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Forseeing the future

Bengal Tiger Line chairman **Joachim Von Der Heydt**, talks about slowdown in rate restoration and consolidation of services

DRY PORTS LEFT HIGH AND DRY

By protecting state owned dry port operators, the government has stalled the growth of this sector

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India back in the reckoning



Reforms are back. After months of dithering, the Central government has finally decided

to throw open the doors to foreign retailers like Walmart by allowing 51 per cent FDI in multi-brand retail. In a historic decision, the Union Cabinet has also cleared 49 per cent FDI in aviation, power and broadcasting sectors and also announced disinvestment in four major PSUs – Oil India, Hindustan Copper, Nalco and MMTC.

So, Prime Minister Manmohan Singh, the original architect of the country's liberalisation, has decided to muster up courage to take risks and tough decisions to revive the country's economy. In fact, he did not have any other option with growth slowing down sharply. It was a 'do or die' situation as the government's inaction in the past months to push through reforms and ease its subsidy burden has resulted in a burgeoning fiscal deficit. This could have put India at the risk of becoming the first 'BRICS' emerging economies to see its credit rating downgraded to junk.

The new policy measures and acceleration in reforms will help Indian industry and lift its 'mood'. It will also help project India as a serious destination for international investment and improve its credit rating.

FDI in retail will help the entire supply chain – from farmers to end consumers. Studies suggest that 'Kirana' stores will benefit from a better back end, logistics, and better accessibility to purchase their goods of sale, thus allowing them to have newer revenue streams. It will also help

smaller businesses to grow as foreign retailers will start sourcing from them offering them more choice and, therefore, grow their income.

A major beneficiary of FDI in retail will be logistics and transportation industry. Commerce Minister Anand Sharma had earlier pointed out that the reforms would give a fillip to job creation 'by generating up to 10 million jobs over a three-year period' in areas such as packaging, canning and transportation. He hopes that anywhere between 5-6 million jobs will be created in logistics over a period of three years.

For a developing country like India, this is good news. With economy slowing down and industry production decelerating, employment generation was a major challenge for the government.

Besides, the retail FDI will also improve wastage of food. India has a high malnutrition rate and high food inflation because of wastage of food. India loses around 30 to 40 per cent of its food produce because of lack of refrigerated, transportation and cold storage. With foreign retailers coming in, we can expect good investment in transportation, logistics and supply chain technology. The overall industry is set to witness a major boost in terms of overall efficiency and revenues.

It is the beginning of a great journey and we expect India to be back in the reckoning soon.

Best Regards

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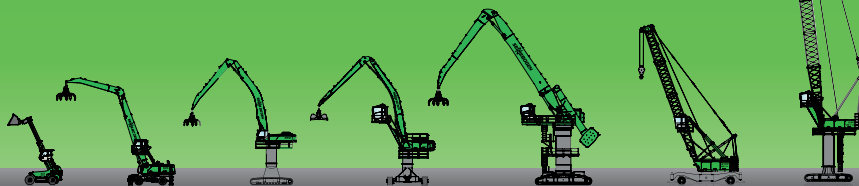
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The Central government is making efforts to encourage private sector participation in infrastructure segment by offering speedy dispute resolution and new framework for EPC contracts.

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ESMERALDA – The Ambassador of the Seas visits Mumbai Port The Chilean Navy's Training Ship 'Esmeralda', the second tallest ship in the world with four-masted barquentine, called Indira Dock recently as a part of their goodwill journey across the globe.

This ship is regarded as the floating embassy of Chile having 351 sailors on board. *BE Esmeralda*, was built in Cadiz, Spain in 1946 and was officially launched by the Chilean Navy in 1954. Pertinently, the sister ship "*Sebastian El Cano*" is still operated by the Spanish Navy. She is currently on an eight-and-a-half month training voyage that will see her call at 13 ports in 10 countries.

International cruise terminal at Mumbai Port

Maharashtra chief minister Prithviraj Chavan has said the government is planning to set up an international cruise terminal at Mumbai Port to attract international cruise tourists from Europe and the US who are now going to either Malaysia or Singapore. The chief minister said the government is sending a proposal to the Centre to expand the current passenger terminal at Mumbai Port and provide all facilities so that it can be a destination for international cruise ships.

GAIL inks LNG deal with Spanish firm

GAIL (India) Ltd signed an LNG supply agreement with Gas Natural Fenosa, Spain, under which GNF shall ensure a supply of about 3 billion cubic metres of LNG to GAIL over the next three years. The supply is the largest contract of the Spanish multinational in this region, GAIL said in a statement. Earlier, GAIL had entered a medium-term supply agreement with GDF Suez for sourcing 0.8 million tonnes of LNG from 2013 to 2014.

India could become net sugar importer

India, the world's largest consumer of sugar, is likely to become a net importer of the sweetener as early as 2013-14, as drought-hit farmers replace cane with less water-intensive crops. The shift to imports, touted by market participants and analysts, would likely bolster global sugar prices, which have been hammered by surplus production at a time of muted growth in consumption due to a sluggish global economy.

India, the world's No.2 sugar producer after Brazil, last imported the sweetener in 2009/10, sending global prices to 30-year highs.

Exports slump 14.8 per cent in July

India's exports slumped 14.8 per cent to \$22.44 billion in July as compared to \$26.34 billion recorded during the corresponding month in 2011 due to lower demands in North America and Europe. The cumulative value of exports in the first four months of the current financial year stands at \$97.64 billion, 5.06 per cent lower than the \$102.85 billion recorded during the corresponding period of last year. Imports dropped 7.61 per cent to \$37.93 billion in July, leaving a monthly trade deficit of \$15.49 billion, according to data released by the commerce ministry.

Singapore Bunker Sales Dip

The volume of marine fuel sold in the port of Singapore during the month of August was 3,556,000 metric tonnes (mt), a drop of 2.71 per cent on July's 3,655,200 mt, according to data from Maritime and Port Authority of Singapore. It was the second lowest monthly volume for the year.

China slowdown cuts deeper into Indonesia's coal sector

The slowdown in China's economic growth is cutting deeper into Indonesia's coal sector, forcing producers to reduce output and slash costs, and testing the resilience of a commodity boom in Southeast Asia's largest economy. Top Indonesian exporters are feeling the pinch after a 20 per cent fall in international benchmark coal prices this year. Moody's Investors Service said Indonesian industry costs in 2012 will rise as much as 15 per cent.

Production forecast for 2012 was cut to between 340 million and 350 million tonnes, the second revision this year and 10 per cent to 13 per cent below its original forecast of 390 million tonnes.

Port projects' security clearance norms streamlined

New guidelines have been issued to streamline security clearance proposals to remove bottlenecks in award of port development projects. The shipping ministry is also taking steps to ensure expeditious grant of environment clearance, land acquisition and litigation. The Ministry plans to award projects to create 244-million tonne capacity during 2012-13. This is spread across 42 projects at an estimated cost of ₹14,500 crore. The Ministry has also given targets to all the ports for dredging work so that 12 m draft can be provided to bring in bigger vessels.

Price rise, weak monsoon to hit fertiliser demand

India's fertiliser demand is likely to fall nearly a fifth to 45 million tonnes in 2012/13 on record high prices of some soil nutrients and a drought in key cash crop-growing areas. The first year-on-year drop in consumption in five years is likely to hurt crop yields and sales of fertiliser companies, although it will help the government cap the fertiliser subsidy – one of the reasons behind India's high fiscal deficit.

Denmark and Singapore sign MoU on maritime relations

Ole Sohn, Minister of Business and Growth, Denmark, and Lui Tuck Yew, Minister for Transport, signed a Memorandum of Understanding (MOU) to strengthen maritime cooperation and relations between the two countries. The MOU underscores the strong bilateral ties that Singapore and Denmark enjoy, and is also a testament to their excellent maritime relations. Under the MOU, Singapore and Denmark will explore opportunities for collaboration in the areas of quality shipping, green shipping as well as maritime research and development, education and training.

Bangladesh competes for ship exports

Bangladesh is known mostly as a shipbreaking nation, with dozens of ageing container vessels heading towards its southern coast for scrap. However, in recent years it has also emerged as a shipbuilding country. Shipbuilding yards in Bangladesh are now exporting small and medium-sized ships for the highly competitive European market. Since 2008, Bangladeshi yards have manufactured and exported ferries, cargo vessels, and ocean-going multi-purpose ships worth more than \$500 million (£320 million). The vessels were built for countries including Denmark, Germany and Finland.

SAIL plans to invest 95,000 crore in Jharkhand

Steel Authority of India Limited (SAIL) is planning to invest more than ₹95,000 crore to expand and modernise various projects across the state, SAIL chairman C S Verma said. Over the next decade, the steel major will expand its Bokaro Steel Plant (BSL), set up new steel, power and urea plants in Sindri and increase mining activities across Jharkhand. The proposed investment, which will not be matched of corporate group, is expected to generate employment opportunities and make the state an industrial hub.

SAIL is all set to enhance its production capacity to 45 metric tonnes (MT) by 2020. Jharkhand is a key state as it has four coal blocks, several iron ore mines and 4.59 MT capacity BSL plant.

Railway's freight traffic to rise by 5.2% in 2012-13

In 2012-13, the revenue-earning freight traffic of the Indian Railways (IR) is projected to rise by 5.2 per cent with about 1,020 million tonnes of commodities likely to be transported during the year, as per Centre for Monitoring Indian Economy (CMIE) data. This growth is likely to be supported mainly by coal and iron ore meant for domestic steel plants. India's coal imports are expected to rise by 28.3 per cent to 134.4 million tonnes. Coal is being imported to meet the strong demand from the power and steel sectors. Finished steel production is expected to rise by 7.4 per cent, in order to cater to demand from the infrastructure and automobiles sectors.

WALMART BRINGS LARGEST SOLAR POWER SYSTEM

Walmart commissioned what the company says will be its largest solar power system. The system, covering about 1 million square feet, is on a warehouse at the company's distribution center in Buckeye. The move is part of Walmart's effort to be more sustainable. The company was named as the top corporate user of solar on the commercial level by the Solar Energy Industries Association. The company said the new system would be capable of producing 5.3 million kilowatt-hours of electricity and be capable of powering about 30 per cent of the facility. Walmart has been installing solar since 2007.



VOICES

"It is good news and the Government has taken the right decision. This will help build business confidence. Right now there is a confidence deficit and policy measures like this will help."

- Capt Anil Singh, DP World commenting on Cabotage relaxation



We now expect relatively low global growth in the second half of 2012, and for this we are prepared. But it could also turn really bad.

- Nils Smedegaard Andersen
Maersk Chief Executive



Coal India will increase production by 7 per cent this fiscal. There is no possibility of production going up substantially in the near future as the public sector company is facing many problems.

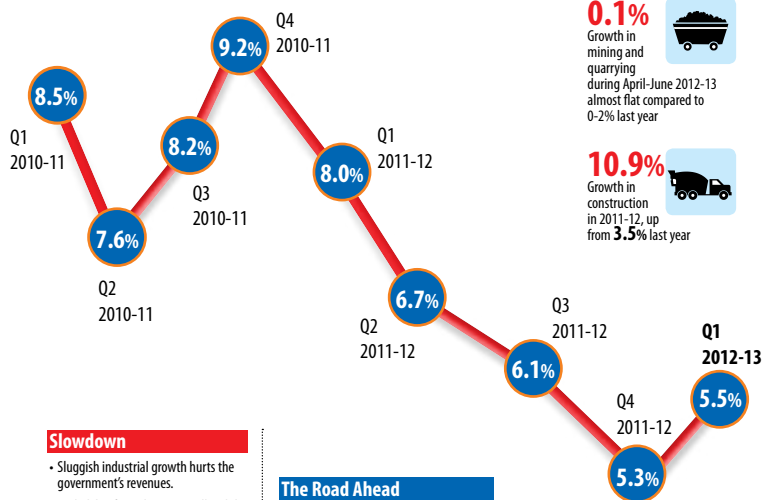
- Sriprakash Jaiswal
Union Minister of Coal

"We will bring in global best practices in cargo handling, port management and training. We will offer the latest technology, equipment and systems to ensure higher productivity."

