted. It should be kept mind that no project is the same and every project has its own Internal Rate of Return (IRR).

Concessional Agreements and Tariff

Concessional agreements can't be made flexible since the rules of the game can't be changed half way. What is desired is to prepare a sound DPR and accordingly make the concessional agreement. Special characteristics and peculiarity of a project is not coming out because of the straight-jacket approach. That is where we need the flexibility to correct such lapses in advance.

The tariff needs to be de-regulated too. In other words, there should be freedom to fix tariff and a tribunal to hear complaints against tariff fixed by any operator. That will restore level-playing field. However, the government is taking things backward by asking all ports to be under tariff regulation. We need a dispute-resolution mechanism and not tariff-regulating mechanism.

There was a preposterous suggestion recently from the Planning Commission that dredging including navigational channel at major ports, should be included in the project cost of the operator. Fundamental principle of PPP that common facilities are to be provided by the concessional authority is defeated.

To summarise, lack of professionalism in taking the PPP projects forward is the reason for this mess. That starts from the Planning Commission and Ministry and not at the ports.

Rajeeva Sinha is director, Adani Ports.

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EXPERIENCES AND THE WAY AHEAD

Basically an arrangement between a government and a private sector entity for provision of public services/assets through investments/management by the private sector entity, for a specified period of time, public-private-partnership (PPP) is a well-defined allocation of risk between the public and the private entity, wherein the latter receives payments based on pre-determined performance standards.

Partnership amongst unequals?

Since the landlord is the controller, it is essential that the risk allocation between the port authority and the operator (concessionaire) is well-defined, especially in the matter of obligations of the port with regard to providing of proper port connectivity, assuring minimum water depths, other infrastructure in general, marine security and safety etc. All this becomes more important if the port also runs a terminal alongwith the concessionaire.

Setting of tariffs

The time has come to decide if there is any need to specify 'minimum guaranteed throughput'. Further, tariff based on correct estimation of cost is tricky. There are chances of under estimation by the project authority or 'gold plating' by the operator. Fixing of tariffs for 30 years with only Wholesale Price Index based increase seems very unviable.

Protection of consumer interest vs penalising efficiency

While the aim is to ensure lowest cost of services to the end-user, in the cost-plus regime, it only penalises deservingly achieved efficiencies in port operations. The actual users of the port services, viz. the shipping lines, are not known to pass on the reduction in port tariffs, unjustified though many a times.

The MCA

The current MCA is a 'sealed' document with no scope for even genuine modification. A window needs to be provided for corrections in a transparent manner. Since the conditions in every port are quite different, it may be necessary for each port authority to develop their own MCA, generally based on a common MCA. The process of adopting the MCA may also therefore undergo a change. After offering the MCA to all bidders, well-meaning changes could be incorporated based on the feedback received from the bidders. The final document thus evolved could be offered for signature by the winner.

PPPAC

The objectives of the 'PPP Appraisal Committee' which comprise only of government officials, seems at variance with the actual PPP objectives. There is a strong likelihood of the exercise becoming a one-sided affair and the treatment to the private entity is not even-handed.

Highest revenue share vs lowest tariff offered

It may well be necessary to change the model from the highest revenue offered to the lowest tariff offered with slab-wise sharing.

More competition-best answer?

Greater competition seems to be the best answer to a win-win situation for all parties concerned. Of course, it is necessary to decide on the total number of ports that should be allowed to come up.

Shashank Kulkarni is the secretary general of Indian Private Ports and Terminals Association.(IPPTA). As an industry body of private port operators, it is playing a pivotal role in the Indian maritime industry by facilitating the development of a modern and vibrant port sector through the promotion of private ports and terminals which will coexist and compete with state-owned ports in a dynamic environment.

SCRIPTING SUCCESS

PPP projects have set new standards for infrastructure facilities and operational excellence in India

Ports, the world over, like many commercial organisations, are constantly changing their roles as the trade changes its dynamics. In such a scenario, it is necessary to know as to how a port adapted to derive economic benefits for itself, the region and the country. In order to understand the concept of privatisation and its need for the port domain, we have to look into the role of ports, the need for increase in its efficiency and capital constraints in enhancing capacities.

Traditionally, ports were government controlled and fulfilled responsibilities towards trade enhancement, employment generation and regional development. So, the role of a port was that of an 'interface' point, where handling of cargo and passengers took place. However, with time, intermodalism, industrialisation and containerisation changed things.

Containerisation brought about a revolution in maritime transport and as a result, the role of ports widened to a hub or feeder one. Owing to massive industrialisation after World War II, industries such as oil refineries, steel and petro-chemical complexes, preferred to be near the port to take advantage of cheap transport of raw materials. As such, the port's role changed to that of an industrial one and a Maritime Industrial Development Area (MIDAS). Moreover, it had to deepen drafts, make available the huge land in and around the port area to industries and adopt speedy cargo handling practices.

However, due to slow growth and expansion coupled with less productivity, these ports did not find themselves in sync with the global logistic and distribution chain. Owing to obvious advantages, the concept of privatisation was evolved through institutional reforms. This gave rise to the model of 'Landlord Port' where the public authority acts as owner of the land, provider of nautical services, planner for future operations, investor, regulator of maritime safety, environment and port operations are carried out by private companies.

Thus, Public Private Partnership (PPP) evolved in many parts of the world for mobilisation of private investment along with public investment, contributing to the economic growth of the country.

The Indian port sector was no exception to this phenomenon. So, the changing scenario of the Indian ports, from government ports to landlord port to private ports in India, has brought about a phenomenal turn around in the sector. Adaptation of private participation in the port sector of India at the right time, is the main cause of exponential growth of Indian ports.

PPP projects were introduced in the Indian port sector after 1995 to expand capacity, achieve efficiency, mobilise private investment, meet expectations of the burgeoning trade and contribute to economic growth.

Kandla Port Trust was perhaps the first major port which invoked private participation in the form of FDI when M/s Geepee Bulk Handlers from Bangkok began their operations in 1994. Also, it improved the efficiency of the berth following the induction of higher capacity cranes.

Essar's mega project at Vadinar, a satellite port of Kandla in 1997, was the next to take the lead. JNPT too is an instance of successful private participation in containerisation and the introduction of inter-terminal competition within the same port. With its terminals, JNPT helped put India on the map of the containerised world and attained a significant position among global ports. Thereafter, there was no looking back for PPP in the port sector. Currently, 30 projects have been completed, adding a capacity of 204.65 MMT; 19 are ongoing projects and 23 are proposed to be awarded this year. These two categories constitute an additional capacity of 342.83 MMT. The total outlay on these PPP projects is to the tune of ₹27,411.60 crore ($5 billion).

Under PPP, areas of privatisation have expanded from cargo handling, containerisation, captive berths to equipments and floating crafts (i.e. tugs, launches and moorings).

The PPP regime in the port sector in India has been streamlined by policy initiatives such as a Request for Qualification (RFQ), Request for Proposal (RFP) and Model Concession Agreement. (MCA). These documents entail a transparent bidding process and stimulate investment from the private sector. Tariff guidelines have evolved over the years from cost plus basis to normative on an upfront basis which becomes comprehensive, unambiguous and transparent. In order to boost capacity expansion, a new captive policy is in the offing. This will give captive port industries an incentive to boost investment in the industrial and port sector. Also, to confront monopoly and stimulate competition, a monopoly policy has been formulated and implemented. Sector specific issues like security, environment, safety and conservation are being tackled so as to accelerate the PPP process.

In maritime states too, efforts have been made to promote the port sector within their coast lines by investor-friendly policies and concessions. Gujarat, followed by Andhra Pradesh, Maharashtra, and other maritime states, are staking claims in port development

and non-major ports, including private ports, which add a huge capacity in India. Most of the investments have been from the private sector and crossed 1.16 billion tonnes capacity via PPP.

There are many success stories in India's port sector, with regard to PPP. In fact, ports is one of the first sector post-liberalisation, which attracted private and foreign investment. Projects are aplenty and almost all of them have fared well. Even during the economic slow-down, the interest of private investors in port projects in India continued due to investor-friendly measures.

Maritime Agenda 2010-20, is likely to increase the capacity of the port sector to over 3 billion tonnes by 2019-20; non-major ports would account for 53 per cent of the increased capacity and the major ones, 47 per cent. The projected capacity expansion through PPP vis-à-vis expected cargo growth, will reduce utilisation levels at major ports from 95 per cent to around 80 per cent, impacting better services at a reduced cost. This will also lessen the pre-berthing detention and the turn around time of ships, helping reduce drain of the foreign exchange.

A Janardhana Rao is managing director of the Indian Ports Association

RETHINKING PORT PPPs

It has been a little more than a decade that PPPs have been actively used in India for delivery of infrastructure projects. Ports sector has been one of the larger beneficiaries of this approach to infrastructure creation with, so far as per the DoEA's previous PPP status report, about 60+ projects garnering ₹80,000 crore plus of total investment under the PPP route. Of this 50 per cent of investment has come through the 'Negotiated MOU & Unsolicited Proposal (read Swiss Challenge)' route reflecting that this is not attracted through the regular PPP bidding processes and does not hence reflect success of the PPP process.

However, the targeted 1.5 billion tonnes of capacity by 2012 has not been achieved and the current capacity is around 1.1 billion tonnes. This has resulted in sub-optimally high levels (around 85 per cent) of capacity utilisation at ports and several complications like congestion and poor turnaround times, even at current level of 930 million tonnes of cargo handling. Hence, the National Maritime Development Programme plans to increase the port capacity to 3.1 billlion tonnes by 2020 to cater to an expected traffic of 2.5 billion tonnes moving towards a planned capacity utilisation of 75 per cent.

Despite the 100 per cent FDI eligibility and 100 per cent tax exemption (for 10 years), investment in the sector is lagging behind and projects are not getting executed at the desired pace. Several parameters are responsible for this. Environment clearances are a key impediment to infrastructure projects. Undue importance to this aspect and a degree of power play between ministries are delaying these clearances inordinately. Land acquisition is another major concern for port projects.

The benefits of unique depth, tranquility and proximity attributes available at specific shore fronts often get negated due to unavailability of land and the need for cumbersome acquisition procedures. The rehabilitation and resettlement of project affected persons is another requirement for which the country has gone through a lot of controversy and agitations. Poor connectivity to hinterland and the need for corresponding investments for strengthening connectivity is a challenge that filters out several potential ports locations for development besides adding to the cost of the projects.

Most important in all of these though is the 'paralysis in decision-making' that has now been widely accepted as the disease that the Indian economy is suffering from. Projecting the apprehension of doubt and inquiry, many decisions are being held back by the bureaucracy. This causes not only project delays, but also project cost escalation raising cost of logistics for Indian trade. This contributes to domestic inflation and to making Indian products less competitive in global markets.

There is the widespread unhappiness with tariff regulation, as well as the dichotomy (major ports are regulated by Tariff Authority for Major Ports (TAMP), non-major are not) in such regulation. Given the unique complexities of each port, the consequent difficulty in standardisation makes establishing a fair mechanism for tariff setting, extremely difficult. The idea that the new tariff regulator would have a certain degree of authority over non-major port tariffs too, is a matter of grave concern to these PPPs.

The retrospective legislative determination intent of the government as signalled by recent events has only fomented these apprehensions further. Inability to control pricing of products / services is a serious debility for any business and for ports. This is compounded by numerous other global supply chain issues. It

is time to introduce selective tariff deregulation in parts of the market where due to adequacy of competition, the monopolistic sting of these entities has lost its bite and tariff setting its relevance.

In the same context, the loose manner of interpreting and enforcing concession clauses regarding the embargo on port investments in proximity, smack of opportunism on the part of concessioning authorities and erode confidence of committed players as their business cases suddenly appear falsified.

The Ports PPP sector needs to mature from simply leveraging private sector efficiencies in project delivery to realisation of operational efficiencies. We must remember that at the end of concession periods, technically these assets can / will revert to the government and what should also importantly transition to government are superior methods, practices and ways of doing business or running operations.

Moreover, the idea of auctioning ports on 'maximum revenue share' basis must change. Ports are enabling infrastructure for the entire economy and need not be viewed as money-making propositions for the government. The government needs to focus on broader value realisation from port projects, not just the revenue share benefits. Moreover, the focus ought to be on reducing the port costs for trade and making Indian products globally competitive. Maybe, the standard PPP bidding terms for ports, could be modified to make 'least cost of delivery of service', the key criterion for contracting concessions.

Hemant B Bhattbhatt is Sr Director, Deloitte Touche Tohmatsu India Pvt Ltd

NEED FOR CLARITY ON POLICY

In India, the non-major or state ports have been growing manifold principally by PPP initiatives. With relatively better environment, federal ports have been unable to grow to their potential either by themselves or through PPP initiatives. It is noteworthy to observe the lessons from the relatively successful PPP experience in state ports and internationally.

Tariff and commercial freedom to develop the state ports in India have yielded optimum results, sometimes prompting private investors to assume risks higher than in federal ports, such as investing in connectivity, assuming development risks of a higher magnitude in the absence of traffic history and having to secure project clearances from scratch in the absence of existing infrastructure as in federal ports. Also internationally, tariff is not framed in many countries. Only tariff guidelines are applied situation specific recognising that terminal tariff is a minor component of system costs.