- Eddy Bruyninckx
CEO, Antwerp Port talking about the tie-up with Essar

NUMBERS

GDP Growth Rate



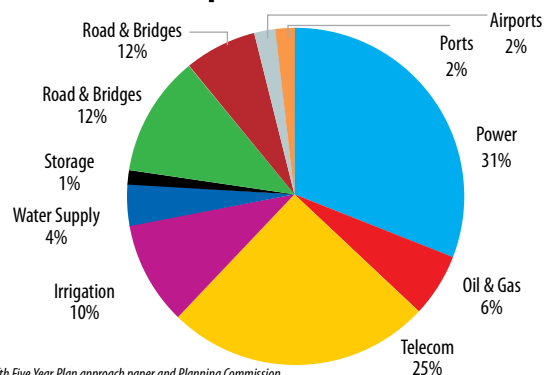
Slowdown

- Sluggish industrial growth hurts the government's revenues.
- High debts force the govt to allow hike

The Road Ahead

- Deficient monsoons likely to keep food prices high
- Slowdown in Europe likely to hurt exports
- Global commodity prices to remain high

Sectoral investment planned in 12th Five Year Plan



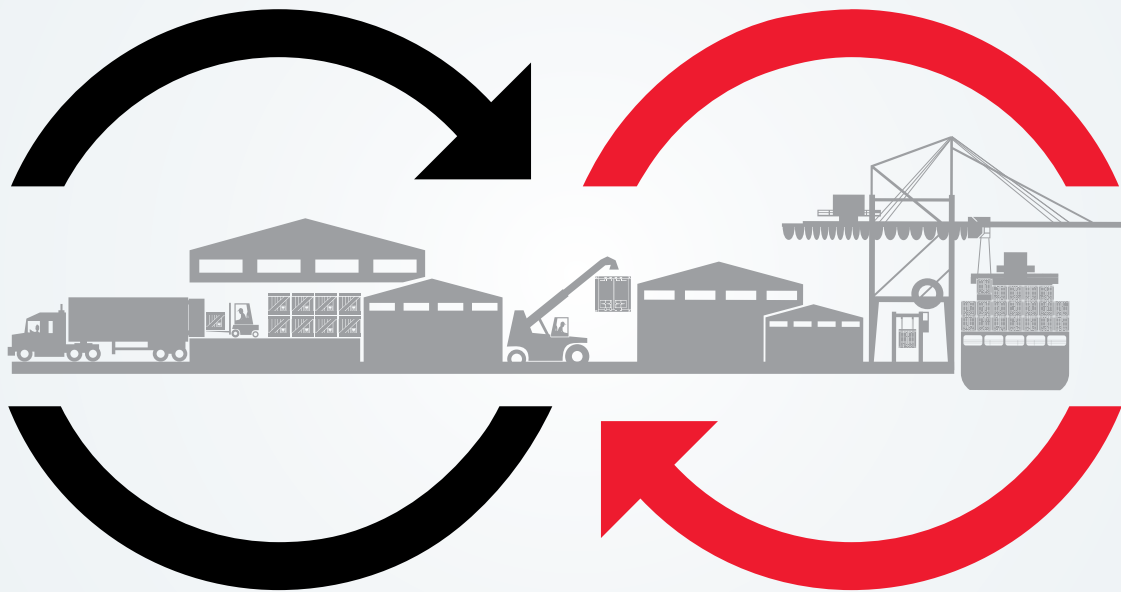
Source: Twelfth Five Year Plan approach paper and Planning Commission

Investments in infrastructure in the Eleventh plan

	Original (₹ in crores)	Actual (₹ in crores)	Under-/Over-achievement (Per cent of target)
Electricity (incl. NCE)	666,525	658,630	-1%
Telecommunications	258,439	345,134	34%
Roads and bridges	314,152	278,658	-11%
Irrigation (including watershed)	253,301	246,234	-3%
Railways (including Mass Rapid Transit System)	261,808	200,802	-23%
Water supply and sanitation	142,730	111,689	-22%
Ports (including inland)	87,995	40,647	-54%
Airports	30,968	36,138	17%
Storage	22,378	8,966	-60%
Oil & Gas	16,855	127,306	65%
Total	2,056,150	2,054,205	0%

Source: Mid-term appraisal of Eleventh Five year Plan

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Somali piracy to stay in retreat for now

Somali pirate activity is expected to stay low despite the end of the monsoon season, as aggressive navy action, private armed security teams and defensive measures by ships keep the heat on gangs at sea, navy and security officials say. Last year, Somali piracy in the busy shipping lanes of the Gulf of Aden and the northwestern Indian Ocean netted \$160 million, and cost the world economy some \$7 billion, according to the American One Earth Future foundation.

But in the first half of 2012 there were just 69 incidents involving Somali pirates, compared with 163 in the same period last year, International Maritime Bureau data showed.

Maersk Line plans to lift Asia-Europe freight rate

Maersk Line expects to raise its Asia to Europe freight rate by 10-11 per cent from November 1, signaling further recovery for the industry despite lingering global economic uncertainty. Earlier this month, A.P. Moller-Maersk raised guidance for its 2012 earnings on prospects of a further recovery in container rates after its Maersk Line swung back to profit in the second quarter, helped by a 14 per cent increase in rates between the first and second quarters.

Maersk Line's ship orders were sufficient to meet demand until 2015 and it had no plans to buy any more new vessels in the near future, assuming global shipping demand growth stood at 5-6 per cent a year, Chief Executive Soren Skou said.

India, Myanmar bilateral trade likely to double

The bilateral trade between India and Myanmar is expected to more than double by 2015. According to U Kyaw Swe Tint, Consul General of the Republic of the Union of Myanmar, the trade is likely to grow from \$1.28 billion in 2010-11 to \$3 billion in 2014-15.

India and Myanmar have signed 12 MoUs for extending cooperation in areas like border area development, in the field of defence and analysis and the establishment of joint trade and investment fora among others.



Mobile Siwertell unloaders meet multiple port needs



New mobile Siwertell units have been ordered from Cargotec to meet the specific needs of three ports; all will benefit from high-capacity, dust-free bulk handling operations and low noise levels, ensuring minimal environmental impact. Over the past four months Cargotec has secured orders for three new mobile Siwertell ship unloaders for ports in Turkey, Denmark and Sweden, confirming its leading position as an advanced bulk-handling technology provider.

"Cargotec has delivered more than 300 Siwertell units worldwide, 100 of which are mobile systems," says Jørgen Ojeda, Cargotec Sales Director.

Kolkata Port, ABG Haldia reach deal

Kolkata Port Trust (KoPT) and ABG Haldia Bulk Terminals (AHBT) have agreed to arrive jointly at a solution to the vexed issue of latter's under-utilisation of berths at Haldia. KoPT had moved the Calcutta High Court last week after AHBT last month threatened to stop operations of its two berths at Haldia, unless the port authority committed minimum guaranteed tonnage for handling.

"We (ABG and KoPT) have agreed to bring in a mechanism for optimum utilisation of these two berths within the ambit of our agreement," Manish Jain, Chairman of KoPT said. Gurpreet Malhi, CEO of AHBT, said in a statement that both have come to an agreement "to maximise utilisation of the equipment." The key terms included that all vessels carrying dry bulk cargo arriving at Haldia Dock Complex (HDC), "shall necessarily be allocated to berth nos. 2 or 8 (of AHBT)." However, if both berth nos. 2 and 8 are engaged in ship-shore operations (or vice-versa), the next arriving vessel may be allocated to berths other than the berths 2 and 8, according to AHBT statement.

Greater transparency for tracking consignments

DB Schenker Logistics now offers even more options for tracking consignments with its new Advanced Air & Ocean Tracking service. Customers can use the quick search feature, use special filters and references to customise information, and receive automatic notifications from the system. Customers that use the DB SCHENKERsmartbox service can track ocean freight containers with their consignments on a map in real time, 24-hours a day, using GPS (Global Positioning System). They can also retrieve a variety of sensor parameters such as the temperature, humidity, G-force, inclination and light.

The new eNotification feature lets customers set up and save notifications in the DB Schenker system for specific trade lanes and ports or airports. Customers automatically receive the preset information by e-mail when the consignment reaches certain milestones or if the consignment's parameters change.

Iron ore exports fall over 40%

Exports of iron ore from India, once the world's third-biggest supplier, fell more than 40 per cent in the April-June quarter, mainly because of a slowing China as well as falling global prices. A 30 per cent export duty imposed by the government led to a further drop in overseas sales, making Indian ores less attractive compared with Brazil or Australia. Iron ore exports fell to 12.11 million tonnes or worth ₹52.36 billion in the first quarter of the fiscal year, a statement from ministry of mines said quoting data from the finance ministry.

India exported 57.35 million tonnes of iron ore in the last fiscal to March 2012, down 42 per cent from the year ago period.

Indian iron ore mining mess

Justice MB Shah Commission report, which was tabled in parliament during the current session, said that Goa's iron ore mining scam is worth nearly ₹35,000 crore. The voluminous report holds the state government and central government agencies as parties to the scam, along with the powerful mining operators here, who according to Justice Shah, plundered natural resource and facilitated an "unrestricted, unchecked and unregulated export of iron ore to China", which made the exporters of ore "richer and richer".

Mr Shah has said that pinning down the majority of the scam in the five years, when an energy hungry China aggressively imported ore from Goa.

Cabotage Act relaxed to boost ICTT business

The Union government has decided to allow foreign feeder vessels at the International Container Transshipment Terminal (ICTT) at Vallarpadam near, Kochi, by relaxing the Mercantile Shipping Act of 1958. The relaxation in the cabotage regulations, announced recently, is for three years and ships carrying Chinese and Pakistani flags would not be allowed at the port.

Current cabotage norms allow foreign ships to ply on the coastline of the country only after getting a licence. The Merchant Shipping Act, 1958, Section 407, states that no ship other than an Indian ship or a ship chartered by a citizen shall engage in coasting trade except under a licence granted by the Directorate General of Shipping. The relaxation would allow containers that arrive at ICTT to be shipped to other Indian ports.



Kerala has been asking for this since the last two years. The decision was delayed mainly due to the strong protests from the Indian National Ship Owners Association. It was decided to relax the Act at a PMO meeting held in June that was also attended by the Cochin Port Trust (CPT) chairman. It is learned the meeting had proposed to relax the tonnage tax for domestic feeder vessels. The proposal is now awaiting clearance from the finance ministry.

PSA international ranked top container terminal again

The global container terminal rankings, currently headed by Singapore's PSA International, face a major shake up amid renewed merger and acquisition activity and the emergence of new players, according to Drewry Shipping Consultants. PSA's lead over second-placed Hutchison Ports Holdings shrunk to a much reduced margin of 4 million 20-foot-equivalent units in 2011 following the divestment of its interest in HPH's Hong Kong terminals, the London consultancy said.

PSA International handled 47.6 million teu last year for an 8.1 percent market share, and HPH accounted for 7.4 per cent of global traffic at 43.4 million teu.

Nagpur to get another inland container depot soon

The region's infrastructure has got a major boost with Maharashtra State Warehousing Corporation (MSWC) entering into a 15-year agreement with Glocal ICD Private Limited for setting up a new inland container depot (ICD) in Butibori. This ICD will be a road-based one unlike CONCOR which uses railways as a mode of transport.

DS Jha, managing director of Glocal, said that CONCOR had a capacity of handling 7,000 containers per month. "Our ICD will have a capacity of 3,500, thus taking the capacity of Nagpur region to 10,500 containers per month." MSWC has made a four-hectare land and two warehouses measuring 26,000 sq ft at Butibori available to Glocal.

Until now Nagpur region's imports and exports had to pass through Nhava Sheva Port near Mumbai. Glocal will link the ICD with Visakhapatnam Port on the east coast, which will reduce the transit of goods coming from China by four to five days.

APM Terminals signs agreement with MIV Logistics

APM Terminals Inland Services recently signed an agreement with MIV Logistics Private Ltd to manage and operate a new Container Freight station near Vallarpadam terminal in Kochi, Kerala. The agreement was signed by T Balakrishnan, Chairman, MIV Logistics Private Ltd and Subhasis Ghosh, Managing Director, APM Terminals India Pvt Ltd, in the presence of Michael Lund Hansen, Regional Director – Asia Pacific, APM Terminals and the Board of Directors of MIV Logistics.

The new CFS will become fully operational by October 2013. The facility, when fully operational, will have the capacity of handling 100,000 teu per annum, both for exports and imports. It will have a warehouse storage area of 60,000 sq ft and an open yard of approximately 50,000 sq ft.

Elcome bags major contract

Elcome International, the leading marine solutions provider and system integrator in the Middle East announced that it has been awarded a contract to supply the complete electrical, electronics and ship control package for a cable-handling ship conversion project in the Middle East. The contract was awarded to Elcome by a shipyard in UAE, which is converting a 140 m ro-ro vessel into a 125 m cable-laying vessel for one of the world's leading submarine cable installation, maintenance and repair organisations.

First Smit Lamnalco branded tug launched

On August 24 Smit Lamnalco launched *SL Gabon*, the first tug branded under its new corporate identity, following the integration of Smit's terminal handling activities with Lamnalco in July 2011. Built by Damen Shipyards Galati in Romania, *SL Gabon* is also the first of two newbuilds contracted for a five year period by Total Gabon to provide support in the offshore oil fields and to assist tanker operations at the onshore terminal of Cap Lopez, at Port Gentil, Gabon. The second tug, *SL Libreville*, is due for delivery next month. "It is great that the first new build decked with our new corporate colours visualises the integration of two international marine service providers," said Smit Lamnalco CEO Daan Koornneef.

The new builds are Stan Tug 4200-type tugs, rugged twin-screw vessels with 68 tonnes bollard pull. Accommodating a crew of 16 and fully air-conditioned, the vessels can be used for towing, pushing, push-pull, berthing, anchor handling, hydrographical survey, line handling, firefighting, salvage, diving support and pollution control operations in all waters.

DHL Express invests in infrastructure; inaugurates new facility in Pune

DHL, the world's leading logistics company, inaugurated a new, modernised service centre facility in Pune. The new facility spread over 12,000 sq ft with a capacity to handle a volume of over 20,000 shipments per month, was inaugurated by Anant Maheshwari, Managing Director, Honeywell Automation India Ltd. and Malcolm Monteiro, CEO, South Asia, DHL Express.

On the occasion Monteiro said, "DHL has been servicing customers in Pune for several years and this is the largest of our three service centre facilities in Pune. We are committed to deliver our promise of offering best performance transit time for all Pune shipments as we do any metro city."

Kerry Logistics as Freight Forwarder of the Year

KERRY Logistics has been named the "Freight Forwarder of the Year" at the Payload Asia Awards 2012 in Singapore. "The winning of this major award comes as another strong encouragement to our team," said Kerry managing director William Ma. To win the Freight Forwarder of the Year award, Kerry Logistics had to demonstrate the company's global network and coverage, growth and development strategy, operational performance in 2011, customer service and product innovations.

Customs urged to re-notify jetties at Kakinada old port

Local traders and industrialists have urged the Customs chief to re-notify Rake Hall jetties, which falls in the secured area of the port. This area is covered under the International Ship and Port Facility Security (ISPS) code. The plea was made at an open house with the shipping fraternity organised recently by the Commissioner of Central Excise, Customs and Service Tax. In a representation, the Cocanada Chamber of Commerce, said that more loading points needed to be opened up for export-import activities in the port area and the Rake Hall jetties were ideal for the purpose.



World's biggest box maker profit declines

CHINA International Maritime Containers (CIMC), the world's biggest container maker, has posted a 64 per cent net first half profit decline year on year to just over \$1 billion, drawn on revenues of CNY 27.4 billion, down 24.9 per cent. Its output in all of its container sales division was down compared with 2011, with 42.9 per cent fewer boxes produced in the first half to 557,800 teu. The 81,500 teu in reefer box production was down 7.9 per cent and the 33,000 teu in specialised equipment was 22.5 per cent lower in the first half year on year. CIMC's weak results were attributed to softness in the liner markets, as ocean carriers were not buying containers, despite taking delivery of new ships. Lessors also slowed down purchases, sensing soft utilisation ahead.

Dispute erupts as six-month delay threatens Panama Canal expansion

Shipping lines, forwarders and ports in the Caribbean and the US east coast could have another six months – at least – to prepare for the arrival of post-panamax boxships moving through a widened Panama Canal. A \$573-million dispute between the Panama Canal Authority (ACP) and Grupo Unidos por el Canal (GUPC), the consortium responsible for the construction of a new set of locks capable of handling 12,600-teu container vessels, has thrown the centre piece of the \$5.25 billion project six months off course. Shipowners and shippers will be less pleased by the dispute. Already feeling the pinch of a doubling of tolls in the last seven years, recent toll increases are set to add another 15 per cent to the cost of transiting the canal for liquid bulk, general cargo, ro-ro, vehicle carriers and tankers in the next two years, with no major productivity increase scheduled until the second half of 2015.



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- 120 km from Dhamra Port
- Total area - 30 acres

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Mercator bets big on coal shipment contracts

Mercator Limited is betting big on its long-term prospects and expects to coal shipment contracts with government and other global private sector players, to tide over the current economic slowdown. The company's shipping division continues to remain under strain due to ongoing cyclical business cycle. The demand and supply of the global tonnage is yet to reach an equilibrium level. Despite this, company achieved 37 per cent growth in top line on a year-on-year basis at ₹1,095 crore in fiscal 2012.

"Our coal businesses are on a robust upward trajectory. Our income from Coal division increased by 67 per cent in FY12 and 35 per cent in Q1 FY'13 year-on-year basis. We added a new coal mine in Indonesia last year to our existent portfolio. The company started production and completed its first shipment from this greenfield coal mine within duration of just 20 months," said H K Mittal, chairman, Mercator at the company's annual general meeting (AGM) in August.

This was the first AGM after Mercator went through a transition from being primarily a shipping company i.e. Mercator Lines, to a multi vertical organisation – Mercator Limited. According to the chairman, the transformation journey was timely and rewarding.



Mercator's oil and gas division has already commenced conversion works of the ONGC's 'Sagar Samrat Conversion Project' at Abu Dhabi. "Going forward, we expect to see more such projects requiring conversions of mobile offshore drilling units (MODUs) to mobile offshore production units (MOPUs). Mercator shall continue to bid aggressively for such global engineering, procurement and construction (EPC) contracts. On execution and production (E&P) front, development of our onshore oil blocks in Gulf of Cambay is progressing well and is as per schedule. The income from our offshore services segment posted an increase of 40 per cent in FY 2012 and 341 per cent in Q1 FY 2013 on year-on-year basis," said Mittal.

Christmas cargo boosts the US rates as Europe slumps

The shipping lanes of the Pacific and Indian Oceans show the diverging fortunes of US and European consumers ahead of the busiest shopping season of the year. A.P. Moeller-Maersk A/S (MAERSKB), the world's biggest container line, is among carriers raising rates on Asia-US routes as three-month-high consumer confidence and job growth at the quickest pace in five months tempt retailers to stock up ahead of the holiday-shopping rush. By contrast, shipping lines are cutting capacity to Europe.

On Asia-Europe routes, Copenhagen-based Maersk and other lines are paring services as economic confidence at a three-year low and record euro-area unemployment damp demand. The slowdown has hit European retailers including Marks & Spencer Group Plc (MKS) and Carrefour SA (CA), while US chains including Macy's Inc. (M), Target Corp. (TGT) and Victoria's Secrets' parent Limited Brands Inc. (LTD) are predicting higher sales.

Odisha conducts feasibility studies for 3 port projects

The Odisha government said that it is conducting pre techno-economic feasibility studies for three port projects, including a Container Cargo and Cruise Terminal facility at Baliarchandi in Puri district. This apart, pre techno-economic feasibility studies are also being conducted for establishing ports at Bahabapur in Balasore district and at Bahuda Muhan in Ganjam district, state Commerce and Transport Minister Subrat Tarai said. Replying to a questions on the port development activities in the state assembly, Tarai said: "We are also taking steps for conducting a long-term multi-disciplinary study for another port at Bichitrapur in Balasore district."

Dakshin Bharat Gateway inks concession pact with VOC Port

Dakshin Bharat Gateway Terminal has signed a concession agreement with V.O. Chidambaranar Port Trust to convert the berth no. 8 into a container terminal from a general cargo berth. Dakshin is a SPV incorporated by ABG Container Handling Pvt Ltd. With this agreement, the port (formerly Tuticorin Port) is all set to handle 5 lakh teu this year, says a press release from the Port Trust. Since, container traffic is likely to improve in the country as a whole, the Port Trust had planned to convert berth no.8 into a container terminal under BOT Basis for a period of 30 years.

The port has accepted the highest gross revenue share of 55.19 per cent offered by ABG Container Handling Pvt Ltd.

The estimated project cost is ₹312.23 crore and would facilitate a capacity of 6,00,000 teu. The terminal will start handling containers from middle of October. The project will be completed and facilities will be fully operational within 18 months.

Upon completion of this project, the port will have a capacity to handle 1 million teu. The EXIM traders of the hinterland, particularly Tirupur, Coimbatore, Karur and Erode belt, would benefit by the additional container terminal. The present container terminal of V.O. Chidambaranar Port is operated by PSA SICAL with a capacity of 4,17,000 teu. The third largest container handling port in the country has handled about 4,77,100 teu during the last financial year.

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A first: Guaranteed container shipping comes to Indonesia

The world's first guaranteed shipping services for containerised ocean trade are expanding to Indonesia. Global trade partners APL Logistics and Con-way Freight said that they have begun transporting day-definite shipments from Jakarta to North America.

The new services include:

OceanGuaranteed: A less-than-containerload service from Asia to Canada, Mexico and the US that provides delivery on a pre-determined date or a refund if the date slips. The service is jointly managed by Singapore-based APL Logistics, a supply chain services provider, and US-based trucker Con-way Freight, which provides day-definite delivery of Ocean Guaranteed shipments with the fastest transit times in North America through its dedicated fleet and network of 300 service centres.

APLGuaranteed: A similar service for full container load shipments.

APL Logistics revolutionises international vehicle transportation

APL Logistics has revolutionised containerised vehicle transportation with the introduction of AutoDirect – a cost-efficient solution that uses flexible but secure racks to safely and securely transport finished vehicles door-to-door.