Moreover, tariff is not the only area of regulation in international ports. Tariff is part of the economic regulation covering inter alia competition among terminals within and across ports; dispute resolution between the government/concessioning authority and the concessionaire and d the conditions of service forming part of tariff package. Over time, tariff determination in India should yield to economic regulation whose objective is to check anti-competitive and restrictive trade practices.

Technical regulation

The conservator is responsible for conservancy, including the obligation for cleaner seas and safer shipping under the IMO conventions. Interestingly, in India, each port has its own style of conservancy and the reception facilities at ports are inadequate, leading to illegal dumping of waste by ships which are not properly equipped. A disaster in one port can halt the entire national trade. While it is desirable to make port business freely competitive, with port waters being sensitive for national trade and security interests, it should be subject to common conservancy code under the monitoring of a technically competent authority. In short, port business may be free, but port waters are not.

The way forward

There is a case for a debate on the strategic intent and direction of the port industry and the approach to be taken for the same before initiating changes in port legislation, especially concerning PPP. As law can capture only the intentions of the policy makers, a new legislation however well drafted, offers no panacea for PPP if the policy objectives (of PPP) are not clear and consistent. A well considered port policy including in PPP, is all the more important as courts of law would refrain from reviewing policy decisions of the government in case of disputes.

A lawyer, management accountant and MBA, S Balasubramanian understands the legal and regulatory nuances for private investments in infrastructure space from the perspective of the government, investors and lenders.

The author's views are personal and do not necessarily reflect the views of his employer, namely IDFC Ltd mg

LNG to the Rescue?

The growing economy and stagnation in coal production have resulted in the rise of demand for natural gas in India. As a result, the country is turning more and more towards LNG. That explains why the country now has two operating LNG import terminals, one about to open, another in advanced stages of construction, and at least three more in the planning stages.

It appears policy makers have taken note of this trend. This was evident when, at the Asian Gas Partnership Summit in Delhi on March 23 this year, Prime Minister Manmohan Singh said, "Expanding the use of natural gas in India is one of the most important and immediate ways of responding to the challenges of energy security and the management of climate change. To cater to the large demand for gas, India has accelerated investment in creation of LNG re-gasification facilities."

"With new re-gasification LNG terminals coming up at Kochi and Dabhol, the country's current import capacity of 14 million tonnes a year is set to increase to 20 million tonnes a year by 2012-13," he added.

In 2010-11, India consumed about 63 billion cubic metres (bcm) of gas, including about 12 bcm of LNG, mostly (over 80 per cent) imported from Qatar. Majority of this came through the Petronet terminal in Gujarat, which has a capacity of 10 million tonnes per year of LNG and has been running above capacity. The only other operating LNG terminal in the country is the Shell&Total-owned Hazira terminal, which has a capacity of about 2.5 million tonnes per year and is considering an expansion.

The largest share of this gas (about 45 per cent) went to the power sector, followed by the agricultural sector (28 per cent), where it was used mostly as feedstock for fertiliser production. Piped natural gas for cooking in private homes, and compressed natural gas to power vehicles, were also its major uses.

This wasn't enough, though. India has long suffered a shortage of natural gas, distributing what it gets from domestic production through what is essentially a rationing system. The government allocates the available gas to sectors in order of priority, with the ones at the bottom of the list stuck either going without gas, or using LNG, which is roughly three times as expensive as domestically produced natural gas.

Petronet sees demand at about 82 bcm in 2012, and as high as 191 bcm by 2017. The country's main fuel is coal, but its near-monopoly coal producer, Coal India, has failed to perform in recent years. As there has been no let up in growth in demand for power, power companies are looking at alternatives – particularly natural gas. For a while, production from Reliance's KG-D6 block offshore India's east coast was the country's great hope for gas supply, but production there has declined dramatically recently. mg

Booming business

With the demand for LNG in India going up, terminals seem to be popping up all along India's coastline. Some instances are:

- In Gujarat, the Dahej terminal is looking at an expansion
- Shell has a 5-million tonne per annum (mtpa) capacity facility in Hazira
- GAIL has a 5-mtpa facility at Dabhol in Ratnagari district in Maharashtra which will be expanded to 10 mtpa
- Petronet's Kochi terminal is another 5-million mtpa facility
- On the southeast coast, Indian Oil is planning working on plans for a 5-mtpa terminal at Ennore, near Chennai in Tamil Nadu
- Gail is looking at a 3.5-5 mtpa terminal offshore Visakhapatnam.
- Even further north, Indian Oil is planning to build a 5-mtpa terminal at Dhamra, in Odisha
- The Hiranandani Group is in talks with Korea-based Hyundai Engineering & Construction Co Ltd to build an 8-million tonne LNG terminal for captive use at Dighi Port in Maharashtra.

Dr Ashok Kumar Balyan, CEO, Petronet LNG Ltd, speaks to **Ramprasad** on the growth prospects in LNG segment and the need for more LNG terminals in India, to meet the growing demand. Excerpts from the interview.

"Petronet LNG Ltd was established in 1998 for setting up import and re-gasification terminals in India. The company is promoted by Maharatna ONGC and three Navratna companies: Bharat Petroleum Corporation Ltd, GAIL (India) Ltd and Indian Corporation Ltd, as a Joint Venture Company."

Q. In India, the demand for LNG seems to be growing. What is your outlook of the LNG demand-supply scenario?

A. Ours is a big country and the economy is developing rapidly with 7 to 8 per cent growth rate. The most likely scenario in the oil and gas sector is that in five years the present demand would double. If we take a long-term perspective, i.e. in 15 to 20 years time, the numbers will be very huge. It is considered that there would not be any dramatic increase from the domestic supply as the production is not keeping pace with the demand.

Q. What are your business plans in this sector?

A: At Petronet, when we decided to take up a lead role in this sector, a few projects were decided. Out of them, three projects are significant. One is the expansion of capacity at Dahej from the existing 10 million tonnes to 15 million tonnes; secondly, the setting up of a 5-million tonne capacity terminal at Kochi which would start by the end of 2012. When we realised that there is no facility available on the east coast, we surveyed and decided to set up a 5-million tonne capacity terminal at Gangavaram. With these plans, by 2016, we should be having a 25-million tonne capacity at Petronet.

Q. Where do you source your supplies?

A. Currently, our major portion of supply is 7.5 million tonnes from Qatar. Another 1.5 million tonnes for which we signed a contract with EXXON Mobil, will come from Australia to Kochi. Traditionally Qatar has been a major producer and has become a leader. Then come Malaysia and Indonesia. In the last couple of years, there are significant new finds in countries like Algeria, Angola and Nigeria. Recent findings at seven to eight new sites can perhaps make Australia the number one LNG supplier in the world. Russia, which has so far been supplying gas through a pipeline to Europe, is now planning to come into LNG supply in a big way and we are in discussions with them. Also, we are in the process of negotiating with several countries so as to diversify our portfolio.

Q. While setting up the LNG terminals, what are the parameters you consider?

A. LNG is a very niche area of activity which makes engineering and technology used to set up LNG terminals, unique. Apart from good draft and convenient navigation facilities, we must look for sites on the coast where operations can be possible throughout the year with suitable weather conditions. The second most important factor is proximity to markets so that the pipeline and supply costs can be minimised. Thirdly, the optimisation of construction cost of the terminal is significant. In Andhra Pradesh, its proximity to Petroleum, Chemicals and Petrochemicals Investment Region (PCPIR) made us choose Gangavaram Port for setting up the terminal.

Q. Would you be looking at setting up more terminals?

A. For the next 10 years, our current projects should take care of the requirement. Once all these projects are complete and become operational, may be after five years, we may reassess the demand and take a decision.

Q. But, is there a demand for terminals?

A. Oh yes. In the short-term perspective, the requirement of LNG is around 180 to 200 mscm/per day. We might even need two to three more terminals to meet the current requirement. I think there is a huge opportunity.

Q. This year, budget customs duty was exempted. Will this do any good for LNG segment?

A. Customs duty exemption was expected last year also and is good for the industry. But, there is a caveat in the proposal, in that this exemption is for the power generating companies only. While the intent is good, I feel applicability and implementation would be a little complex.

Q. How is your gas transportation taken care of?

A. Each project would require committed ships of optimised capacity with long-term contracts. The three ships we have engaged would bring in gas from Qatar to our Dahez terminal. Moreover, we are in the process of firming up bids for bringing gas from Australia for Kochi and that would be for 20 years. Our perspective of business is to bring gas at competitive price. Currently, the freight rates have gone up and are very high. With more LNG terminals coming up I see the demand for LNG ships increasing too. We welcome more Indian ships to come into LNG transportation. In addition to this I see coastal trade increasing as well. mg

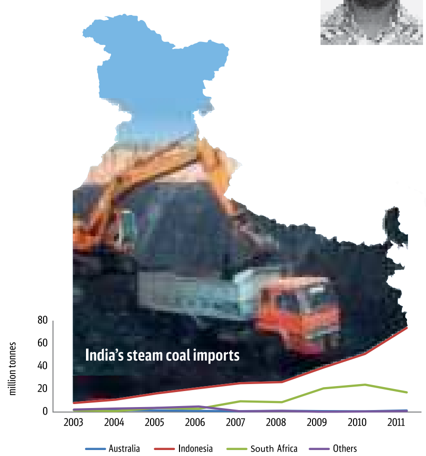
> The company has begun work on its second LNG receiving terminal at Kochi, Kerala, the construction of which is progressing as per schedule. The mechanical completion of the Kochi Project is expected in the first quarter of 2012.

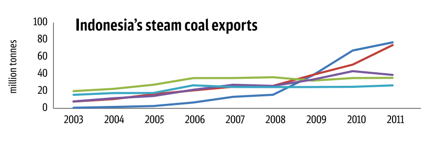
'HUGE OPPORTUNITY FOR LNG'

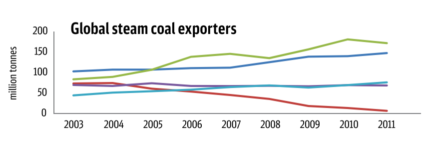
Headed

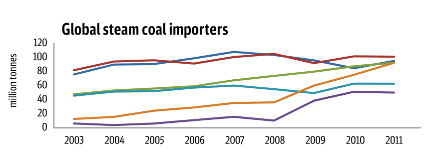
Recently Indonesia announced plans to reimpose export duty on minerals and coal with the aim to boost revenue and investment in the country's mining industry. But how this move will impact India and China remains to be seen.

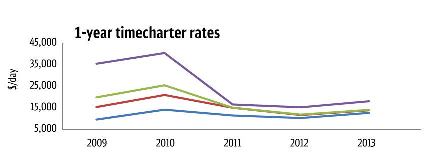
Rahul Sharan











Source: Drewry Research

The dry bulk market has been grappling with very low rates on account of a supply demand imbalance globally. Deliveries continue in large numbers making the fleet to swell beyond demand for them and the global demand outlook does not look very promising in the near future as the European Union struggles with financial difficulties and China faces the risk of discouraging any prevalent upbeat mood in the market.

Described as a "sleeping giant" in international trade, India recently lifted the prevailing 5 per cent import duty from non-coking coal imports, which will support India's much needed appetite for steam coal. India has emerged as a leading coal importer in the recent past with Indonesia being the major source.

However, almost at the same time, Indonesia plans to reimpose export duty on minerals and coal as it seeks to boost revenues and investment in the country's mining industry. In 2006, the Supreme Court of Indonesia withdrew a regulation stipulating a 5 per cent duty on coal exports. Since then, exports from Indonesia have grown at a faster pace. Indonesia exported more than 300 million tonnes of steam coal in 2011 to China, India, Korea, Japan and Taiwan among other countries. More than half of India's total steam coal imports come from Indonesia.

Already, the price of Indonesian coal is twice the Indian coal of similar calorific values. Coal India (the biggest coal miner, a state-held organisation) came out with new prices for all varieties of coal in India in January 2012. Still, coal prices in India are among the cheapest in the world. After Indonesia's plan to reimpose 25 per cent duty on coal exports in 2012 and then double it to 50 per cent in 2013, the price of Indonesia's coal will increase substantially. This will make Indonesian coal more cost ineffective and decrease profitability of power producers in India. Electricity in India is mostly state controlled and electricity prices might not increase vis-à-vis increasing input cost because of political reasons. This will compel India to look for other options and Africa could be a major beneficiary.

Indonesia's vast coal reserves had attracted large investments by companies such as Tata Power, Adani Power and Reliance Power, who bought assets in the country to fuel their projects in India. There are some companies like Lanco Infratech, which have long-term pacts with miners and traders in the country. Indian power producers are rapidly losing faith in Indonesia as this is the second time that the country has rattled them.

Earlier, Indonesia had come up with a law to raise the export price of coal for ultra mega power plants (UMPPs), being set up by Tata Power and Reliance Power.

Where?