Racks can be configured to fit up to six cars in one intermodal container compared to conventional fixed-rack container equipment which typically accommodates two medium sized cars. AutoDirect offers door-to-door delivery, minimising handling of vehicles throughout the supply chain. In addition, AutoDirect racks fit easily with standard containers from any carrier, allowing customers to deliver small batches more frequently to many destinations that traditional Roll on-roll off (RORO) transportation does not reach. This allows customers to reduce inventory while at the same time improving service.

Marina Bay Sands to host Sea Asia 2013

Sea Asia, the iconic maritime conference and exhibition which is the cornerstone event of Singapore's Maritime Week, is anticipated to reach new heights in 2013. The Singapore Maritime Foundation (SMF) and Seatrade, organisers of the show, said that they are projecting an overall growth of 15 per cent in terms of both exhibition space and attendance at Sea Asia 2013. In line with news about its growth, the organisers also announced that Sea Asia 2013 will return to Singapore's premier exhibition venue, Marina Bay Sands (MBS). Sea Asia 2011 was held at MBS and attendees hailed it as a tremendous success.

Christopher Hayman, Chairman of Seatrade, said: "We are pleased to be able to announce a seamless transfer of Sea Asia 2013 to Marina Bay Sands which is a world class venue."

Abu Dhabi opens Khalifa box port to refocus economy away from oil base

ABU DHABI has opened the first phase of its 2.5-million teu annual capacity terminal in a bid to refocus the economy of the richest of the United Arab Emirates on diverse industries and away from oil. Khalifa Port, located at Taweelah between Abu Dhabi and Dubai, has been built alongside an industrial area known as the Khalifa Industrial Zone Abu Dhabi or Kizad. Together, the two have cost a total of \$7.2 billion thus far. Van de Linde, Managing Director is confident of demand in Kizad with Mina Zayed almost doubling container throughput year on year at 767,000 teu.

KPT invites global bids for new oil jetty

India's largest port Kandla Port Trust (KPT) has invited global tenders for development of oil jetty to handle liquid cargo and ship bunkering terminal at old Kandla. The entire project is estimated to cost ₹233 crore and will be developed on build, operate, transfer (BOT) basis under public private partnership (PPP) mode.

The proposed oil jetty will have the handling capacity of 3.4 million tonnes (MT) of liquid cargo per annum (PA).

"With this project, our liquid cargo handling capacity will get a sharp increase from the current 1.5 MTPA. Also, this will be the first instance in India, where a ship bunkering terminal is also being developed along with an oil jetty through a PPP mode," said a senior official of KPT.

KPT operates four oil jetties, while two oil jetties located at KPT are operated by IFFCO and Indian Oil Corporation (IOC) respectively.

Japan agency probes suspected Tokyo shipping cartel

Authorities searched the offices of about a dozen shipping companies recently, including three major domestic firms, on suspicion of violating the Antimonopoly Law over an alleged price-fixing cartel to control maritime shipping charges for cars being exported from Japan. The three major domestic companies are Mitsui O.S.K. Lines, Ltd, Nippon Yusen Kabushiki Kaisha and Kawasaki Kisen Kaisha, Ltd, all based in Tokyo. The Fair Trade Commission is expected to work with regulatory authorities overseas as they may have globally coordinated a cartel, sources said.

The three domestic firms are believed to hold the largest share of the domestic maritime car transport market, estimated at 200 billion yen (\$3.15 billion) to 300 billion yen.

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**.

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JSW Jaigarh Port all set for handling containers

After successful handling of dry and liquid bulk and break bulk cargo such as coal, limestone, bauxite, coated pipes, sugar, fertilisers, iron ore and molasses, JSW Jaigarh Port has planned to commence containerised shipping operations later this month, which will ensure competitiveness for sugar mills, engineering industries, agro and food processing industries, sea food exports, textiles and allied machinery in the international markets.

Strategically located between Mumbai and Goa, JSW Jaigarh Port is aggressively and ambitiously gearing to become the most



preferred gateway port to the largest cargo generating regions of Central Maharashtra and Northern Karnataka.

Port is soon to achieve yet another milestone by starting the container services to its rapid growing cargo mix. The port is now equipped with 2 Liebherr Mobile Harbour Cranes with Bromma Single lift Spreaders, Reach Stackers and other associated equipments for handling containers. The port has also created necessary infrastructure for handling containers including 2 warehouses of 10,000 sq m each and one of 6,700 sq m, more than 1,000 ground slots and huge back-up area.

The port will construct two berths of 650 metres length with an annual capacity of 1 million teu having the supporting super structure of 6 Quay Cranes, 18 Rubber Tyred Gantry Cranes, Reach Stackers, 6,000 ground slots, CFS of around 55 acres and back-up area of more than 50 acres.

The deepest water port in Maharashtra, with a draft of 14 m will enable container lines to berth deep drafted vessels and offer attractive scale of economies due to larger vessels direct call. Backed by state-of-the-art technology and well-qualified manpower, the ultimate goal of JSW Jaigarh Port is to emerge as one of the most modern and mechanised ports in India benchmarked to international standards.

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 berths can handle 15 million tonnes of cargo. In 2010-11, port handled a total of 1.26 million tonnes and by 2011-12 port has achieved the target of handling 5 million tonnes of cargo. JSWJPL has planned to add eight more berths. With that it will be able to add 35 million tonnes of handling capacity and on completion there will be total 10 berths with capacity of 50 million tonnes.



Thus, the port has demonstrated its flexibility to go the extra mile to meet its customer's requirements and open a new avenue for routing container ships and serve the trade at large.

Connectivity

The port is developing road and rail connectivity to the port and the work for which is going on in full swing and is expected to be completed in the next three years.

Jaigarh Port is currently connected through a 2-lane road (SH 106 – 43 km) from Jaigarh to Nivali on NH 17, which is being widened to a 4-lane highway under BOT.

Nearest railway link is at Ratnagiri (55 km from JSWJPL) which is on the Konkan Railway network. The proposed railway connectivity plan to be taken under the new R3I policy of the Ministry of Railways (Govt. Of India).

Railway Siding: KRCL is developing two railway sidings at Ratnagiri. With this JSW Jaigarh Port will be able to serve longer lead cargoes and can handle containers using railways. This rail siding would be ready for operations by October end or early November. 

CABOTAGE: TWO SIDES OF THE SAME COIN

At last government woke up from slumber to create confidence in maritime sector. Now it is time for it to allay the fears of domestic shipowners as well.

While it is a wise decision to provide cabotage relaxation to Vallarpadam terminal for three years, high tax rates in India put domestic shipping lines at a disadvantage.

The government's decision to grant cabotage waiver to the Kochi International Container Transshipment Terminal (ICTT) in Kerala, has led to a chorus of assenting and dissenting voices. Predictably, exports/importers and port operators are happy with cabotage relaxation and domestic shipping companies fear they will lose business. With politicians joining the debate, the issue seems to be becoming more complicated than ever before.

India belongs to the group of countries that reserves its coastal shipping to domestic lines. Other countries in this group include the US, UK, Japan and China. According to the country's cabotage law, foreign ships can be hired for operating between Indian ports only when ships carrying Indian flags are not available.

India is surrounded by four major transshipment ports – Malaysia's Tanjung Pelepas in the East, Colombo in the South and Oman's Salalah and Dubai in the West. Not all ports in the country have the required draft length for accommodating big container vessels. As a result, mother vessels of all the major shipping lines call at these hub ports and transship their cargo to India.

ICTT at Vallarpadam was built as an answer to these hub ports as an Indian transshipment hub could offer better rates and reduced transit time for the EXIM community.

However, Vallarpadam terminal is yet to achieve this noble objective. The terminal, a joint venture between Cochin Port and Dubai Port World (DP World), is utilizing only about 35 per cent of its capacity. This is despite the overall traffic at Cochin Port clocking 16 per cent growth. Last year, the terminal handled 337,053 teu while it has a total capacity of 1 million teu. This year, up to May it handled 42,500 teu as against 45,456 teu in the corresponding period last year.

The relaxation in cabotage law is expected to help the terminal to attract more cargo. No wonder the Kerala chief minister and union ministers from the state were strongly in support of the relaxation. Kerala also feels this will help get better bids for its Vizhinjam Port project. Besides, with the increasing presence of China in Sri Lankan ports, cargo from Colombo can create security concerns. But those who oppose the relaxation, including the Tamil Nadu chief minister, fear this will lead to business loss for the ports in the neighbouring state.

Political concerns and vote bank tactics aside, domestic

shipping companies are up in arms against the relaxation. Their fears stems from the fact that there is no level playing field between them and foreign lines. Though the government has decided to ease cabotage rules for Vallarpadam terminal for three years, it will not be easy to ensure a level playing field for domestic and foreign shipping companies considering the prevailing tax rates in the country.

Operating cost of Indian vessels is 35 per cent more as against foreign ships due to high tax rates. While the ability of the domestic shipping companies to offer quality services is questionable, the higher tax rates do not allow them to offer competitive rates to the customers. Ships carrying foreign flags will definitely have an advantage over Indian ships, and they will garner greater share of the business by offering lower rates if the government does not reduce taxes. Also, experts have pointed out that despite the law permitting 100 per cent foreign equity in Indian shipping, foreign companies are not willing to flag their ships in India due to high tax rates.

However, experience of some other countries shows that cabotage relaxation is good for the economy and trade. Tanjung Pelepas increased its container traffic from 5.6 million teu to 7.5 million teu after Malaysia waived its cabotage rules in 2009. New Zealand, which deregulated coastal shipping in 1995, conducted a study in 2004 to study the effects. It found that reintroduction of cabotage would affect the country's economy negatively.

Besides, the share of container traffic in India was about 14 per cent of the total 930 million tonnes handled by all ports in 2011-12. Experts also suggest that less than 30 per cent of this container cargo traffic will come under transshipment trade. So effectively, cabotage relaxation will affect less than 5 per cent of the country's total port traffic. Though it is difficult to predict conclusively, how the cabotage relaxation will turn around, it is good on the part of the government to act in a practical manner rather than try making futile efforts to make sense of the cacophony of alarm raising voices. By setting three-year time limit for cabotage relaxation, the government has kept open the room for discussion and review. Then like New Zealand, we can conduct a study to look at the impact of the relaxation after three years. It will be wise to take a final decision after three years on whether to abolish the cabotage law permanently for all terminals. But if the government really wants to make a difference, it should bring down taxes on domestic shipping lines. **mb**

WHAT DO YOU THINK?

After cabotage relaxation, what are next steps to Government?
ramprasad@gatewaymedia.in

From rivals to partners: Crisis unites shipping lines

Competition takes a back seat as business interest forces leading container shipping lines to form alliances to curb falling rates in the backdrop of a global economic slowdown.

Sreekala G

Container shipping lines are putting age-old rivalries to rest in their struggle to survive in an increasingly challenging business environment. They sail through choppy waters as rates continue to fall and demand remains lack lustre. Adding to their woes is the overcapacity of vessels, something that resulted from their miscalculation on future business outlook.

In their bid to curb the impact of this crisis, shipping lines have formed alliances, where they share space on board their vessels. This in turn will help them idle their vessels and save fuel and bring down cost of operations. Considering that oil prices were up despite an economic slowdown it became imperative for shipping lines to form business partnerships to stave off full-fledged mergers and acquisitions.

“Alliances were in place for over 30 years in the form of vessel sharing agreements (VSA) on Far East to Europe or the US trade lanes. Most members of today’s alliances started off with VSA and over the years their cooperation and bonding grew. The partnership was also extended to cover many other routes. However, major lines such as Maersk, CMA CGM and MSC were always operating independently on main routes to avoid dilution of their brands. This has changed now due to the overcapacity and slowdown in exports,” says **Subhangshu Dutt, executive director, Krishnapatnam Port Pte Ltd.**

According to him, another trigger for today’s alliances is the increase in vessel size. “With shipping lines started taking delivery of vessels with capacity of 14,000 teu, in 2011 it became difficult for them to achieve full utilisation.

Smaller lines were already having sharing arrangements and with fuel cost going up bigger lines also started exploring similar partnerships. They needed to rationalise and phase out repetitive services,” says Dutt.



In fact, the crisis had its origins in the mid 2000s, when the world was rejoicing in the economic boom. Optimistic of a bright future, shipping lines placed orders for huge new vessels. Then the economy came crashing down in 2011. The world slipped into complete downturn and Euro crisis began to unfold. As a result, container lines found it difficult to fill their new vessels. With oil prices soaring many of them asked their captains to adopt 'slow steaming' to cut down speed and usage of fuels.

In the aftermath of the crisis, combined losses of container lines were about \$5 billion in 2011 as against a combined profit of around \$7 billion in 2010. And by the end of 2011, leading container lines announced alliances on main routes.

In December, spot prices for hauling a 20-foot cargo box from Asia to Europe dropped to \$490, the lowest since the Shanghai Shipping Exchange started tracking data. According to a report by Morgan Stanley the break-even point on the route is at least \$700.



“There should be compelling reasons to come out of the alliance. It will be easier on small routes. But on bigger routes it is very difficult even if economy improves due to operative issues.”



Subhangshu Dutt

Executive director,
Krishnapatnam Port Pte Ltd
Singapore.

World's second largest container shipping lines MSC and the third largest CMA CGM were the first to announce a partnership in the first week of December last year. Subsequently, six leading container shipping lines created one of the largest vessel networks in the Far East-to-Europe trade lane. This alliance – the G6, brought together members of the New World and Grand Alliances. The G6 members are APL, Hyundai Merchant Marine, Mitsui O.S.K Lines, Hapag-Lloyd, Nippon Yusen Kaisha and Orient Overseas Container Line.

Similarly, Asia's largest shipping line, Evergreen Marine Corp agreed to strengthen cooperation with CKYH-the Green Alliance, whose members include COSCO Holdings, Hanjin Shipping, Yang Ming Line and Kawasaki Kisen Kaisha.

These partnerships have united a fragmented industry. “As the ultra large Far East / Europe services remain only at 70-80 per cent utilisation, the temptation for the long haul operators to top up with inter-Asia way port movements will surely increase and this will keep pressure on the short-medium sized Asian end-to-end services. This coupled with the cascading of tonnage from longer haul trades, effectively reduces the potential on some sectors and will force further consolidation of services and possibly even identities,” says **Joachim von der Heydt**, chairman, Bengal Tiger Line.

Though competition laws do not allow these alliances to fix prices, member shipping lines have announced increase in rates. But it will not be easy for these alliances to reach the pre-downturn rates. Signs of intervention from authorities are already visible. In fact, the alliance between MSC and CMA CGM has caused unease among shippers. And, European Shippers Council has issued a note of caution by saying “vigilance is required to ensure that the arrangement remains an operational cooperation and does not restrain capacity beyond what would be justifiable during a slack season.”

Another factor that contributed to these alliances is the competition from Maersk, the world's largest container shipping line. The G6 alliance, which operates 90 vessels on Asia-Europe trade can be considered as an effort to take on the Daily Maersk Service, launched by the Danish shipping firm last year. Maersk service promises more frequent voyages and guaranteed delivery schedules. With the alliance, members look at rationalising costs and services. This will also help them avoid any kind of real mergers.

“When the fight for market share heats up, this kind of an alliance will help members to compete with Maersk and offer reliable and frequent services to customers,” says Dutt.

But these partnerships also have flip sides. For instance, container lines could find it difficult to break these pacts. “Containerisation is gradually getting commoditised. Alliances will impact the brand as it will not be able to distinguish the services of each container line. Business decisions will slow down as members needed to consult each other for taking decisions on vessel schedule, reschedule or partners,” says Dutt.

Presently, however, advantages outnumber disadvantages. “There should be compelling reasons to come out of the alliance. It will be easier on small routes. But on bigger routes it is very difficult even if economy improves due to operative issues,” he says.

For an end customer or a port operator, however, this alliance does not affect. “It will be easier for a port operator to negotiate with an alliance collectively. They are used to dealing with such alliances,” says Dutt. **DIG**

Forseeing the future

Q&A Bengal Tiger Line Pte Ltd is a leading common feeder operator based in Singapore. The company's market coverage includes the Indian subcontinent, Far East, Middle East & Red Sea. In an interview with **Maritime Gateway**, Bengal Tiger Line chairman **Joachim Von Der Heydt**, says, with main lines witnessing a slowdown in rate restoration, it will be a while for feeders to see any northward movement in pricing. He also foresees consolidation of services as long haul operators adopt inter-Asia port movement to make up for falling utilisation in Far East/Europe services.



Q With the macroeconomic slowdown spreading to Asia including India and China, what kind of challenges do you foresee for the feeder line industry and how do you plan to tackle them?

A The economic outlook in the West, in particular Europe, is quite pessimistic and this coupled with more large container tonnage deliveries, will continue to affect trade and capacity parameters for the long hauls. India and China are to some extent bucking the trend with their own domestic demands however the days of repeated 8-10 per cent GDP growth also appear to be history and with additional and cascading tonnage times will remain tough. Feeders must accordingly adapt quickly to changing volume trends to protect viable rating structures – effectively taking a leaf from the main lines who are balancing supply / demand and not reducing rates to try to fill vessels.

Q Can you tell us about any significant changes that are happening on the Intra-Asia trade routes?

A As the ultra large Far East / Europe services remain only at 70-80 per cent utilisation the temptation for the long haul operators to top up with inter-Asia wayport movements will surely increase and this will keep pressure on the short-medium sized Asian end-to-end services. This coupled with the cascading of tonnage from longer haul

trades effectively reduces the potential on some sectors and will force further consolidation of services and possibly even identities.

Q Do you see squeeze in margins due to decline in charter rates and volumes?

A Most Feeders without a high proportion of owned tonnage are obtaining some relief with the low charter rates but this is offset by high bunkers and the knowledge that the charter rates are untenable in the long term and meantime with owners spending less on maintenance, the inevitable downturns are increasing. Volumes have remained reasonably strong in Asia but the likes of India's depreciating currency will likely slow import demand whilst the predominantly agro-based exports are more likely to move in bulk.

Q As freight rates are being marginally going up ahead of the peak season, did it reflect on feeder line business as well? Do you expect the freight rates to pick up to reach the 2011 level in near future?

A Eventually feeder rates reflect liner rate trends but with lines already witnessing a slow down of success in Rate Restoration or Peak Surcharge imposition, then this round has been hard for Feeders to obtain the

necessary increases which will be essential if bunkers or charters go Northward again.

Q Does Bengal Tiger Line have plans to add new ports in the Southeast Asia region?

A BTL's philosophy is to maintain a healthy coverage in the region where most markets are already well covered and only if main lines decide to subcontract from their own deployment would we envisage any significant changes.

Q Are you planning any new strategies to increase your business share as Myanmar is set to bounce in the aftermath of political reforms?

A Feeder-wise we feel Myanmar is 'too late yet to early' – too late as all the existing players have entered in recent times yet too late as the cargo post sanctions is yet to move. Accordingly any BTL exposure will be limited so as not to rock the boat.

Q You have been a specialist feeder operator in Bay of Bengal and dealing with Indian ports for more than two decades. What limitations and advantages do you see at Indian ports for cargo operations?

A Indian ports are a subject on their own from the overpriced mechanism of paying port dues on vessels' GRT to TAMP's plaguing of

the private terminal operators which does not promote business and thereby trade. When there is insufficient port capacity the terminals oversell their abilities and where there is room for growth the lines don't call!

Q East coast of India is vibrant with new private ports, expanding capacities, opportunities for cargo growth. What is your take on east coast business?

A Whilst there did initially seem to be some structured support for an identified Eastern Gateway at Chennai, the sudden abundance of several new facilities creates confusion and works against economies of scale as volumes are split over too many facilities.

Q Do you consider that increased use of mega containerships and development and use of large transshipment hubs will impact feeder business? What will be the alternative feeder strategies that could emerge?

A Feeders will have to get larger to accommodate the mega main line vessel hub requirements but such can only work where physical port restrictions allow and where such trade volumes also exist. [mg](#)



To curb the growing economic crisis, the Indian government does indeed require a drastic change in its attitude where some policies are concerned, and the ones pertaining to dry ports certainly do come at the top of that list. India's dry ports, recognised as a crucial tool of export-led growth and economic development, are characterised by mediocre performance. This in turn has badly affected the competitiveness of the Indian manufactured products in the global market by the fact that hinterland containerisation potential of major Indian seaports is estimated to be at least 70 per cent, whereas the actual container penetration from and to hinterland locations is currently less than 35 per cent. Furthermore, rail-borne container

movements between the dry and gateway ports is currently around 35 per cent, while an ideal ratio has been established to be around 50 per cent.

Ironically, dry ports, especially those in private hands, are sinking slowly despite both public and private sectors envisioning the development of these ports as the only way forward to ease the pressure on congested coastal ports, thereby improving supply chain efficiency. The root of the problems that dry ports face today lies in the fact that the advent of containerisation has been rather late in India and the development of hinterland dry ports took place even later. On realising the importance and potential of containerisation and intermodal business, the Indian government decided to set up

By protecting state-owned dry port operators, the government has stalled the growth of this sector

Ritu Gupta



DRY PORTS LEFT HIGH AND DRY

the Container Corporation of India Ltd (CONCOR), which later urged a number of private, as well as other public sector entities, to develop Inland Container Depots (ICD) and Container Freight Stations (CFS). Initially there was a strong participation by the private sector, as a result of which of a total of 223 ICDs and CFSs approved by the Inter-Ministerial Committee (IMC), as many as 139 (more than 62 per cent) are in the private sector; and of a total of 131 functional ICDs and CFSs, CONCOR facilities account for only 20 per cent. Indeed, despite being so important, the ICD operations continued to be dominated by the whims and fancies of the public sector, and many policies were so designed that in the long run private sector felt that participating in the sector

was a risky and comparatively unattractive proposition. Despite the initial enthusiastic entry, the private sector is today finding it difficult to survive in the sector due to several reasons.

Key problems

One of the main constraints in the expansion of Indian dry port capacity till now is the saturation of the Delhi-Mumbai road/rail link. Experts are hoping that the \$90-billion Delhi-Mumbai Industrial Corridor (DMIC) project would provide a lasting solution to this problem.

Apart from this infrastructure bottleneck, the distribution of dry ports within India is uneven, south leading with about 40 per cent of share followed by west and north with 30 per cent each. Compared to these areas, the central and east have negligible



share in the development of dry ports. This factor, in addition to several others, has led to congestion in a few dry ports, breakdown of infrastructure and under-utilisation of capacity. What's more, unlike European dry ports, and due to scarcity of financial resources and technological and management skills, Indian dry ports neither have been innovative nor have invested in long-term efficiency-enhancing technologies such as RFID and GPS systems. Different dry ports, especially those under the government, provide generic solutions to non-standardised demands between different regions, raising the questions of how to make dry port services customer oriented.

Furthermore, considering the relatively low value of cargo handled by the Indian dry port operators, premium tariffs are not common, and they are certainly

not available for over extended periods. Almost 50 per cent of imports consist of waste paper, scrap iron and cotton waste. Exports too consist of low value added cargo such as handicrafts, brassware, raw cotton, tea and other agricultural products. International trade in such products is highly competitive and even a slight addition to transportation and logistics costs can render such goods uncompetitive, which proves to be a big risk for the Indian private operators.