Mongolia has huge coal reserves, but owing to lack of the reserves being mined, it is beneficial for the southern part of China to import rather than to get it from Mongolia, which is sitting on large reserves.

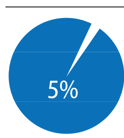
Many companies are already struggling to honour power purchase agreements, and are seeking tariff revision. Moreover, a duty on exports could mar any prospects of increase in trade.

For the past few years, South Africa has been steadily exporting 70 million tonnes of coal. In 2011, of 70 million tonnes, 17 million tonnes came to India and 12 million to China. If Indonesia's coal becomes more expensive, both India and China may show larger interest in coal from Africa. It is just a matter of time before Africa becomes a major coal export source. The problem of infrastructure has been hindering its rise as a major global competitor.

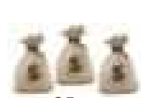
In recent years, China has emerged as a major coal importer with more than half of its total coal imports coming from Indonesia. Mongolia has huge coal reserves, but owing to lack of the reserves being mined, it is beneficial for the southern part of China to import rather than to get it from Mongolia, which is sitting on large reserves. If Indonesia goes ahead with its plan to impose export duty, it might become profitable for China to transport coal from the northern part or look for other options like Africa. Many other coal importers could face a similar problem of high cost. Coal prices of similar calorific values are very close to each other in most of the exporting regions. If Indonesian coal becomes more expensive, it might become less competitive in the market.

If South Africa and other exporting regions replace Indonesia, it will increase coal trade distance increasing tonne-miles significantly and prove a blessing in disguise for the melancholic dry bulk market. With increasing appetite for steam coal in India due to severe power shortage, a long-term demand looks promising.

COAL FACTS



Recently, India lifted the prevailing 5% import duty from non-coking coal imports.



25%

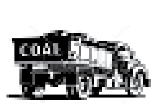
2012

50%

2013

Indonesia plans to re-impose 25% duty on coal exports and double it to 50%.

In 2011, of 70 million tonnes, 17 million tonnes came to India and 12 million to China.



However, a lot will depend on how freight markets behave. If the rates remain at low levels, given a significant rise in coal prices in Indonesia, it might be profitable for power companies to import from farther locations. Moreover, if freight rates improve significantly, it might become more expensive to trade and Indonesia could remain more competitive than other coal suppliers. In any case, Indonesia's stand to increase duty will have a bearing on rates.

Whether rates increase owing to other factors and tonne-miles do not increase much, or rates improve due to increased tonne-miles, will be known only in due course of time.

Rahul Sharan is Senior Research Analyst at Drewry.

Drewry publishes a detail dry bulk market outlook every quarter focusing on major issues concerning demand for vessels and an analysis of supply along with freight rate forecast. mg

Lowering Emission Levels

Market Based Measures (MBMs) can be potential mechanisms to reduce GHG emissions from worldwide shipping

Marianne de Nazareth

WHAT IS THE ISSUE?

In 2007, international shipping was estimated to have contributed about 2.7 per cent to the global emissions of carbon dioxide (CO_2). The International Maritime Organization (IMO), UN's Specialised Agency responsible for the global regulation of all facets pertaining to international shipping, has adopted mandatory technical and operational energy efficiency measures, which will significantly reduce the amount of CO_2 emissions from international shipping. The growth of world trade in future, represents a challenge to meeting a target for emissions required to achieve stabilisation in global temperatures. So, the IMO works smartly on the development of market-based measures as a complimentary means of achieving the required target for emissions.

WHAT IS THE ROLE PLAYED BY THE IMO?

Started within the IMO in the late 1980s, the first regulatory steps were phasing out of ozone depleting substances both as refrigerant gases and in fire fighting systems. Later, prevention of air pollution, in the form of cargo vapours and exhaust gas, were targeted by adopting strict limits for nitrogen oxides and sulphur oxides, in ship exhaust gas. July 3, 2011 was marked by a breakthrough at the IMO, with the adoption of the first ever global and legally binding climate deal for an industry sector since the Kyoto Protocol.

WHAT ARE MARKET BASED MEASURES (MBM)?

IMO recognised that technical and operational measures would not be sufficient to satisfactorily reduce the amount of GHG emissions from international shipping. It was therefore agreed that MBM was needed for the effective regulation of GHG emissions from international shipping.

MBMs place a price on GHG emissions and serve two main purposes: providing an economic incentive for the maritime industry to reduce its fuel consumption, by investing in more fuel-efficient ships and technologies and to operate ships in a more energy efficient-manner (in-sector reductions) and offsetting in other sectors of growing ship emissions (out-of-sector reductions). In addition, MBMs can generate funds that can be used for various purposes such as adaptation and transfer of technology.

THE STAKEHOLDER'S REACTIONS

Various countries have advocated an open and transparent process for further impact assessment. A number of delegations stated that both IMO's mandate and UNFCCC's CBDR principle must be respected. Some delegations suggested that the debate on MBMs should be suspended until the outcome of the impact assessment was considered.

India presented the findings of an MBM impact study on its shipping sector and trade, which assessed the impact of MBMs on freight rates and export/import prices of three essential commodities (capesize iron ore exports from India to China, imports of coal to India from Australia and imports of crude oil to India from Saudi Arabia). It also argued that GHG targets should be agreed under UNFCCC and that IMO should maintain consonance with the UNFCCC process.

PROPOSED MBMS

Cyprus, Denmark, the Marshall Islands and Nigeria have asked for a global reduction target for international shipping, set by either UNFCCC or IMO. Japan has suggested a Leveraged Incentive Scheme wherein GHG Fund contributions are collected on marine bunker. The United States has called for Ship Efficiency and Credit Trading wherein all ships are subject to mandatory energy efficiency standards checks. Norway has set a Global Emission Trading System, for international shipping, with a sector-wide cap on net emissions from international shipping.

The United Kingdom differs from the Norwegian ETS, in the method of allocating emissions allowances. France has asked for an Emissions Trading System, for International Shipping. The Bahamas believes in a penalty on trade and development and insists that the imposition of any cost should be proportionate to the contribution by international shipping to global CO_2 emissions. The IUCN says developing countries should be compensated for the financial impact of a MBM.

CONTROL OF GHG EMISSIONS FROM SHIPS

Although discussions on GHG emission from ships within IMO began in the late 1980s, it was the 1997 MARPOL Conference Resolution on "CO_2 emissions from ships", which triggered IMO's work on GHG emissions. The 1997 International Convention for the prevention of pollution from ships (MARPOL conference) requested IMO to undertake a study on GHG emissions from ships and to consider feasible emissions reduction strategies.

The first IMO study on GHG emissions from ships was presented to Marine Environmental Protection Committee (MEPC) in October 2000, which identified a potential for reduction of GHG emissions, through technical and operational measures, but these alone would not be able to prevent a total growth in emissions from ships.

WHAT IS THE STATUS OF MBMS?

Further discussions will be held at MEPC from October 1 to 5, 2012. The MEPC continues its consideration of proposed market-based measures (MBMs), which would complement the technical and operational measures already adopted. Further debate will continue at the next session (MEPC 64, October 1 to 5, 2012). The MBM proposals under review range from a contribution or levy on all CO2 emissions from international shipping or only from those ships not meeting the EEDI requirement, via emission trading systems, to schemes based on a ship's actual efficiency, both by design (EEDI) and operation (SEEMP)

(As per information from IMO)

'MORE PRIVATISATION NEEDED IN PRIVATE PORTS'

For over two decades, it has been the largest handler of bulk cargo at the Kolkata Port. From humble beginnings, the company's overseas mining operations are executed for Mittal Steels, one of the largest private steel conglomerates in the world, at Algeria and Romania and boasts of a material output of 3,00,000 TPA. **Sharad Varma**, MD of **B. Ghose & Company**, speaks to Maritime Gateway about the maritime sector and the challenges it faces in the current scenario.

Q. B. Ghose & Company has been into the maritime business for over five decades. What is your current focus?

A. It is specific to developing the coastal shipping business since we see a massive opportunity in this area. Currently, coal requirement in India is huge and the demand will continue to grow. So, someone has to bring coal into the country. We are looking at that opportunity through high seas operations. Many bring coal into the central and northern regions and they need rakes from Kolkata to move that coal. Since we do not have a deep water port, the concept of coastal shipping assumes significance. Basically, it is not coastal shipping in the true sense; it is lighterage at high seas. That is a thrust area for us.

Q. Which are the other areas of your operations?

A. We have been operating a lot of ICDs that belong to CONCOR. Now, we are planning to partner with private companies which are very good in all other operations, except yard management. Also, we are looking at handling cargo at large airports and recently bid for DIAL.

In our business cargo, handling occupies the number one spot. Then comes operating vessels and the third area would be chartering, ship broking etc. I think dry ports business will grow many times. ICDs and CFSs are coming up

SHARAD VERMA IS VERY POSITIVE ABOUT BOOMING BULK CARGO BUSINESS AND WELL POSITIONED TO TAKE ADVANTAGE OF HANDLING THE CARGO THROUTH COASTAL SHIPPING

Holding fort at Kolkata

- B. Ghose & Co. Pvt Ltd was incorporated in 1956 in Kolkata. In those days, the principal activities of the company were stevedoring and transportation at the ports of Calcutta and Haldia.
- Over the past 50 years, B. Ghose has expanded its fields of operations and now encompasses an entire spectrum of activities; from shipowning, chartering to container terminal handling and overseas mining operations.
- B. Ghose operates Inland Container Depots (ICDs) for Container Corporation of India (CONCOR), a Govt of India undertaking at Tughlakabad (Delhi), Jaipur, Guwahati, Rewari and Birgunj in Nepal. The first ICD which opened in Guwahati over 20 years ago, was started in collaboration with N. F. Railway and subsequently transferred to CONCOR and is still operated by B. Ghose.
- Starting from humble beginnings, B. Ghose today boasts of an impressive staff strength of over 1,200 employees.

near industrial hubs and in NCR, about five to six mega ICDs are being set up.

Q. What is the current cargo handling scenario in India and specifically on the east coast?

A. Though we have lost the advantage of handling iron ore, it has been compensated by coal. Moreover, agri-products have increased this year. I believe we have enough cargoes to keep everybody busy for the next three years. With a lot of power plants coming in, definitely coal will drive the cargo growth on the east coast. Coal is coming from Indonesia, Durban and Australia. Soya bean meal, rice and maize are being exported too. Both small and large vessels have been employed on the east coast in one way or another.

Q. What do you think is needed to promote maritime development in India?

A. We should increase the tonnage. This will be possible only when Indian companies relying more on Indian ships, extend strong support. Also, we need a separate financial institution, akin to SICCI, which can provide access to funds to buy ships.

Sadly, major ports still haven't learnt from their mistakes and there has to be a greater degree of privatisation there. Since the port sector is a capital-intensive industry, somebody has to bring in a lot of investment. Unfortunately, we neither have access to funds nor do banks and financial institutions understand the maritime sector. mg

Danish Wonder at Rise of Singapore

The story of Singapore's success not only in maritime, but in electronics, life sciences, health care and property, has drawn admiration and curiosity from Western economies, struggling with debt in contrast to Singapore's healthy cash flow position

Ramadas Rao

AVERAGE AGE OF MERCHANT FLEET

DENMARK (YEARS)	8.00
REST OF THE WORLD (YEARS)	10.35

What makes the Singapore maritime clock tick? Or for that matter, "what makes Singapore tick?" On the eve of the Singapore Maritime Week (held from April 22 to 27), a delegation from the Danish Shipowners' Association visited Singapore to unravel the secret of Singapore's success.

So, delegates that included journalists, lent their ears to representatives of Singapore's shipping sector to hear about strides in innovation and growth. "We are keen to know how the public and private sectors work together in Singapore," Sofie Rud, Director of Communications at Danish Shipowners' Association, who was part of the delegation, said.

Their eyes took in the great sweep of the physical contours of the maritime cluster dotted with shipyards that build among others the world's maximum number of offshore jack up rigs and the sprawling container terminals that have elevated transshipment to a new dimension.

On the surface, both Denmark and Singapore seem to be quite similar, with populations hardly inching above 5 million. Both rely on international transport and global trade and both continue to punch above and beyond what their size might suggest.

The similarities, however, end here. Denmark's maritime traditions in terms of shipowning and operations run very deep. Singapore's shipping history also goes back well in time, but we are basically viewing the scenario in the modern era.

The Danish Shipowners' Association was established over a hundred years ago in 1884. The most visible face of world shipping today is Denmark's A.P. Moller Maersk Group. Maersk Mc-Kinney Möller, son of Arnold Peter Møller – founder of the A.P. Moller – Maersk Group, passed away on April 16, aged 98 years.

It's not just Maersk though that makes Denmark the maritime superpower that it is, especially in product tanker operations. Shipping companies J. Lauritzen, Norden and Torm are over a hundred years old and continue to be among the top operators. Torm though is struggling to emerge out of the debt trap amidst the shipping crisis.

Reflecting Denmark's great shipping tradition is Bimco, the world's leading shipowning organisation, which is headquartered in Copenhagen. Starting out as an organisation of North European shipowners in 1805, Bimco has grown to be the largest organisation of shipowners, with approximately 2,500 members from 123 countries. Bimco members control 65 per cent of the world tonnage and current president of Bimco is none other than India's Yudhishthir Khatau, the vice-chairman of Varun Shipping and a former president of INSA.

Also reflecting the growing importance of Asia, Bimco is holding its AGM in Singapore during the Maritime Week.

Danish shipping like other European Union counterparts, is dependent on regulations adopted by the EU. Denmark has taken over the presidency of the European Union under the rotations system since January this year. In its recommendations to the EU on maritime policy, the association among other things, has called upon easing of cabotage restrictions. This is in sharp contrast to the stand of Indian shipowners, who are clamouring for reserving domestic tonnage for coastal trades.

"These restrictions hamper the efforts to gain better access for European shipowners to cabotage trades in important markets like China, India and Russia," the association noted.

This position is understandable because Danish shipping is overwhelmingly international. Shipping rakes in close to 17 per cent of Danish foreign exchange earnings and shipping activities including terminal operations are mainly confined to growth markets with 30 per cent of revenue originating in BRIC countries (Brazil, Russia, India and China).

Singapore too is largely dependent on international trade, but it is essentially a child of the colonial era. It built on the foundations laid by British rulers to develop the port and shipyards and graduating to the London model at the turn of the new millennium. Today, it does possess a vibrant service cluster to top up the physical infrastructure. The Singapore Shipping Association represents this diverse maritime profile with members representing not only owners, but also shipping agents, insurers, brokers, maritime lawyers, ship finance and bunker suppliers.

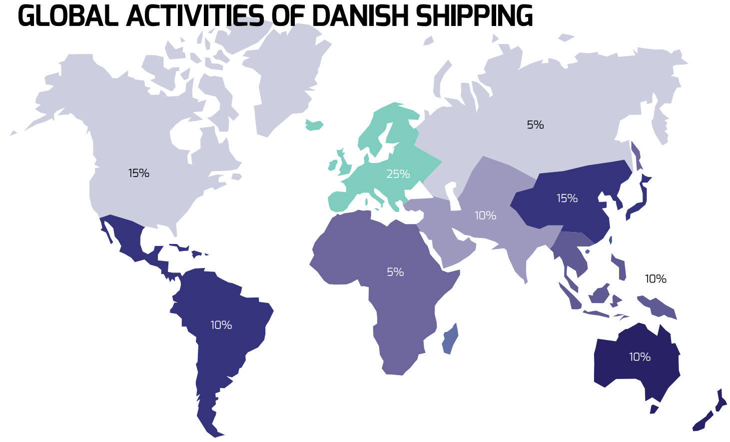
Economically, Singapore is closely linked to its Southeast Asian neighbours. FASA or the Federation of ASEAN Shipowners' Association, being headquartered in Singapore, is the secretariat of the Asian Shipowners' Forum, of which the Indian National Shipowners' Association or INSA is a recent member.

The story of Singapore's success not only in maritime, but also in electronics, life sciences, health care and property, has drawn admiration and curiosity from Western economies, which at the moment are struggling with debt in contrast to Singapore's healthy cash flow position.

The Danish delegation met up with shipping veteran David Chin, who is now executive director of the Singapore Maritime Foundation. The SMF, set up by Singapore's Maritime and Port Authority, is tasked with developing initiatives in the private sector to push Singapore's ambition of being a major maritime centre.

In the dialogue with the Danish shipping delegation Chin stressed that Singapore's great evolution from a third-world country to the comity of the world's rich, has come about

GLOBAL ACTIVITIES OF DANISH SHIPPING



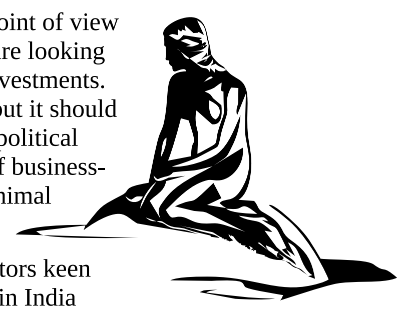
EUROPE	25%
USA/CANADA	15%
CHINA/HONG KONG	15%
CENTRAL-/SOUTHAMERICA	10%
JAPAN/COREA/SOUTHEAST ASIA	10%
MIDDELEAST/INDIA/ETC.	10%
AFRICA	5%
RUSSIA	5%
AUSTRALIA/NZ	5%

through careful planning, judicious allocation of priorities, a corrupt-free government and bureaucracy and the will and resolve to implement the measures.

This has been possible because most of Singapore's ministers and MPs are not "career" politicians, but high achievers in business and academics. "They are not looking at business from the perspective of taxation," Chin said. Singapore politicians and the civil service cadre therefore fully understand and appreciate the multiplier effect to the economy that businesses can bring. That's why Singapore has this system of tax holidays and concessions tied to spending of business enterprises even amidst a very moderate taxation regime for corporates.

Efforts such as these to establish not only a rapport with business, but also pave the way useful partnerships has caught the attention of the West, whose governments are deemed to be more regulatory despite leaning towards business.

What is significant from India's point of view is that both Denmark and Singapore are looking to India to grow their presence and investments. India's polity is extremely complex, but it should not be difficult for leaders across the political spectrum to understand the benefits of business-friendly policies that would entail minimal regulations.



For now, however, overseas investors keen to make inroads or grow their profile in India are visibly concerned over stumbling blocks that refuse to go away. The port tariff regime, for example, is sending all the wrong signals to investors as are holdups such as the signing of the agreement for developing the fourth container terminal at JNPT, the concession for which has been won by Singapore's PSA International.

If India is not careful and does not lend its ears to genuine business concerns, it could be left way behind its competitors in the developing world, who are assiduously wooing foreign capital. mg

The Long Arm of Logistics

How is Malaysia's logistics sector helping the nation towards becoming a high-income economy? This article explores in what way the New Economic Model aims to steer the country ahead.

Nazery Khalid

The logistics sector is going to be a pivotal driver to propel Malaysia to attain the aspirations of the country's New Economic Model (NEM). Launched in 2010, NEM is an ambitious plan to elevate Malaysia's economy to generate high-income, value-adding and innovation-driven activities to realise its goal of becoming a fully developed nation by 2020.

The logistics sector has the potential to generate activities featuring such criteria. As Malaysia's trade volumes grow in the years ahead, there will be a corresponding rise in the demand for value-adding and more complex logistics services and solutions such as multimodal transport, multiple party logistics and the handling of high-value cargoes like oil and gas.

Although Malaysia has diversified its economy, focussing on promoting the services sector to generate bigger contribution to economic growth, trade will continue to be a pillar of its economy.

As the pace of globalisation and liberalisation quickens, global trade volumes have increased significantly (the global economic downturn notwithstanding). Being the world's 18th largest trading nation (WTO ranking 2010), Malaysia has seen its trade volumes increase tremendously in the last decade.

This puts the spotlight on the logistics sector to facilitate the smooth movement of goods, information and capital across supply chains to enable the nation's ever-growing trade volumes to be handled efficiently.

For Malaysia, it is imperative that it has in place a logistics sector which can provide a wide array of services at

competitive costs and at high levels of efficiency and productivity, while maintaining a high degree of customer focus. This is key to retain and enhance its competitiveness as a trading nation.

Underscoring the importance of the logistics sector to Malaysia's economy, the government has designated the sector as a strategic sector that warrants putting a long-term plan to develop it systematically and promote it over the long term.

To this end, the government has established the Malaysian Logistics Council (MLC) under the Ministry of International Trade and Industry to deliberate logistics-related issues and chart the way forward for the sector to enhance its efficiency and contribution to the nation's trade and economy.

Malaysia is renowned with some world-class transport infrastructures such as ports, airport and highways, but greater focus should be trained on the 'software' side of the logistics sector to enhance its contribution to the economy. Key areas of improvement include enhancing competency of logistics professionals in supply chain management and developing integrated logistics solutions.

For Malaysian logistics players to make a mark internationally, they must be able to offer such services to stand a chance to compete against established international logistics services providers. They cannot rely on just serving the small domestic market to grow their market share, but should also aspire to compete on the international stage.

To attain the ambitious goal of creating a world-class logistics sector as aspired by the study on the 'Roadmap for the Development of the Freight Logistics Service Sector' commissioned by the Malaysian Logistics Council, local players must invest in capacity, technology and talent to offer services that can add value to the clients and generate high income.

> While Malaysia is renowned with some world-class transport infrastructures such as ports, airport and highways, greater focus should be on the 'software' side of the logistics sector to enhance its contribution to the economy.

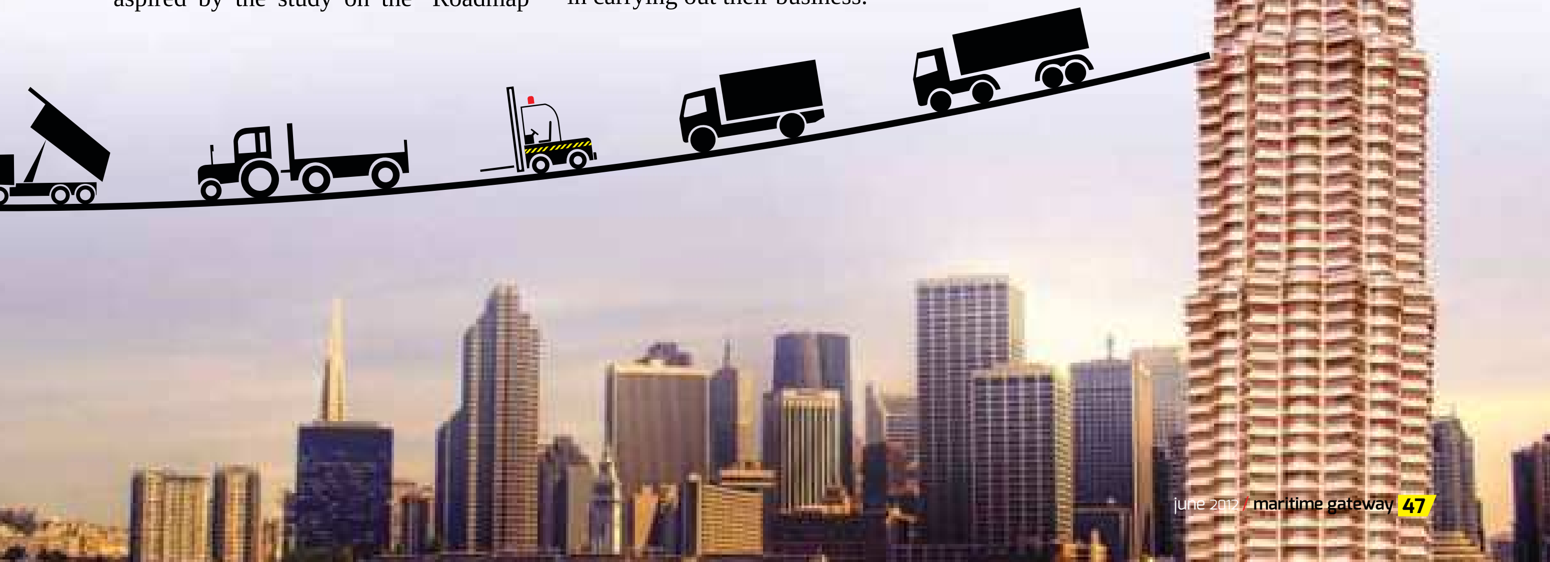
Meeting the target of becoming a fully developed nation by 2020 requires not only a set of good policies, but also serious commitment to invest in capacity and capability, unwavering focus, strong work ethics and a radical change in mindset. All these are required in large amounts in the logistics sector which operates in a fiercely competitive and trans-boundary environment.

However, in their pursuit for greater market shares, players in the logistics sector must fulfill their corporate social responsibility by meeting the society's expectations and protect the environment in carrying out their business.

As Malaysia works towards attaining its goal of becoming a regional logistics hub, the logistics sector should pay serious attention to reducing their carbon footprint in support of the national goal of reducing its emissions up to 40 per cent (of GDP) by 2020.

To do so will require huge investments in technology and manpower and a mindset change from focussing on activities that generate short-term revenues to providing value-adding services that lead to long-term growth based on the principles of sustainable development.

It can no longer be business as usual for Malaysia's logistics sector. Players must stand up and be counted and step up to the plate to help the nation attain the goal of becoming a fully developed nation by 2020. mg



Sailing with the Wind

Next-gen cargo ships could use 164-foot sails to lower fuel use by 30 per cent if a Wind Challenger Project undertaken by engineers at the University of Tokyo is successful

Of the world's nearly 45,000 cargo ships, many burn a low-grade bunker fuel in their engines and produce pollution equivalent to millions of automobiles. To help reduce that toxic load and keep the price of shipping freight reasonable, engineers at the University of Tokyo (UT) and a group of collaborators have designed a system of large, retractable sails measuring 64 feet (20 m) wide by 164 feet (50 m) high, which studies indicate can reduce annual fuel use on ships equipped with them by up to 30 per cent.