Another problem faced by the private operators of ICDs and CFSs is the step-motherly treatment given to them by the government, and this is most reflected in the land policy. According to experts, state-owned corporations are often given preferential treatment so as to ensure that new dry ports could develop with maximum



Apart from this infrastructure bottleneck, the distribution of dry ports within India is uneven, south leading with about 40 per cent of share followed by west and north with 30 per cent each. This factor, in addition to several others, has led to congestion in a few dry ports, breakdown of infrastructure and under-utilisation of capacity.



ease. The major component of the capital cost involved in the construction of a dry port is the cost of land. Technical industry information suggests that a typical dry port with an annual throughput of 120,000 teu requires, ideally, a land area of about 121,400 square metres (i.e., about 30 acres). The cost of land varies according to several factors, such as location; availability of usable land (for example, marshy land is not suitable for dry port construction, or would require substantial expenditures to make it suitable through filling and/or levelling); economic environment; competition with other potential land users; proximity to markets and gateway ports; and affinity to road/rail networks. In 2009, land prices varied between \$100,000 to 500,000 per acre. Thus, a dry port with an annual throughput of 120,000 teu would need about \$ 6-9 million just for land acquisition. Public sector dry port owners who are also partially listed government companies have land available for use at token cost, well under market values. In several instances, land has been leased out to public sector corporations for long periods at very low, subsidised rates. The government thus becomes a price setter for dry port services. In contrast, the private sector is not accorded the same preferential treatment and has to acquire land at market values.

Apart from the financial factor, acquiring land for construction of ports, especially greenfield projects, is subject to government permission in changing land use purpose, and land use policy clearly gives preferential treatment to state-owned corporations which often enjoy the privilege of obtaining land against the private operators. For example, in Mumbai, while most of the 17 dry ports surrounding JNPT were privately owned and operated,

New Land Policy

The Union Ministry of Rural Development had recently introduced a draft of the Land Acquisition And Rehabilitation and Resettlement Bill, which is a policy framework to balance industry's land needs with the concerns of those who depend on that land for livelihood. The bill is expected to be placed before the cabinet soon. The nation has had a land acquisition act since 1894 which as over the time, seen quite a few amendments. But the recent heightening of public concern over land acquisition issues and the absence of a comprehensive law covering the issues of resettlement, rehabilitation and compensation of livelihoods, has highlighted the need for a wholesome law. The bill states the legitimate reasons for land acquisition as the above mentioned ones and additionally defines the purview of the term 'public purposes' as the following:

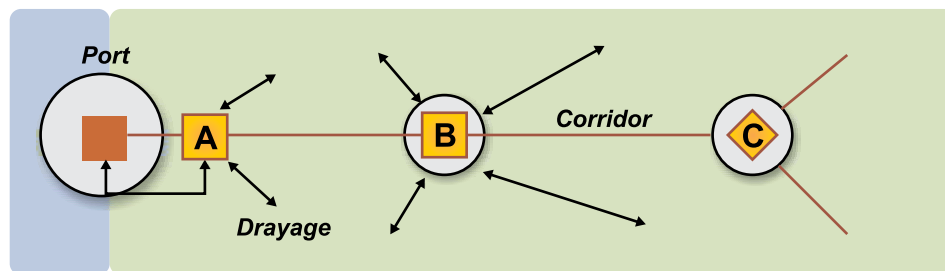
- **Strategic purposes:** e.g., armed forces, national security;
- **Infrastructure and Industry:** where benefits largely accrue to the general public
- Land acquired for R&R purposes
- **Village or urban sites:** planned development -residential purpose for the poor and educational and health schemes
- Land for private companies for public purpose;
- Needs arising from natural calamities

The new bill states that the Government can either acquire land for its own use or for the use of private companies for stated public purpose. But the draft makes it clear that no acquisition can take place until 80 per cent of the project affected families give their consent to the acquisition. Also, the government can make no acquisition of multi-cropped or irrigated lands or even land for the private purposes of private companies. The rehabilitation and resettlement requirements which are a major highlight of this draft included a number of minimum entitlements making a special provision of scheduled castes and scheduled tribes. As per the compensation package, the award amount paid for the land acquired in case of urban areas should be not less than double the market value determined, and not less than six times in case of rural areas. For landowners, the entitlements include a subsistence allowance of ₹3,000 per month per family for 12 months along with ₹2,000 per family as annuity for 20 years, with the use of appropriate indexes for inflation. The loss of a house has to be compensated with the building of a new one adhering to some minimum size requirements. Entitlements for transportation and employment provisions also need to be guaranteed. An unemployment benefit has to be paid if not even a single member of the family is given employment opportunities. For those who lose their livelihood, the bill states similar entitlements.

until now, the government had only granted land to the dry port operated by CONCOR for the construction of railhead, whereas leaving all others to transport their goods by trucks. Given that typical cargo transportation rate between dry and gateway ports cost about \$0.15 per km by train and \$0.25 per km by truck, it is clear that government policy always favoured state-owned corporations.

Since the transportation costs are partially subsidised in terms of fuel subsidies for state-owned companies, the government in a way helps them even to cut down on the operating costs. Such assistance has helped in enhancing the competitive position of dry ports operated by state-owned corporations. Given such assistance in both capital and operating costs, state-owned dry ports are able to offer significant volume discounts. Moreover, in certain cases where the cargo involved is time sensitive or prone to pilferage (like perishable products, ready-made garments and accessories, household goods, leather goods, pharmaceuticals), the operator can demand a premium. Indeed, it is not uncommon for the operator to rent out, partially or sometimes entirely, the storage space to a single customer for

Types and functions of Dry Ports



A – Satellite Terminal

Close to a port facility; Handle traffic and functions that have become too expensive at the port, Container transloading.

B – Load Center

Access regional markets; intermodal, warehousing, and logistics functions; Linked with logistics parks and free trade zones.

C – Transshipment

Link systems of freight circulation either through the same mode (e.g. rail-to-rail) or through intermodalism (e.g. rail-to-truck)

certain time periods against payment in advance.

The government has also introduced policies which have restrained free competition in order to allow its own newly created dry ports gain market share. For example, new public sector dry port operators have often been allowed to charge fees which do not cover the capital cost during their start-up periods. Such pricing policies have largely benefited state-owned corporations, allowing them

to develop a dominant market position.

Apart from facing difficulties in operating the ICDs and CFSs, private operators are also facing problems in operating trains between dry ports and gateway ports. After acquiring licenses worth millions of dollars to operate the trains on a pan-India basis, private operators find it difficult to sustain operations as the model concession agreement does not provide any service level guarantees. This inhibits their ability to attract cargo from the road sector. Compounding their problems, they are often forced to pay CONCOR to use its terminals as they lack their own terminals and sufficient number of container wagons. This further erodes their profits. The fuel subsidies given to the state-owned companies add fuel to the fire. The carrot which attracted the private operators to this sector in the first place had soon evaporated due to the preferential policies of the government.

Conclusion

Thus, today Indian government needs to take measures to



Our problem is that CONCOR dominates the market. Since its strong connection with the railways, the CONCOR ICDs always have a better competitive edge. CONCOR to a great extent has created an imbalance in the market. There is no level playing field.



Sanjeev Rishi

Advisor, Worlds Window Infrastructure and Logistics Pvt Ltd



The high capital cost owing to land acquisition policies is a big deterrent for private participation in this sector. At present only those ICDs are making profits who bought land many years back. Now it is very difficult to buy land.



Pramod Bhandari

Senior vice president, Container Movement (Bombay) Transport Pvt Ltd

enhance the efficiency of dry port sector by providing a level playing field where both private and state-owned companies can compete with each other. Indeed, the lack of a competitive structure of the dry port industry can not only have economic ramifications but also poses equally significant challenges from political and social perspective. The government, which once encouraged the private sector for the development of dry ports, has unfortunately played a pivotal role in turning the tables in favour of state-owned corporations, thus 'dis-balancing' the sector.

Furthermore, according to industry players they should be a single window clearing process which should be set up for the ICDs and CFS. Right now they have to go many departments of various ministries for getting various clearances, and this means wasting a lot of time and consequently money. Furthermore, there is no ministry to either monitor or address the grievances of this sector. This should change to reduce the capital and thereby the transactional cost of the ICDs.



Another big problem is that the sector has not been accorded industrial status. Had that been the case, we would have been entitled to a few concessions. For instance, due to the industrial status we can get a lower rate of interest from the banks. But the authorities are not willing to look at our plight.

Capt Ram Ramachandran
Managing Director, Red Eagle
Shipping Agencies Pvt Ltd



The dry ports in characterised by a dominant public presence, often not without a good cause – which, in spite of the government's determination to increase private sector involvement, makes the latter rather difficult. Substantial excess capacity and related limit



Single window clearance will help the sector growth in a more organised way. It will also improve private participation as investors do not want to take the risks of blocking their funds for an unforeseen period due to clearances from various organisations.

Ruchir Parekh
Managing Director,
Thar Dry Port

Government should enhance the efficiency of dry port sector by providing a level playing field where both private and state-owned companies can compete with each other.

pricing policies by incumbent dry ports contribute to this, coupled with a fairly weak legal framework to ensure mitigation of risk and uncertainty for the private investor. According to experts, the way out is successful PPPs and greater involvement of the private sector in dry port operations, which would require pricing policies based on long-run average cost pricing aimed at full cost recovery by public and private dry port operators alike. This would require removing subsidies and cartelisation, and establishing a level playing field among the public and the private sectors. To achieve this, first and foremost, land should be made available to interested parties indiscriminately, at prices reflecting its opportunity cost.

The government should eliminate practices which have adverse effect on fair competition. In the dry port sector the government took the responsibility of both a referee and a player and it is time that it should let the spirit of the game prevail.

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- Global Connectivity through Mainline and Feeder Vessels.
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- Two full length rail sidings with established connectivity to Delhi, Nagpur, Raipur, Hyderabad, Jharsuguda etc.
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- 192 Reefer Plugs

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Worlds Window Infrastructure and Logistics Private Limited, a company formed under Worlds Window Group, is operating the Inland Container Depot at Loni in Ghaziabad which is a Central Warehousing Corporation owned facility. The ICD is operated and managed by under Strategic Alliance Management partnership with CWC. The operations at the ICD were taken over by WWILPL in 2007. Ever since then it has come a long way, presently handling around 13,000-14000 teu per month.

ICD Loni offers varied span of services in the arena of Multimodal Logistics right from picking up the cargo from the customers' doorstep to container and cargo storage and dispatch to the destination. Some of the major export and import goods which are moving smoothly from ICD Loni are rice, frozen meat, cotton yard, wooden articles, e-goods, handicraft items, newsprints, waste paper, ferrous and non-ferrous scrap, machinery parts, wood pulp, plastic products, etc.

With over 27 acres of paved Customs Bonded Area for storage of empty and laden containers and approximately 2.10 lakh sq ft of covered and fully developed warehousing space, ICD Loni also offers solutions to customers' all warehousing needs. The huge fleet of container handling equipment that we have ensures hassle-free and prompt operations. Apart from these, various value added services like bonding of cargo, weighment, segregation, seal cutting, palletisation, re-packaging, lashing, container repairs and washing, etc. are also provided.

The milestones achieved by ICD Loni in its short journey are innumerable. It is the first ICD in the NCR to have all three ISO certifications, namely, ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 for Quality Management, Environment Management and Health & Safety Management Systems respectively.