"Using today's technology, it's possible to make big sails, and to control them automatically," UT professor Kiyoshi Uzawa told *DigInfo*. "Also, navigation technology includes networked maritime information and weather forecasting, so ships like this can travel safely. Using wind energy, as in old-fashioned sailing ships, is actually feasible."

THE DEPICTION OF A CARGO SHIP EQUIPPED WITH THE WIND CHALLENGER PROJECT SYSTEM OF SAILS

Each five-segment collapsible sail, estimated to cost about $2.5 million, will be hollow and constructed of durable, lightweight aluminum and fibre-reinforced plastic. Similar in shape to an aircraft wing in cross section, the sails can be positioned independently of one another to maximise thrust and, while at anchor or in bad weather, can telescope down in what is known as "vertical reefing."

Uzawa anticipates that, with basic research completed, the Wind Challenger Project (WCP) group will be able to consider construction of a reduced-size prototype in the next few years to fully prove the concept. If all goes as planned, sea trials could begin as soon as 2016. If results from scale model wind tunnel tests and computer simulations bear out in the real world, he believes the sails could pay ultimately for themselves in five to ten years.

Due to the varying nature of cargo vessels, it seems likely that the WCP technology will be better suited for low-slung bulk material ships (ore, grain, oil) than for sea container ships, say, which stack freight high above deck. The group is not short on innovation, however, so it'll be interesting to see how that issue is approached.

It appears that a new era of tall, greener ships could be just over the horizon. mg

Govt may not build shipyards at proposed ports

The government may not look at building new shipyards in the country proposed in the Maritime Agenda, as the existing ones are already finding it difficult to get business. India has over 40 shipyards owned and operated by both private as well as public sector. –*PTI*

SHIPPING MINISTRY SEES ₹4,000 CR FOR DREDGING

The shipping ministry wants to step up dredging at major ports in the Twelfth Five Year Plan and hopes to get a budgetary support of over ₹4,000 crore, an increase of about 40 per cent over the previous five year plan. The 12 major ports would undergo 221 million cubic metres of capital dredging, whereas the minor ports would undergo 418 million cubic metres of dredging. Both the major and minor ports are expected to have maintenance dredging of over 500 million cubic metres.

Indian shipbuilding to reach ₹9,200 crore

The Indian shipbuilding and ship repair industry is likely to reach ₹9,200 crore from the current level of just over ₹7,310 crore, according to a study done by the industry body ASSOCHAM.

Iron ore export: Ports to share information

Paradip, Haldia, Dhamra, Gangavaram and Kakinada have agreed to share information on iron ore meant for exports coming in from Odisha with the state government. So far, only Paradip Port was sharing information. Nearly 25 million tonnes of iron ore was shipped from Odisha in 2010-11 as against the total export of iron ore of 97 million tonnes.

In Sync with the Times

Drawing on OEM reports and its own engine performance tests, Castrol Marine has strengthened its conviction that optimum performance, when slow steaming, can only be achieved by having a range of cylinder oils available for the customer.

The company says its research and development, OEM recommendations, market trends, legislation and, customer feedback, have combined in developing its latest cylinder lubricant offer, based on the realities of slow steaming, fuel sulphur content and low feed-rates.

Its investigations show that each vessel should use a cylinder lubricant based on its predominant operating conditions. While 40-BN cylinder oil suits vessels predominantly operating in ECAs, cylinder oils of 70 BN and above are better suited to those vessels regularly slow steaming, to ensure piston ring packs and liners remain in excellent condition.

"The idea of a single, mid-range cylinder oil solution for all vessels as sulphur limits are reduced may be seductive, but our field evaluation shows this does not offer the best margin of safety," says Paul Harrold, Castrol Technology Manager Marine & Energy Lubricants.

"Slow steaming has complicated traditional assumptions concerning engine performance because marine engines are not designed to operate below 85 per cent power for prolonged periods. At lower loads, the cylinder oil's feed-rate is reduced, reducing the available BN to neutralise acids and reducing the oil film thickness. This can mean lubricants degrade, increasing the potential for acidic corrosion and increased wear rates."

"Lower engine operating temperatures caused by slow steaming further increase the risk of cold corrosion," says Harrold. For owners, this could mean unscheduled and costly maintenance. Severe cases may require liner and ring reconditioning or replacement, Castrol warns. "Replacing liners on a 14-cylinder engine could cost over $1 million," Harrold points out.

"Higher BN lubricants provide greater neutralisation and hence better corrosion protection across the fuel sulphur range while slow steaming." Manufacturers of original equipment confirm that there is no need to change the cylinder lubricant if it has been operating in an ECA for around 10 to 14 days. Castrol's experience has shown that using a high BN product for even longer, is often acceptable when operating in an ECA, especially when it is slow steaming.

Fears that high BN cylinder oils may lead to deposits and bore polishing may be unfounded, the company adds. "Reducing speed by only 3 knots, will have the same impact in ash reduction as changing from a high to a low BN lubricant. When you think that operations in the ECA involve port visits combined with the current climate of slow steaming, most vessels will naturally reduce their speed," says Harrold.

On this basis, Castrol is confident that owners specifying higher BN cylinder oils do not necessarily have to change lubricant when visiting an ECA.

"We are not suggesting that a ship has to carry a range of products. In fact, the majority will carry only one, depending on their engine and voyage operating pattern. We have a 40 BN for prolonged operations in ECA, while our existing 70-BN cylinder oil has proven itself in intermittent ECA operation. For the most severe applications of optimised feed-rates and slow steaming, we would consider recommending 80-BN cylinder oil for many customers."

"Only by having a comprehensive range of cylinder lubricants to choose from can vessel operators maximise machinery performance and provide the highest margin of safety. Castrol will add an 80-BN option to its already extensive range of cylinder lubricants," he adds. mg

Shielding Seas

With 12 major ports, 200 minor ones and around 884.82 million tonnes per annum volume of cargo, which move through Indian ports, the problem of port security is not confined to India alone, but extends to the global maritime industry too

Vijay Kurup

The terrorist attacks of 26/11 in Mumbai exposed to the world India's vulnerability to attack by sea. With 12 major ports, 200 minor ports and 884.82 million tonnes per annum volume of cargo moving through Indian ports, the problem is not just India's but that of the global maritime industry.

As Christopher Koch, president and CEO of the World Shipping Council Maritime and Port Security said to the US Senate committee, "No nation by itself can protect international trade. Therefore, international cooperation is essential."

Today, compliance to mandatory programmes such as International Ship and Port Facility Security Code (ISPS) have been adopted to enhance port security in India. It covers a gamut of activities: fighting terrorism, preventing hijacking, piracy, illegal transport of nuclear and radioactive materials and prevention of smuggling of contraband goods, not just limited to narcotics. The ISPS Code includes a comprehensive set of measures to enhance the security of ships and port facilities. It was developed in response to the perceived threats to ships and port facilities in the wake of the 9/11 attacks in the United States.

Post 9/11, 12 major ports, 53 minor/non-major ports and five shipyards in India were made ISPS-compliant. According to commodore R S Vasan, Head, Strategy and Security Studies, Center for Asia Studies, Chennai, "The implementation of the ISPS in July 2004 and the enhanced security measures post 26/11 have definitely enhanced the levels of security in our ports... The major ports which are engaged in providing services to international traffic have no choice, but to be compliant of ISPS provisions."

Being ISPS-compliant implies that these ports are subject to security audit once in two years. Port facilities have to demonstrate that they are implementing proper and standardised risk management procedures. "There is a minimum level of security that has to be maintained at all times depending on the level of threat expected. The crew and the port operators are now going through mandatory training and drills to prepare for eventualities. There are many more issues related to 100 per cent check of containers and enhanced

levels of cooperation which is not always forthcoming from the agencies involved," Commodore Vasan added.

Upgrade of security is a continuous process. Technology intervention such as RFID, Biometric Authentication, Vessel Traffic Management Systems (VTMS), Automatic Identification System (AIS), Meteorological and Hydrological Sensors etc. are part of the package.

Recently, the Ministry of Shipping (MOS) awarded ₹70 crore ($12.74 million) order to Electronics Corporation of India Limited (ECIL), which has implemented and maintained over 400 security projects already. In the current order, ECIL will install radiation detection equipment at the 12 major ports in the country. The US has been toying with an idea of imposing 100 per cent scanning of containers at origin before they are loaded onto US-bound vessels.

As Indian authorities get serious about port security, global suppliers and technology, agents are scouting for business here. Take the case of Unisys Corporation of the US whose clients include Philippines Port Authority, Port of Los Angeles, Port of Halifax etc. Says Nishant Pillai, the company's Director of Cargo and Port Security Practice, "The Indian market is a key geography for our business and we are excited to increase our client base here. We have met with a number of stakeholders involved in managing Indian ports (including the Shipping Ministry, port authorities/operators, terminals and shipping companies). While we have not yet signed an agreement with an Indian sea port, we do have strong experience in Indian airports, having been the master systems integrator for Delhi International Airport - Terminal 3."

Unisys and its products

Unisys brings a comprehensive perspective on the cargo and port security domain. They have focussed domain insight, having participated in the design, development, testing and evaluation of port efficiency and security measures, including those specific to facility and cargo security technologies. Combined with global experience in standard-setting security solutions and national security practices, Unisys brings this unique combination to clients in India.

Specifically, Unisys provides services in the following areas:

- Strategic port security planning and risk assessment via the port security roadmap methodology.
- Biometric identification and access control solution.
- Intelligent video and command & control center solutions.
- Secure Commerce and In-transit visibility solutions using RFID, GPS, GPRS and other technologies.
- Vessel Traffic Management Systems (VTMS).
- Customs and ports re-engineering and modernisation with a focus on deployment of non-intrusive inspection (NII) technologies.

The International Convention for the Safety of Life at Sea (SOLAS) came into being post the Titanic disaster in 1914. Over the years, the convention had undergone many amendments, the last of which took place in 1974. Today, the convention is known as SOLAS 1974, has 12 chapters, of which Chapter XI-2 deals in special measures to enhance maritime security.

The ISPS Code is implemented through chapter XI-2 of the SOLAS convention. The SOLAS Code states among other things, the security of ships and port facilities is a risk management activity and that, to determine what security measures are appropriate, an assessment of the risks must be made in each particular case. The purpose of the Code is to provide a standardised, consistent framework for evaluating risk, enabling governments to offset changes in threat with changes in vulnerability for ships and port facilities through determination of appropriate security levels and corresponding security measures.

The security measures should not be so overwhelming that it strangles efficiency. Says Pillai, "Ultimately, we understand the need to find a balance between security and efficiency in the contemporary cargo and ports security context."

As the security head of a port terminal said, "It's our job to anticipate and be prepared. The terrorists and other anti-social elements can see us, but we cannot see them. Preparedness at all times should be our mantra". mg

'Outlook is very positive'

Kolkata-headquartered SPS Group is setting up 1.2-million tonnes per annum (mpta) pellet plant, a 1.7-mpta iron ore fines beneficiation unit, a 0.5-mpta coke oven and a 110-MW captive power plant at Mejia in Bankura district of West Bengal at a total cost of ₹2,000 crore ($364 million). The group has also floated a shipping company – SPS Shipping Ltd – to cater to the group's long-term needs of imports. **Capt Ravi Dey**, Managing Director of SPS Shipping, speaks to Maritime Gateway about the business plans.

Q. What are your current plans at SPS Shipping?

A: Timing is the key factor for any successful business, more so in the case of shipping. In view of the continuous falling of freight rates, we thought it is the right time to enter into ship acquisition in a conservative manner. We plan to acquire two ships and deploy one for container cargo and another for break bulk and project cargo. This move is a backward integration to meet our group logistics requirements. For our companies, we import copper wire, export steel products, and in case of the power plants, a lot of project cargo gets moved.

Q. What is the investment that goes into this plan and how much of cargo you would be handling?

A: We are starting with a $20-million investment for the ship acquisition. For our warehousing and transportation, we will invest another ₹60 crore ($10.93 million). We would handle about 5,000 teu per year and on the bulk side, about 1 million tonnes. For our operations currently, we use both Kolkata and Haldia ports. But as a contingency plan, we are ready to use the Dhamra or Paradip Port.

Q. What is your outlook on the growth of cargo movement on the east coast of India?

A: With so many new ports coming up, the outlook is very positive. I believe completion of the two freight corridors will make Kolkata a gateway port. Along with Kolkata, we will see a lot of cargo movement at Paradip and Dhamra ports as well. Due to the number of power plants which are being set up in the northern region, a lot of project cargo is already on the move. Also, the container throughput has increased from Kolkata and Haldia. With all these indications, we are hopeful about growth in cargo handling on the east coast.

Q. If finding cargo is not a problem what else is?

A: Infrastructure is one of the main concerns. We need to make a gap analysis of the entire area, from the port to the plant. Operational efficiency needs to be improved for getting better discharge rates. mg

ABB wins $18 million order for subsea pipeline construction vessels

ABB, the leading power and automation technology group, recently won an order worth $18 million from Daewoo to supply energy efficient propulsion and electrical power systems for two new deep sea pipeline installation vessels that will build oil transport infrastructure off the coast of Brazil.

South Korean shipyard Daewoo Shipbuilding and Marine Engineering (DSME) will build the vessels. The end customer, a joint venture between French oil service company Technip and Brazilian company Odebrecht Oil & Gas, will use the vessels to connect subsea wells with floating installations in depths of up to 2500 meters along the coast of Brazil for oil company Petrobras.

Wärtsila Ship Design developed the new VS 4146 PLV design witha solid tension capacity of 550 metric tons, and designed for optimal fuel consumption and flexible pipe laying operations. ABB's delivery will help the vessels use less fuel while operating at the highest levels of efficiency.

Iron ore export: Ports to share information

Paradip, Haldia, Dhamra, Gangavaram and Kakinada have agreed to share information on iron ore meant for exports coming in from Odisha with the state government. So far only Paradip Port was sharing information. Nearly 25 million tonnes of iron ore was shipped from Odisha in 2010-11 as against the total export of iron ore of 97 million tonnes.

The Union Ministry of Shipping in 2010 had asked all major port trusts of India to adopt measures in line with the measures adopted by Paradip Port Trust (PPT) to check illegal export of iron ore.

Gati Ltd's profit up by 63%

Gati Ltd, pioneer and leader in Express Distribution and Supply Chain Solutions, announced its financial performance for third quarter and nine-month period ended March 31, 2012. The company reported a 63 period jump in its net profit at ₹171 million as against ₹105 million for the corresponding period last year. The total income stood at ₹6,905 million as against ₹6,803 million in the corresponding period last year. For the nine-month period, EBITDA margin stood at 11.5 per cent as compared to 10.3 per cent for the corresponding period last year.

K50 bulk crane raises expectations

PRODUCT
50-tonne SWL four-wire MacGregor K5032-4HD crane

OWNER
PT J&Y Transhipment.

OPERATIONS
PT Armada Rock Karunia Transshipment on the Indonesian islands of Bunyu and Tarakan, in the East Kalimantan province.

The whole of Southeast Asia is a very important market for these kinds of cranes and Mac Gregor received recent orders for both K50 and K30 cranes from Thailand, India and Indonesia, demonstrating this large market for K4 cranes.

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 heavy-duty grab crane.

To strengthen its position there, Cargotec is preparing to open up a service station in the Kalimantan region.

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

There is increasing interest in K4 cranes in India, for use in both its bulk import and export markets, mainly handling iron ore and coal. K4 cranes are availble for all types of bulk handling and transloding operations.

If you want to load or unload Panamax or Capesize bulk carriers, outreaches from 32 m to 36 m are perfect. Another model with a 28 m outreach is ideal for use on transfer terminals and unloading barges discharging to hoppers.

With a capacity 50-tonnes in grab operation and outreach of 32 m, K50 crane is at the upper performance level in this segment and offers a very high capacity to load both Capesize and Panamax bulk carriers.

All K4 cranes are designed to have a long service life, with an estimated usage of around 5,000 hours per year. Also, they all fulfil FEM U7-Q3-A8 classification standards.

Engineering the new era

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

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

Piling work - Qatar

Singapore Maritime Lecture

Confronting challenges of international shipping

Piracy, pollution and the economic downturn in the global economy are some issues which have been bothering the maritime industry. But, the IMO seems confident of tackling them

PHOTO COURTESY: MPA

MARY SEET-CHENG, MINISTRY OF FOREIGN AFFAIR'S NON-RESIDENT AMBASADOR TO PANAMA, CUBA AND SPECIAL ADVISOR TO MPA, MODERATES THE SESSION WITH SEKIMIZU

Koji Sekimizu, secretary-general of the International Maritime Organisation, spoke on the challenging times that the maritime community is facing. The commercial well-being of shipping, he stated, is directly related to a global economy which continues to struggle, hampered by problems in global finance.

The demand for shipping services, he added, is weakening at a time when the supply of vessels is at a high level. "This is the cyclical nature of shipping. Those who rushed to order ships in the pre-2008 boom may now be questioning their decisions; but in hindsight, it is a wonderful gift." The IMO, Sekimizu explained, aimed at creating a level playing-field so that ship operators cannot address their financial issues by merely cutting corners and compromising on safety, security and environmental performance. This approach, he felt, would also encourage innovation and efficiency.

What's on IMO's agenda

Even before the *Costa Concordia* incident made headlines, safety at sea was always going to be in sharp focus for IMO during 2012. Now, in the wake of that incident, and others that have followed, safety will feature even more prominently, he stressed.

Given the international composition of *Costa Concordia*'s passengers and crew, the Italian authorities, he said, had agreed to allow IMO to be represented as an observer on the body overseeing the casualty investigation in order to monitor progress closely and remain abreast of emerging issues.

The Maritime Safety Committee, he revealed, would receive key information from the casualty investigation, prepare and swiftly adopt any new measures through a "Fast Track" approach, that is adopt possible amendments and complete the implementation of operational measures within a year. Also, it would update its programme to reflect the lessons learnt from the *Costa Concordia* incident so as to set standards for the new generation of cruise vessels.

Reducing emissions

At IMO's Marine Environment Protection Committee in July 2011, mandatory measures were mooted to reduce emissions from international shipping. The new regulations will make mandatory the Energy Efficiency Design Index for new ships, which requires new ships to be designed to be more energy-efficient.

KOJI SEKIMIZU, SECRETARY GENERAL, IMO, DELIVERS THE SINGAPORE MARITIME LECTURE

BIMCO

Survival through innovation

It was a significant element of BIMCO's perspectives in the shipping programme and a major contribution to the event

Officially opened by Emeritus senior minister Goh Chok Tong, the BIMCO meet was a positive demonstration of how innovation can be employed to confront challenges being faced by the industry.

But how should we think about innovation, which is quite complex, to translate from the "wish list" into real and positive action that will make a difference to a company's direction and its results? As a preliminary "trailer" to

the subject, Nigel Barlow, renowned as a motivational speaker, invited delegates to “rethink” and understand practical innovation.

Conversations on innovations

“Survival through Innovation” then took the form of separate “conversations”, between three groups of industry leaders, facilitated by the well-known broadcaster Nisha Pillai. The first group, which consisted of the Standard Chartered Bank’s Nigel Anton, the Bank of China’s Pakco Lam, Grant Schutz from Norton Rose and Michael Harvey of Rio Tinto Marine, was invited to consider the topic of Innovations in Ship Finance, against a background which suggested that finance was becoming increasingly difficult to arrange, with many sources of ship finance withdrawing from the market, perceiving the current overcapacity and lack of apparent reward.

Anton suggested that banks, in particular, were returning to traditional ways of doing business and while there was a notable lack of liquidity in general, there was still no lack of interest in financing projects with better capital returns. Offshore energy projects, rather than pure shipping seemed more promising.

“Focus on expertise of owners”

In the future, it was suggested, bankers will focus more upon the expertise of the owner. A growth in “industrial shipping” may be contemplated with major cargo shippers seeking to manage their physical risks. As to the overcapacity of shipbuilders, consolidation and closure of more yards could be forecast before there was any recovery in demand.

For the second “conversation” the Technology and Operational Innovation panel was faced with the “killer” question as to whether shipping and shipbuilding could re-invent itself, as something as dramatic as this appeared to be indicated. The panel consisted of Peter French of the BMT Group, Hiroshi Iwamoto, chairman of the Committee for Expertise of Shipbuilding Specifics, Class NK’s Yasushi Nakamura and Tom Boardley, the Marine Director of Lloyd’s Register.

Sustainable Shipping Initiative

Ushering a new era

Aiming to make shipping industry both profitable and sustainable, plans presented as part of the Sustainable Shipping Initiative, at Singapore Maritime Week recently, will help usher a new era of sustainable shipping

The Sustainable Shipping Initiative (SSI) at Singapore Maritime Week recently, launched a series of practical, collaborative action plans aimed at developing a sustainable shipping industry for the future.

The SSI is a cross-sector coalition of 16 global companies and two non-governmental organisations working together to tackle some of the sector’s greatest opportunities and challenges. Facilitated by Forum for the Future, in conjunction with World Wildlife Fund (WWF), the initiative has members from key industry players such as Maersk Line, Cargill, Lloyd’s Register, DNV, Wärtsilä and Daewoo Shipbuilding & Marine Engineering (DSME).

The action plans are a significant step for the SSI as it works towards achieving its vision of a shipping industry which is both profitable and sustainable by 2040. They will develop new knowledge, tools and processes for the industry over the next 18 months, utilising its members’ extensive expertise spanning shipowning, chartering and operations to shipbuilding and engineering, marine finance and insurance, banking, technical standards and global supply chain.

The four plans address areas with the greatest potential to accelerate change:

Closed Loop Materials Management: The China Navigation Company (CNCo), DSME, Maersk Line and Carnival, together with Lloyds Register are focussed on developing systems and practices to enable widespread adoption of closed-loop management of materials in the shipbuilding processes. The aim is to achieve full transparency and accountability for the social and environmental impacts of all materials, from construction through to recycling of ships.

Financing Sustainable Shipping: ABN AMRO, Cargill, Wärtsilä and RSA are partnering with other leaders in finance, insurance and shipping to develop new approaches for the financing of sustainable ships. This includes piloting at least one new financial model that will reward sustainable performance.

Energy Technology: Bunge, Gearbulk, Rio Tinto, Lloyd’s Register, along with BP Shipping, Maersk Line and Cargill are striving to make low-energy technologies more affordable and available. Focused on the implementation gap – many lower-energy technologies available but are not being implemented at scale – the work stream will develop robust business cases, providing the information companies need to adopt large-scale eco-efficient technologies and techniques.

Credible Benchmarking: WWF, Carnival, Lloyds Register, Maersk Line, DNV, RSA and Unilever are helping the shipping industry navigate the growing number of beyond-compliance rating schemes, which will enable greater uptake and drive improved sustainability performance. Over the next 18 months,

the group will develop a clear and comprehensive guide for how the industry uses these standards, including recommendations on which schemes to adopt to suit the needs of individual shipping companies.

Aaron Bresnahan, vice-president, Special Vessels, Wärtsilä said, “Our customers are increasingly demanding greater efficiency and better sustainability for all of their operations. Only last month, the Government of the Republic of Korea demonstrated the importance of sustainability when choosing our dual-fuel technology for a new guide ship for their port authority.

Clearly, Asia has an increasingly significant role to play in the global shipping sector and a number of Asian companies are already leading the way towards developing a more sustainable industry. Korea’s DSME is setting new standards in fuel efficiency, building Maersk’s new EEE container ships, which emit 20 per cent less CO_2 per container shipped than any other vessel and CNCo is currently involved in a fleet renewal programme which will sustainably recycle ships that have come to the end of their lives.

Jonathon Porritt, Forum for the Future’s Founder Director concludes: “Over the next 18 months, members will be developing new prototypes, technologies and financial models that promote sustainability as well as the guidelines that businesses need to implement change.”

www.forumforthefuture.org/ssi

Sea Asia 2013

Asian voice in world shipping

It’s an event in which the shipping community unites to debate the future direction of an industry which is increasingly dominated by Asia’s rising economies

Sea Asia 2013, the latest edition of the iconic maritime conference and exhibition, was launched at Suntec Singapore International Convention & Exhibition Centre in Singapore during the Singapore Maritime Week.

Over 180 industry leaders from the global maritime industry attended the launch ceremony to show their support to the award-winning maritime show held in Singapore once every two years.

Sea Asia has evolved into an event in which the shipping community unites to debate the future direction of an industry which is increasingly dominated by Asia’s rising economies.

The theme for Sea Asia 2013 is “The Asian Voice in World Shipping – Here To Stay” and is scheduled to take place during SMW next year. Sea Asia 2013 will take place from April 9 to 11, 2013 at a newly revamped Suntec Singapore International Convention & Exhibition Centre.

The show has grown rapidly since its inauguration in 2007 and is recognised as one of the fastest-growing maritime events around the globe. One of its key differentiators is the presence of high level decision-making senior shipping executives it attracts from all over the world. The show is co-organised by the Singapore Maritime Foundation and Seatrade, and supported by the Maritime and Port Authority of Singapore (MPA).

Spanning three days, each day of the conference is dedicated to different stakeholders in the shipping industry. While Day One will cater to shipowners, focus on the outlook for the industry and how it is coping with current market challenges, Day Two and Three will bring into focus the green agenda, ship financing, shipyard technology, offshore and project cargo.

With an exceptionally strong interest already evident for 2013, the amount of exhibition space projected for next year’s show is 8,000 square metres and the total number of participants are expected to be 14,000.

Chairman of the Singapore Maritime Foundation, Michael Chia and Chris Hayman, chairman of Seatrade, spoke at the launch event.

(L TO R) DAVID CHIW, EXECUTIVE DIRECTOR SMF, MICHAD CHIA, CHAIRMAN SMF, MS TAN BENG TEE, ASST CHIEF EXECUTIVE, MPA, CHIRS HAYMAN, CHAIRMAN SEATRADE

Seatrade Asia Awards

Celebrating achievements

Winners of the 2012 Seatrade Asia Awards were announced recently, with 13 companies and three individuals recognised for outstanding achievements and contributions to the maritime industry.