ICD Loni now handles the third highest rail throughput in the



country and has dedicated as well as on demand train services from the ICD to all major gateway ports of the country viz. JNPT/ NSICT, Mundra and Pipavav. It also has largest reefer handling infrastructure and fleet of container handling equipment in the NCR. It has also developed large container parks for empty and laden container storage.

ICD Loni has added another feather to its cap by successfully implementing ICES 1.5 at the terminal, the most advanced Customs EDI system. A new attractive feature of ICD Loni is full time availability of PnQ (Plant and Quarantine) and FSSI (Food Safety and Standards Authority of India) facility. By getting notified for P&Q



Q&A Worlds Window was referred to as first of the success stories in Public Private Partnership and has proved itself as one of the most efficient service provider. In this interview **Rajiv Kochhar**, VP-Commercial & Operations talks about expansion plans, potential future and existing challenges

Ritu Gupta



On expansion spree

certification, customers get hassle-free clearance of all plant related goods at Loni itself.

Most recently, C-TPAT certification has been awarded to ICD Loni which is evident to the world class safety and security systems put in place at the terminal. WWILPL, ICD Loni was referred to as first of the success stories in Public Private Partnership with Central Warehouse Corporation, which provides a single window solution to all logistics needs and has proved itself as one of the most efficient and world-class service providers to offer rail and road connectivity and warehousing and other services under one roof in the hinterland and is progressing at an exemplary pace.

Q Are you facing any problems due to lack of adequate rail infrastructure?

A Speaking of ICD Loni, the terminal has three full length rail lines which are used for receipt and departure of trains. Initially one line was used for handling of trains and loading / offloading of containers. In its continuous endeavour to add to the facilities and providing even better services to its customers, ICD Loni comes up with new innovative ideas. It has enabled handling of rakes from second rail line as well. This has enormously helped in even faster turnaround of rakes from the terminal and enabled handling of increased number of rakes. Also, additional container handling equipments have been deployed



to enable faster handling of containers.

ICD Loni is also equipped with full fledged train examination and repairing facilities which help the train operator to turn around their rakes faster.

ICD Loni is also in the process of installing Rubber Tyre Gantry crane at the terminal which would again be a milestone effort in increasing service levels provided to the customers and trade partners. Post functioning of the RTG, ICD Loni would be able to handle around twice the number of trains as it is presently handling.

ICD Loni has one of the most advanced and organised rail handling infrastructures and the terminal is fully capable to meet any business challenge that may come across.

Q How do you handle the problem of imbalance between imports and exports?

A ICD Loni keeps balance between imports and exports through unique strategic marketing. The business of ICD Loni has not been much affected as we always have



WWILPL has big plans to expand its Integrated Logistics Hub at Loni, where besides EXIM and domestic freight handling and transportation, specialized warehousing, value-added services, and even social amenities are being provided.



a good Imports and Exports business. The business of ICD Loni has not been affected by this imbalance as it is doing well in domestic business. The trade partners of ICD Loni like CTOs plan the movement of their rakes in a way so as to maximise running of full load trains to/fro ICD Loni.

Q Do you think the existing connectivity to port is good enough?

A ICD Loni has entered into service agreements with country's best container train operators like APL India Linx, Hind Terminals, Freight star, Box trans and CWC. These CTOs are running their scheduled and on demand train services to/fro all major ports of the country. ICD Loni has daily multiple train services for JNPT, GTIL, MDPT and Pipavav.

The connectivity to EXIM ports is quite good at ICD Loni and the frequency of services is also very high. ICD Loni is the third highest rail throughput handling ICD of the country. Domestic business is also well served at ICD Loni and adequate services are there for domestic business destinations.



Q After tasting the success of ICD Loni how do you plan to expand further?

A WWILPL has big plans to expand its Integrated Logistics Hub at Loni, where besides EXIM and domestic freight handling and transportation, specialized warehousing, value-added services, and even social amenities are being provided. WWILPL is also in process of developing its own ICD on the recently acquired more than 100 acres of land adjacent to the present ICD at Loni. The IMC clearance is already in place for the said facility. WWILPL has plans to equip this new facility complete with additional railway lines, adequate warehousing capacity, Reefer points and handling equipments. Thus the whole facility can be covered under a single unit as a Logistics Hub. Our aim is to develop world class infrastructure to handle hassle-free 20000 teu per month by the end of March, 2013 and 25000 teu per month by the end of March, 2014.

Worlds Window Wardha Infrastructure Pvt Ltd (WWIPL) aims to capture the logistics business in the central region of the country through a rail based logistics cum distribution hub. ICD Wardha is being developed with a vision to capture the Industrial areas of Vidarbha, MP, Chhattisgarh and Telangana. The construction work has completed and ICD Wardha is all set to commence operations within the third quarter of financial year 2012-13.

Having received Inter-Ministerial Clearance for setting up a rail linked container terminal at Bawal (in Haryana, on NH-8, approximately 100 km from Delhi), Sanjvik Terminal Pvt Ltd is poised to commence construction and operations at ICD Bawal. It will cater to the cargo induced areas of Neemrana, Khushkhera and Industrial Growth Centre,



Bawal. This area has been declared as Investment Region by JETRO (Japan External Trade Organisation, a trade advisory to Japanese industries). Consequently, it will witness mushrooming of Japanese industries. The facility would be spread over 20 acres and would be rail linked to all major and minor ports. The boundary wall construction is already underway. It is expected that laying of rail lines and construction of warehouses will commence very soon.

WWILPL has recently ventured into FTWZ with the allotment of 21.6 acres of land under Kandla Special Economic Zone (KASEZ) for the development of integrated Free Trade Warehousing Zone. This FTWZ is conveniently located for port or multi-modal hinterland connectivity with an aim to facilitate movement of products in and out of the country. WWILPL intends to provide facilities such as customised categorised warehouses, break bulk, containerised and dry cargo storage for its customers.

Presently Worlds Window Group is in the process of developing one more ICD at Bawal, Haryana and the work on this project has already begun. An ICD at Wardha has also been constructed and would start its operations soon. Notification u/s 8 has already been issued to ICD Wardha. Moreover, we have also developed a Free Trade Warehousing Zone (FTWZ) facility at Kandla which has its own unique advantages. These upcoming projects of Worlds Window would cater to the

varied logistics needs of both EXIM and domestic trade.

Q Every one agrees to the fact that logistics sector has great future. What are the bottlenecks?

A India is yet to offer a lot in the field of multimodal logistics and there is still a vast scope for improvement, particularly in terms of service as well as cost. Presently there are very few privately owned or PPP operated container terminals in the country, thus offering very limited choices to the trade. In the absence of more private terminals even the container train operators are facing difficulties in establishing their services and efficiently utilising their infrastructure and assets. Also the private terminals that are operating presently have not been able to attain much share of business in comparison to what is being handled by public sector ICDs. The need of the times is also to have major logistics hubs in the different regions of the country which provide complete logistics solutions under one umbrella and also provide other ancillary and value added services.

Q What needs to be done by the industry to remain competitive?

A We as the players in this containerisation business should focus less on individual growth and more on developing logistics links and hubs in and around our operating region so as to enable the trade partners and customers to look beyond the obvious options that are available to them. Only by way of improvising our strategies, establishing healthy relationships, providing unmatched services and thinking out of the box would we be able to mutually attain the larger share of this ever growing market and also provide maximum benefits to the trade. We need to provide 24x7 customised service through Key Account Managers thereby adding value to the overall supply chain. **WIB**



In the absence of more private terminals even the container train operators are facing difficulties in establishing their services and efficiently utilising their infrastructure and assets. The need of the times is also to have major logistics hubs in the different regions of the country





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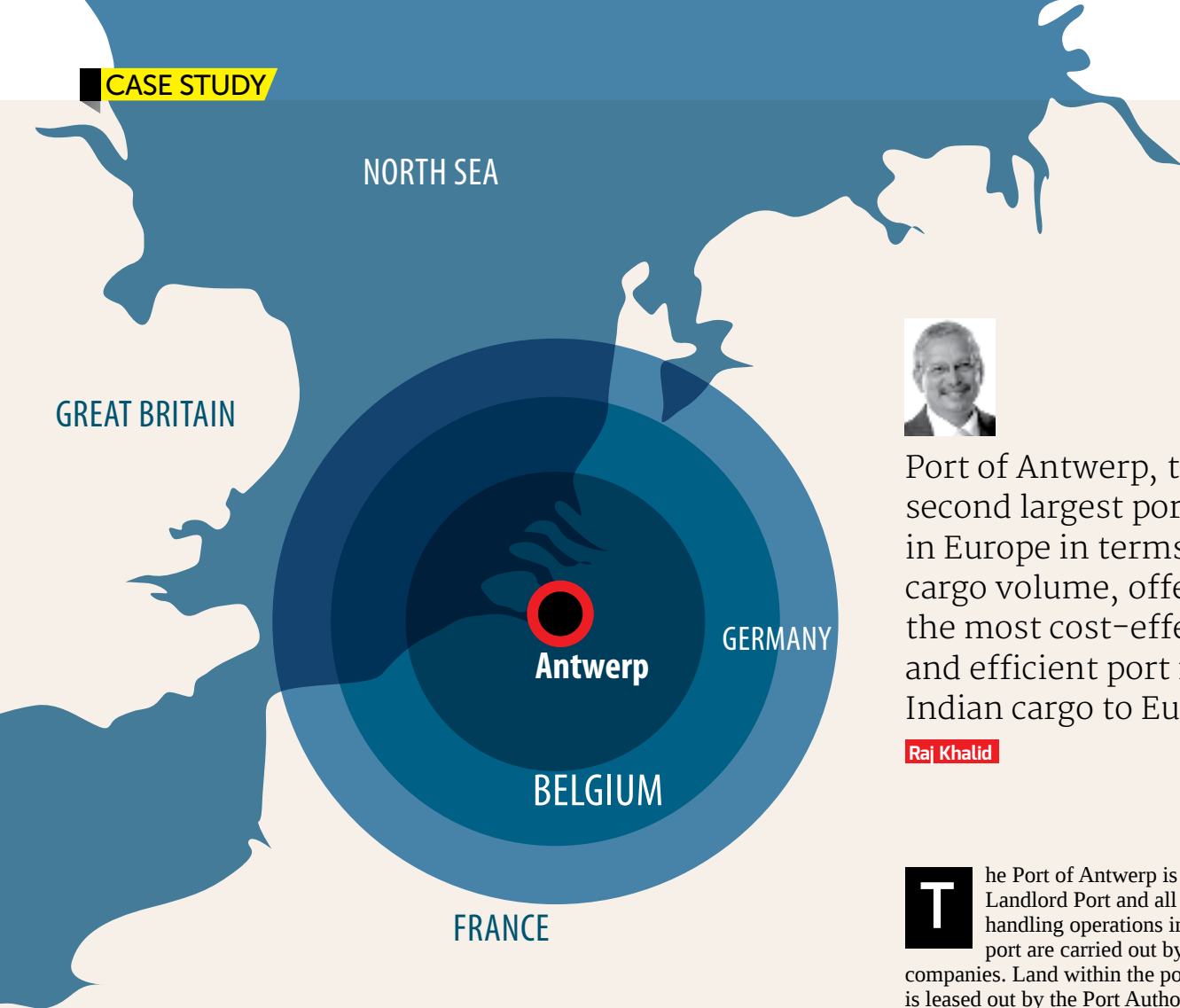
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Port of Antwerp, the second largest port in Europe in terms of cargo volume, offers the most cost-effective and efficient port for Indian cargo to Europe

Raj Khalid

The Port of Antwerp is a Landlord Port and all cargo handling operations in the port are carried out by private companies. Land within the port area is leased out by the Port Authority to private companies who then build the superstructure like warehousing etc. The Port ensures that sufficient competition is set up within the port to ensure that there is a continuous attempt to meet customer expectations and satisfaction.