Hosted on the opening night of Singapore Maritime Week, Singaporean companies held centre stage at the awards, taking home more than 30 per cent of all titles. China and Japan were also well represented, with Hong Kong company Pacific Basin and Japanese ship classification company ClassNK, the only businesses to take home multiple awards. Thailand was another region honoured, with Khalid Hashim, Managing Director of Thai company Precious Shipping, receiving one of the night's top honours – the 'Lifetime Achievement Award'.

Guest of Honour, Mrs Josephine Teo, Minister of State, Ministry of Finance and Ministry of Transport, presided over the event and presented the final awards of the evening – the 'Seatrade Young Person of the Year' and 'Seatrade Personality of the Year'.

Taking place at Singapore's Shangri La Hotel and with more than 500 shipping industry players and commentators present, the evening was dedicated to celebrating the drive for excellence and outstanding performance in the shipping and marine industry across the region.

Precious Shipping MD Khalid Hashim was honoured with one of the evening's top accolades, the 'Lifetime Achievement Award' recognising his contribution to Asia's shipping industry over his 30-year career.

CLAS NK CHAIRMAN, NOBERU UEDA RECEIVING THE AWARD FOR CLASSIFICATION SOCIETY

Seatrade ASIA AWARDS 2012

AWARDS & WINNERS

The Seatrade Lifetime Achievement Award
Khalid Hashim – MD, Precious Shipping PCL

Seatrade Personality of the Year
Kenneth Koo – Group Chairman &CEO, TCC Group

Seatrade Young Person of the Year
Lionel Lee – MD, Ezra HoldingsLtd

The Education & Training Award **ClassNK**

The Environment Protection Award **APL**

The Safety Award **Thome Ship Management**

The Corporate Social Responsibility Award
Pacific Basin Shipping Limited

The Technical Innovation Award
Singapore Telecommunications Ltd

The Ship Manager Award **Univan Ship Management Ltd**

The Liner Owner/Operator Award **Evergreen Line**

The Container Terminal Operator Award **PSA**

The Wet/Dry Bulk Operator Award **Pacific Basin Shipping Ltd**

The Ship Finance Award **DNB Bank ASA**

The Maritime Law Award **Holman Fenwick Willan**

The Shipbuilding Award **Sembawang Shipyard Pte Ltd**

The Repair Yard Award **Keppel Shipyard Limited**

The Classification Society Award **ClassNK**

Deal of the Year **Allen & Gledhill LLP**

Seatrade Offshore Marine Asia

Conquering the odds

Asia's offshore marine sector cites fragmentation and a lack of collaboration as a major challenge facing the industry in Singapore. Yet, experts are upbeat that the region will be a global player in the times to come.

The Seatrade Offshore Marine Asia (SOMA) in Singapore witnessed some of the most influential voices in Asia's offshore marine industry coming together to discuss opportunities and challenges facing the sector. Fragmentation and a lack of collaboration across the industry, affecting growth potential in terms of economies of scale and productivity, was raised as a key challenge.

Seatrade's chairman Chris Hayman said 2012 would see the Asia-Pacific region continue to grow as a major global player in the offshore marine industry, driven in part by a growing demand for oil and the region's capability to provide high standards of support services.

While the region's offshore marine industry is thriving, the opening session, assessing the commercial climate for offshore support providers, addressed a number of challenges, such as fragmentation within the sector and the need for consolidation between

PANEL DISCUSSION AT SOMA

operators both within the region, and globally. Industry fragmentation was discussed as a barrier to further expansion and globalisation of the offshore marine industry in Asia. Since operators are increasingly looking to diversify into new markets, their lack of local knowledge and experience is making this difficult. Partnering with an established local operator with a strong presence in order to reduce costs and increase productivity, was a potential solution raised during the discussion.

Panel participant and Seatrade Young Person of the Year, Lionel Lee, Group MD, EMAS explained, "Each market has its own idiosyncrasies so it's important to have people on the ground when expanding into new regions. Getting to know the local market can take time, which is why collaborating with established local players enables newcomers to more quickly become familiar with the local landscape."

The second session, The Crewing Challenge – Manning and Training in Focus, addressed the acute crew shortage issue facing the region. With the economist intelligence unit identifying skill and resource shortages as major barriers to growth, the discussion focussed on how the industry needs to come together to develop global training standards.

Panel participant Mark Chairman, founder and CEO, Faststream Recruitment Group explained, "Long-term investment in training and leadership development will hold the key to managing considerable risks around the environment, safety and financial aspects of offshore projects."

The conference sessions also examined the latest innovative financing options available for the offshore marine industry, technical and environment issues facing the sector as well as floating production and storage market development.

The second day saw major players in the offshore finance industry discuss the profitability of deepwater drilling and the role increased insurance premiums will play on the industry in the future. Panelists discussed opportunities and challenges facing floating production, storage and offloading (FPSOs) units, with the region's capacity to meet the increasing demand for FPSO units cited as a major hurdle.

Financing in the offshore sector panel discussion included representatives from the financial sector, including Standard Chartered Bank, DVB Bank SE and DNB Bank ASA. Panelists discussed how the demand for energy is increasing in the region, particularly in India and China. Discussions revealed how oil companies are pushing the limits of technology to drill deeper to renew their energy sources and access the volumes of reserves required to meet this increasing demand.

BIMCO president Yudhishthir Khatau said, "Technology is pushing frontiers so that oil companies can drill in this part of the world, and what is allowing them to drill is the price they are getting for this oil. If you look at the internal rates of return for oil companies, the highest IRRs they are getting is from deepwater, so even though they are investing money, the price they are getting for the oil and the amount of oil they are getting out of the ground is making it economical for them. So from an investment point of view, that is the reason why an increasing amount of money is going into deepwater spend".

However due to the complexity of the technology used for deepwater exploration, rising insurance costs could potentially reduce the future profitability of deepwater projects. Mathew Cannock, Underwriting Manager, Catlin Singapore Pvt Ltd, said, "Rates are very competitive, so it is a good time to be a buyer of insurance. I think the challenge for the offshore sector is one of technology. Vessels that were exceptional ten years ago, are now the norm. We have the unfortunate job in the insurance industry of paying R&D costs and if things break down, we pay to fix them. What potentially will happen is that insurers will lose interest in the sector if they are getting continual losses and poor performance from these new technologies. With that, you will get a reduction in supply and the pricing will increase. But at the moment, the demand from insurance companies for a large marine portfolio means that those technical issues are glossed over."

The second panel discussion of the day, Floating Production and Storage Market Development, explored opportunities and challenges currently facing FPSOs in the region. The increase in demand for offshore oil across the region has resulted in a need for platforms to harvest crude oil from below the ocean floor. As such, the industry is facing challenges meeting this increased demand.

Philip Williams, Head, Business Development South East Asia, L&T said, "There has been a consistent increase in the demand for FPSO units in a short period, so the industry is struggling to meet this. Unfortunately, around 20 to 30 per cent of all FPSO projects end up with significant CAPEX overruns. A significant number of FPSO projects are being delayed, due in part to issues between the coordination of engineering and procurement, the availability and quality of fabrication yards and insufficient project management personnel." mg

CAPTAIN LANCE SAVARIA, THE COMPANY'S SALES AND MARKETING DIRECTOR

Seagull AS
Leading the Way

Onboard training for officers and crew will increasingly be the only way of coming to terms with the volume of requirements demanded by new and amended international maritime legislation as owners and managers find they are unable to send seafarers ashore to complete all training obligations.

The industry's means of recruiting, training, assessing, promoting and retaining the right people has never been more important. In the decade and a half since it was established, Norwegian training specialist Seagull AS has created a package of processes that work within one over-arching system, says Captain Lance Savaria, the company's sales and marketing director. Seagull's list of blue-chip customers for its training content and administration systems includes Maersk, Teekay, Klaveness, Bergesen, Chevron, MOL and Höegh Fleet Services AS.

Client solutions "are affordable and comprehensive in validating the abilities of people onboard conform to agreed standards," says Captain Savaria. "Our offering has an integrated set of tools which cover the entire process – from recruitment through all the stages of the seafarer's career. This is of great value to the crewing departments who can find everything they need for managing the career cycle in one single, comprehensive system."

Frank Pete, Director Software systems says, "Majority of our staff members are ex-seafarers who have the required knowledge and experience to understand the challenges and thereby give professional advice to existing and potential customers."

Norwegian owner Höegh Fleet Services AS was one of the participants in the development programme for computer-based training modules in the early to mid-1990s. The company has used Seagull since.

"We find this type of training to be a useful addition to shore-based and onboard-based training," says Terje B Lorentsen, senior manager, fleet personnel of Höegh Fleet Services AS. "Höegh has been developing company-specific training modules and providing Seagull with material for developing commercial modules."

How did Seagull meet Höegh's requirements, particularly with the never-ending requirement to adhere to impending maritime legislation?

"We had a close dialogue with the development section of Seagull and they were willing to adapt several of our requirements in order to provide for data exchange from the Seagull Training Administrator to our Maritime Personnel System," says Lorentsen.

"The systems were adjusted and configured in order to facilitate a training management matrix to be available both onboard and ashore. The crew and officers use the STA to review their training data while the personnel department utilises the Maritime Personnel System to do the same. Also, how does the use of Seagull technology and its customer services influence day-today operations at Höegh and how its seafarers work? "As we now have a xml-based data transfer system, we only record data in one system and have full overview of all training in both the Seagull Training Administrator and the Maritime Personnel System. The Maritime Personnel System is the master for personnel info while the STA is master for CBT and company-specific training," says Lorentsen.

"Virtually no administration is needed in the replication of data between the two systems. Previously, we had two encoders of data entering training information for our (then) 1,500 crew members. This job is now fully automated and the encoders are used to enter other relevant data for our current pool of 1,000 crew members."

Lorentsen is now looking for Seagull to develop modules, which take the STCW Manila amendments training requirements from pure shore-based to module-based onboard training such as ECDIS, Electro Technician Rating training. The target would be for Seagull to develop a concept wherein the questions and written tasks using the vessel as a classroom and senior officers as instructors should account for about 60 per cent, interactive simulations 20 per cent and theory and questions as part of CBT's about 20 per cent. mg

Karnataka to set up **all-weather** port at Tadadi

The Karnataka government has decided to set up an all-weather greenfield port at Tadadi on the west coast. It has set up a special purpose vehicle (SPV) for implementing the ₹3,800 crore ($690 million) port project. The SPV will act as a subsidiary of the Karnataka State Industrial & Infrastructure Development Corporation Limited (KSIIDC) which has been designated as the nodal agency for the project. The new company's board has decided to offer the port development work to the Union Ministry of Shipping.

"The ministry of shipping has responded to our offer and constituted a technical committee to vet the proposal. We have already submitted the detailed project report along with environment impact assessment report to the Ports Development Advisor. The members of the technical committee visited the proposed site at Tadadi during the third week of March this year,'' said Rajaneesh Goel, managing director, KSIIDC said after the company's first board meeting on May 2.

Karnataka has a coastline extent of about 300 km and currently has only one major port and ten minor ports operational on this coastal belt. The proposed port at Tadadi has got an effective hinterland comprising of Central and Northern parts of Karnataka and some parts of Andhra Pradesh, which are rich in large deposits of minerals, forests, agricultural and marine wealth. National Highway 63, National Highway 206 and also the proposed Hubli –Ankola Railway lines will provide good hinterland connectivity. About 1419 acres of land at Tadadi, Uttar Kannada District is available for the development of the project. The Tadadi Port will have a capacity of 62.36 million tonnes per annum. It will have eight berths, of which four berths are earmarked for iron ore and coal, three berths for the general cargo and another berth for the LNG. It will have a capacity of 62.36 mtpa, According to Goel, if the ministry of shipping does not take up the project, the Central government will have to provide viability gap funding (VGF) and the KSIIDC would take up the work.

"Already, nine companies have shown interest in the project and have been qualified. We would issue the request for proposal (RFP) to these companies after the government of India's decision to take over the project. If the government of India takes over the project, they will issue the RFP documents," Goel said.

Vadinar Oil Terminal Limited, Mumbai, Mundra Port & Special Economic Zone Ltd, Consortium of DSC Hung Hua Apollo, Consortium of JSW Infrastructure Limited & Leighton Contractors India Pvt Ltd, Consortium of GVK Transportation Pvt. Ltd. & Samsung C&T India Pvt. Ltd, Consortium of Gammon India & Punj Lloyd Ltd, Consortium of Navayuga Engineering Company & Krishnapatnam Port Company Ltd, Consortium of Malco Power Company Limited, Mumbai & Gangavaram Port Ltd and Consortium of GMR Infrastructure Limited & HCC India Ltd are in the race to bag the project. mg

PROJECT MONITOR

Adani, Essar in race for ₹3,683-cr terminal

Adani Ports and Essar Ports are in the race to build the ₹3,683-crore mega container terminal at Chennai Port. Chairman of Chennai Port Trust Atulya Misra said, "We have sent the proposals of Essar Ports to the Centre to obtain security clearance as there is a change in the shareholding pattern and as far as Adani Ports is concerned, there is only a change in the company's name whereas the board of directors are the same. Till that time, we will keep both the bids in a sealed cover."

Dredging at JNPT

The much-awaited Mumbai Nhava Sheva channel dredging project has once again hit a slow lane. This time, it is for the good. After the Union budget proposed to reduce the import duty on dredgers, Jawaharlal Nehru Port Trust (JNPT) was forced to ask all bidders to submit fresh bids for the mega dredging project. One can hope that the bidders would revise their bids downwards.

According to the 2012-13 budget, a dredger if imported on charter basis will attract nil duty. But a purchase would mean countervailing duty (CVD). The industry has apparently sought for clarification as the budget proposals have raised some confusion on the duty front. JNPT has meanwhile asked all three bidders to submit fresh bids, taking into account the new proposals. Interestingly, all the four European dredging giants are vying for the contract, with Dredging International and Van Oord Dredging bidding in a consortium while the other two – Jan De Nul, and Royal Boskalis – bidding independently.

Further delay in 4th terminal?

The construction of the 4th container terminal at Jawaharlal Nehru Port may be delayed further with the partners of the consortium, which was awarded the project, deciding to part ways. The ₹6,700-crore project was awarded to a consortium of PSA International of Singapore and Mumbai-based ABG Ports. The consortium partners have informed JNPT that PSA International alone will take up the project. The port trust will take a decision after consulting the shipping ministry. There is no legal issue in allowing PSA to go it alone as the project was awarded on the basis of technical and financial strength of the Singapore firm.

Ponnani Port to be delayed

The proposed port in Ponnani is likely to be delayed by another six months as the Ministry of Environment has to conduct an environmental impact study during the monsoon. The Kerala government signed an agreement in September 2011 with Malabar Ports Private Ltd (MPPL) for the construction of the initial phase of the port at an estimated cost of ₹763 crore. The total project cost is about ₹2,000 crore. This project will be the first in the country to be developed by reclaiming land from the sea.

Strengthening India's Maritime Security

Sumeet Gupta

Due to the enhanced naval presence in the Gulf of Aden, pirates have been shifting their area of operations southwards and eastwards, with some of the piracy incident happening close to India's Exclusive Economic Zone (EEZ). A large number of Somali pirates have been apprehended by Indian naval forces and coastal guards by enhancing their vigil. Such pirates are in custody and undergoing trial. Unfortunately, India does not have a separate domestic legislation on piracy. Indian Penal Code (IPC) 1860 and Code of Criminal procedure, 1973 do not include piracy as a crime.

In the past, these pirates have been prosecuted by invoking the provision of armed robbery in the IPC. However, due to the ambiguity with regard to offences of maritime piracy, authorities are facing problems in prosecuting these pirates.

Various stakeholders of the shipping and maritime industry would have heaved a sigh of relief on April 24, 2012, when E Ahamed, Minister of State for External Affairs, introduced the Piracy Bill 2012 in the Lok Sabha. The Bill reorganises piracy as a crime and lays down norms for prosecution of pirates. This is also in accordance with UNCLOS, which provides that all states have the obligation to co-operate to the fullest extent for repression of piracy and have universal jurisdiction on the high seas to seize pirates.

The Bill defines piracy akin to UNCLOS. As per the Bill, whosoever commits an act of piracy or attempts to commit or assists piracy, shall be punishable up to life imprisonment and also liable to a fine. In case piracy leads to death, it will incur death penalty.

The Bill provides for setting up of designated courts for speedy trial of offences of piracy. In case the Bill is passed by Parliament, it would extend to the entire EEZ of India and would ensure safety and security of maritime traffic and personnel plying between Asia, Europe and east coast of Africa.

Since maritime piracy is a global phenomenon, there is a tremendous possibility of international co-operation in this area. USA has a large stake in curbing piracy in the Horn of Africa as it has a vital interest in secured maritime commerce. The physical and economic security of the US, which is a major global trading nation with interests across the maritime spectrum, relies heavily on secure navigation for commerce by its citizens and partners. It has a national strategy to foster international cooperation for maritime security.

Recently, Abdirahman Mohamud Farolez, President of Puntland, was in New Delhi. Puntland is a tiny state and is bordered by Somaliland to its west, the Gulf of Aden in the north, the Indian Ocean in the southeast. He spoke about the recent discovery of large quantity of oil reserves. His invitation to Indian companies to participate in the exploration and seek New Delhi's cooperation in the petroleum sector, has caught a lot of media attention as it spurs new hope of oil import for an energy hungry India. What is interesting to note is that he also sought cooperation in areas related to piracy.

Once this Bill is passed, it will not only help in faster prosecution of pirates detained in India's EEZ, but will also enable India to play a larger role in the maritime commerce. It will indeed strengthen India's position for cooperation in maritime security, which is in accordance with the United Nationals Convention on Law of Sea. mg

Sumeet Gupta is additional director, FICCI. The views expressed here are personal.

Port Pipavav wins CNBC-ESSAR Infrastructure Excellence Award

ON MAY 8, 2012, Mr Kamal Nath, the Minister of Urban Development, Government of India, handed over the Infrastructure Excellence Award for Indian Ports to the executive team of APM Terminals Pipavav at an event organized by CNBC India, in the capital New Delhi. The port was recognised as one of the fastest growing ports in western India and for helping business growth in the region.

SIGNING CERMONY

Petronet LNG Limited (PLL) and Gangavaram Port Limited (GPL) signed a firm and binding term sheet for developing a land-based Liquified Natural Gas (LNG) Terminal at Gangavaram Port, Andhra Pradesh with a capacity of 5 Million Metric Tonnes Per Annum (MMTPA). Dr A K Balyan, MD & CEO, PLL and D V S Raju, CMD, GPL, signed the term sheet in the presence of Sutirtha Bhattacharya, IAS, Principal Secretary, Infrastructure & Investment Department, Government of Andhra Pradesh.

Port Anniversary in Hamburg, Germany

DURING MAY THIRD WEEK, the German trade hub opened the gateway to India at Hamburg's Port Anniversary, the world's largest port festival. Once again, both countries displayed their close relationship as India presented itself to more than 1.5 million visitors at the INDIA FESTIVAL.

India's commerce minister Anand Sharma and Hamburg's mayor Olaf Scholz inaugurated the event "Days of India in Germany – Connecting Cultures", commemorating the 60th anniversary of diplomatic relations between two countries.

agenda

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

Next Generation Port Challenge 2012

Performance, productivity, sustainability – achieve these three targets in order to win the Next Generation Container Port (NGCP) Challenge's top prize of $1 million.

Jointly organised by the Maritime and Port Authority of Singapore (MPA) and the Singapore Maritime Institute (SMI), the NGCP Challenge seeks to identify ideas that will achieve a quantum leap in port performance, productivity and sustainability for a new generation of container port that is set 10 years in the future.

The NGCP Challenge was officially launched today by Capt M Segar, MPA's Assistant Chief Executive (Operations) at Mandarin Oriental Singapore. Registration for the international competition is open till 31 July 2012.

Participants will have to submit their proposals by 31 December 2012. Submissions will be evaluated by an international panel, comprising representatives from the Singapore government and the maritime industry.

"The current landscape is such that high demands are placed on port infrastructure in the world. It is especially important for Singapore, as a land-scarce nation, to look for innovative proposals that will allow us to achieve an exponential leap in performance, productivity and sustainability. We believe that this competition will allow us to identify ideas that will not only benefit the Port of Singapore, but also revolutionise the entire container port industry," said Capt M Segar.

Participants will be required to consider several operating specifications, such as a handling capacity of at least 20 million Twenty-foot equivalent units, 24/7 operations and a 90 per cent berth on arrival for ships. Their design should also be operational within the given land profile and also be environmentally sustainable. These specifications are challenges currently faced by many established container ports around the world.

The winning proposal will be announced at the next Singapore Maritime Week (SMW), which will take place from 7 to 12 April 2013. In addition to the top prize, MPA and SMI will also set aside S$5 million in R&D grant to develop promising proposals and concepts. Before the winner and commendation awards are announced, shortlisted proposals will also be displayed in a public exhibition that will be held in conjunction with SMW 2013.

www.maritimeinstitute.sg/portchallenge

JUNE 01-02

CSCMP India Conference 2012

Venue: ITC Maratha, Mumbai, India

Attend for: 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.

More information: http://cscmpasiapacific.org

SEP 26-28

Intermodal India

Venue: Bombay Exhibition Center, Mumbai

Attend for: 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.

More information: www.intermodalindia.com

OCT 08-10

India Shipping Summit

Venue: Trident Hotel, Nariman Point, Mumbai

Attend for: 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.

More information: www.indiashippingsummit.com

DEC 05-07

6th Automotive Logistics India

Venue: Hilton/Janakpuri Hotel, New Delhi

Attend for: 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.

More information: www.automotivelogisticsindia.com

SEP 04-07

SMM 2012

Venue: Hamburg Messe Fairground - Hamburg, Germany

Attend for: The 25th SMM (shipbuilding, machinery & marine technology international trade fair Hamburg) from 4 to 7 September 2012 will once again be fully booked. "This puts us ahead of the 2010 SMM, which was already very successful," says Peter Bergleiter, Business Unit Director at Hamburg Messe und Congress GmbH (HMC). "In particular, demand from major Asian shipbuilding nations has increased once again," he adds. Apart from numerous other Chinese companies, China's two leading shipyard associations, CSIC and CSSC, will also be sending delegations. More than 30 countries will set up national pavilions and, for the first time, Argentina will be among them. Over 2,000 exhibitors from 60-plus countries will be represented at SMM, some 150 of them for the first time ever.

Wide Spectrum "Green Shipping" will again be one of the focal points of this SMM. Apart from recent dramatic bunker cost increases, it is mainly stricter international environmental regulations that force the industry to take action in areas such as ballast water management.

Financing is becoming an ever-more dif-f cult aspect of ship new building projects, a fact owed at least in part to stricter le-gal requirements for financing banks. This will be one of the key topics on the agenda of the SMM Ship Finance Forum (title: "To-morrow's Champions") held jointly by HMC and Financial Times Germany for the fourth time.

At the MS&D international conference on maritime security and defence Hamburg to be held in conjunction with SMM, high-level international naval representatives and security experts will discuss current challenges and proposed solutions.

More information: www.smm-hamburg.de

No Recourse for **Age-old Problems**

The Northern India Steamer Agents Association (NISAA) deals with issues related to Port-ICD connectivity and inland transportation. **Capt Ajay K Kaura**, President, NISAA talks about the challenges trade faces today.

With business in the northern region being quite subdued at the moment and the market being volatile, nobody has a clue as to which direction it will move in. Even though the rates are going up for certain routes, the trade is not sure about how long this will continue. Large-size vessels, which come into play as expected, will pull the rates further down. Therefore, as of now, it is a wait and watch scenario. While volumes will go up due to the peak season which is ahead, we are not sure whether it would be as good as last year.

Quite obviously, the current focus of shipping lines is to keep their costs down, especially in their inland ICD operations. There is a lot of imbalance in containers which need to be addressed by lines by putting them back to the port for utilisation. At Tughlakabad depot alone, approximately 1,800 containers were stuck, either they were abandoned or caught in litigation.

Another major concern is infrastructure, which we do not see any recourse in the near future. Neither have the inefficiencies been addressed, nor is there a time frame for solving age-old problems, or a specific forum to redress. It is a well-known fact that TKD is fully congested which leads to damage of containers during handling. Issues of claims come up because of these damages. Similar problems exist in other container depots too, except that they are slightly better because of the space available. As far as issues such as trained manpower and efficiencies are concerned, they are no better than TKD.

Presently, we are facing a problem with Nhava-Sheva. With the three terminals, the basic issue is move-count. Also, the pressure is on the shipping line since they have to finish import/export of boxes within a fixed move count irrespective of number of teu. This results in shut out of containers and costs and also gives uncertainty to the trade for seamless solution of shipping the container. During congestion times, in bound trains into the ICDs are delayed.

> “Today, the major concern for shipping lines is the looming Shipping Trade Practices Bill which will soon come into operation. There are a number of issues in the Bill, which we do not know how to address.”

Today, the major concern for shipping lines is the looming Shipping Trade Practices Bill which will soon come into operation. There are a number of issues in the Bill, which we do not know how to address. When delays happen at the port due to congestion or for any other reason, containers get stuck for months, escalating costs. For example, there were instances when containers were moved to Mundra and Pipavav due to congestion at JNPT and brought to inland depots in NCR region. Without proper notice, how can shipping lines file charges and pass it onto the customer, who has no control on the third party and their varying tariffs? Inefficiencies and infrastructure problems can create disputes and the amount of cases which go to the tribunal, will increase.

However, the implementation of e-filing has brought a ray of hope for the trade since it brings transparency, reduced workload and convenience in operations. All CFSs in the NCR region are working on the system and as per the directions of Ministry of Commerce, it should be operational by June end this year. mg

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