With a strategic deep inland location on the River Scheldt, Antwerp Port has a huge advantage over other north European seaports in that cargo unloaded here is closer to the customer or the final destination. This results in lower transportation costs and time savings. With a multimodal modal offer of barge, rail, pipelines and road transport, Antwerp Port offers a variety of options to meet every need and cost. There is the option of short sea shipping also (referred as Coastal Shipping in India).

Antwerp Port handled about 187 million tonnes of cargo last year, making it the second largest port in Europe. What is not so well known is that in terms of land area and sheer size, Antwerp Port is the largest port in

Port of Antwerp

Paradigm shift in governance

The World Bank Port Reform Toolkit (2001) describes port governance in terms of four types of ports

1 Service Port

The service port is owned (land and all assets) by government, managed by a port authority with operations under the control of the port authority.

2 Tool Port

The tool port is owned (land and assets) by government, managed by a port authority, where the port authority's staff operates the port-owned equipment with other cargo-handling activities provided by private cargo-handling firms

3 Landlord Port

The landlord port is owned by government and managed by a port authority. The port authority of a landlord port gives up its control over port operations by leasing the port's infrastructure to private terminal operators for their operation of the port.

4 Private Port

The private port is one for which its land and infrastructure are privately owned and its operations are under the control of the private owner or a private operator to which the operations of the port are leased.

the world. In real terms this translates into the largest covered warehousing complex amongst the leading ports in the world, of about 5.5 million sq metres. In these warehouses a whole variety of value added activities are offered which make the port of Antwerp unique amongst ports.

As part of this strategy, the port of Antwerp launched last year the Antwerp Port Community System, a venture between the port authority and the private companies, covering the entire port. It offers a network of systems and solutions for electronic communication, with the aim of making the supply chains that interact with the port more efficient, transparent and reliable.

Meeting the objectives

The Port Authority, together with the Flemish government, has undertaken a deepening of the River Scheldt which now allows vessels with actual draughts of 15.56 metres (tidal dependent) to call at Antwerp. The largest container vessels of MSC and Maersk now call Antwerp regularly. This means Antwerp Port has the nautical access of a sea port and the logistical advantages of a river port.

Within the port there has been a huge expansion with new facilities and upgrading the existing facilities which include the building of a new lock on the left bank of the River Scheldt. This new lock, that will be operational in 2016, will further boost activities on this side of the river. It will be the biggest lock in the world, followed by Berendrecht lock on the right bank of the river that currently holds this title. A premium barge service is in operation which connects specific terminals at a fixed time in rotation to provide a smooth

Changing Role

The Port Authority of Antwerp is changing its role from that of a Landlord Port to an "Active Landlord Port". Essentially this means a focus on two basic approaches:

1. Developing a strategy based on the improvement of the supply chain ("from outside in", no longer "port centered") and collaboration between the port operators and port users
2. A strategy based on sustainable development Antwerp Port is evolving from just a "Main Port" to a "Main Chain Port"

Consequently, it developed a large-scale integrated program on improving the supply chain related to the cargo flows by

- Developing a seamless nautical chain
- Offering a perfect intraport distribution system
- Extending the intermodal offer and enlarging the collaboration with partners in the hinterland

Antwerp Port seeks to be a crucial link in a supply chain and this means thinking of the port as more than a transit hub. The three pillars of this strategy include:

1. Foreland Policy to improve nautical access and maritime connections.
2. Port of Antwerp will seek to improve productivity within the port and terminals, value added services and ensure the smooth flow of goods within the port.
3. Hinterland: Improve hinterland connections and increase multi modal possibilities.

transfer of cargo from terminal to other locations.

The Hinterland Policy includes the shift in the share of barge traffic from that of 33 per cent of total cargo to 42 per cent by 2020. The shift from 11 per cent to 15 per cent in rail cargo and reduction of road carried cargo from 56 per cent to 43 per cent. All these steps ensure that today's conditions of a congestion-free port will continue to prevail over the years from 2020 till 2030.

To sum up

Antwerp Port today is the most cost-effective and efficient port for Indian cargo that needs to be shipped to Europe. Antwerp Port houses the largest integrated chemical-petrochemical cluster in Europe and is also the leading port for break bulk, steel and no 2 for containers. The container capacity of Antwerp Port is about 14 million teu which is more than that of all the Indian ports combined. Within the port there are five refineries, for steam crackers and the largest concentration of stainless steel storage tanks in the world.

Antwerp offers the Indian customer one of the best services with a commitment to be a responsible and caring "Active Landlord Port." The offer is made sweeter by the offer of warehousing at the lowest possible cost. In fact the warehousing in Antwerp is probably cheaper than prevailing costs in India today. 

Mr Raj Khalid has been Sr Trade Promotion advisor in British High Commission and Trade & Investment Commissioner for Flanders and Trade Commissioner for regions. Currently he is India Representative for Port of Antwerp since 2006



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OSV: Rising demand

Demand for offshore support vessels in India is steadily growing. What it needs is support from Government with the right policy frame work.

Bhagyasri Kamat

India is one of the largest consumers of energy in the world. The country blessed with a rich coastline and abundant natural resources, however, is yet to plan policies that will help utilize these resources for its energy needs. As a result, deep sea drilling and offshore exploration business in the country lags behind its peers in the world.

Offshore business in the country has enormous potential and to tap this, the country will require specially designed vessels. With a little bit of help from the government the domestic shipping industry can become the supplier of these vessels not only to India but also the international market.

“We will see the business of offshore vessels strengthening its root in our country not too far in future,” says Atul Kulkarni, CEO of Angre Port.

At a time when Indian companies are making their mark across the globe, business of offshore vessels is surely lending its helping hand to our national economy.

According to V Kala, company secretary, Cochin Shipyard Ltd, offshore vessels is the only business which does not get affected by the economic debacle in international market. “Offshore vessel business is one of the burgeoning businesses worldwide as it comes with a tag of assurance on financial support. Even at a time when a sudden economic turmoil has a ghastly effect on other businesses in the country, offshore vessel business will remain anchored,” she says.



Doyens of shipping industry believe that India, which has been gifted with a rich coastline, offers wide scope for conducting explorations in seabed. This in turn will push up the demand for offshore vessels.

Drilling for natural sources of energy off Mumbai coast for instance, can be done from a range of 400 metres to 3000 metres depending on the type of the offshore vessel. Mumbai offshore has been in production for more than 30 years.

There is an upsurge in demand for energy resources today across the world. With the main energy source – Coal resources – on decline, it's time to shift priorities to crude to meet our energy requirements. This in turn will boost offshore vessels business.

Offshore business involves huge investment. It is also highly profitable. Estimates suggest that India as a country ensures a 7 per cent profit per annum, which is believed to be multiplying every year taking into account the rising needs of energy. As India is a developing and populous country, energy consumption is continuously going to spiral.

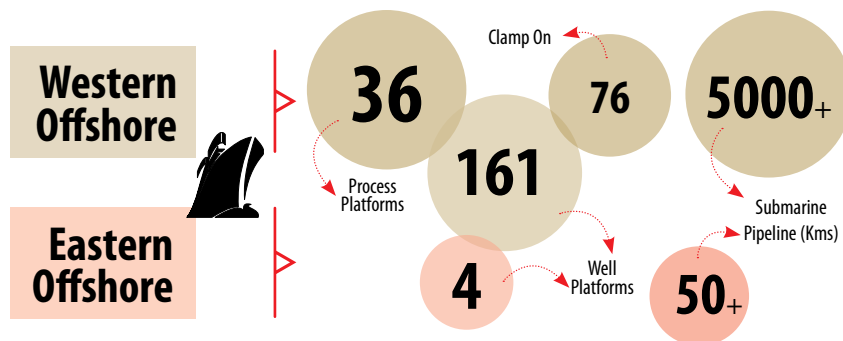
Unfortunately, government is yet to focus on this segment. "New ideas are not roped in faster and they take their own time and pace to get embossed in the market. Similarly, with shipping industry giving its input in the financial sector, government today is gradually opening up this sector to private industries which is a positive start for offshore business," says Kulkarni.

Fossil fuels, oil and gas are considered as infinite sources of energy resources today on global front and offshore vessels becomes the medium through which these resources can be easily made available. Besides, around 70-75 per cent of the shipping industry depends on crude resources as a major source of energy.

There is also a need to explore territorial waters. However, in India, there is not much of exploration in territorial water is done and it is a matter of concern. Exploration activities are still in its initial stages and yet to set a healthy base in the industry.

The Indian shipping industry is yet to make a mark in deep sea drilling and

EPC - Engineering, Procurement and Construction



Supply Scenario of Indian Flagged Vessels

- 195 Indian flag vessels are dedicated for offshore sector
- 158 Offshore Vessels
- 37 Specialized Offshore Vessels
- Gradual acquisition and hiring of PSV, which started in early 2000
- Trend likely to continue
- Indian flagged PSV have young fleet
- Fleet acquisition dominated in AHTS, PSV and MSV segment
- AHT has a small and old fleet, and has not been ordered by Indian companies in last decade
- These ships are hired on spot charter for short duration – gap mainly filled by boats from Singapore
- Ships in Crewboat, Utility boat are owned by smaller companies, mostly older fleet



minerals exploration. There is also a dire requirement to conduct a structural study with regard to coastal areas of the country. It is important to frame a report which will help people analyse richness of each seabed and accordingly begin the exploration activity.

Such high level exploration also requires enough handy resources to seek accurate judgments of our wide coastal richness. However, With the need for natural resources on the rise the industry feel the profit of offshore vessel business will go up proportionately.

In a bid to satiate the demand for offshore vessels, Shipping companies worldwide are coming up with hi-tech vessels ranging from compact to solar powered ships.

With environmental concerns becoming important, shipping industry is also more inclined towards the use of green energy. Hence we can see many private shipping companies inventing solar run vessels. Vessels in various designs shapes and sizes are now on rise indicating that there is a considerable growth in offshore business worldwide.

But it will not be that easy to explore offshore business in India. India's coastal line also faces terror attacks particularly in the aftermath of 26/11 in Mumbai.

Another factor that requires government attention is the additional security need of the coastal areas. There is a need for a hawk eyed security policy to improvise the functioning of offshore business in India. India has a rich coastal belt which also requires rich security provisions to cater the needs of the shipping industry.



Recent estimates have revealed that, India has been rated 6th on global map to have the highest consumption of crude oil. Around 30 per cent of domestic consumption is highly dependent on crude oil. This considerable rise in energy consumption prominently highlights two crucial factors: the need to develop natural sources of energy and the potential of offshore business in the country.



Sharad Sinha

Vice President, Wartsila

As far as future prospects of offshore business is concerned, private companies are in talks with the government to open up the offshore vessel business. This is a positive step and is expected to materialise in the future. With offshore business making wholesome profits in international market, it is time India too takes a dive into this flourishing business.

India as a country at this juncture of time is scaling new heights of success and making its presence felt in every industry. The nation is also blessed with multiple natural resources. However, we do not have policies in place to utilise them in a proper manner. The need of the hour is for the Indian shipping industry to cater to the rising need of offshore vessels in the country.

Stressing on the need of a policy which will act as a booster to the growth of offshore industry in India, Sharad Sinha, Vice President, Wartsila, said "Recent estimates have revealed that, India has been rated 6th on global map to have the highest consumption of crude oil. Around 30 per cent of domestic consumption is highly dependent on crude oil. This considerable rise in energy consumption prominently highlights two crucial factors: the need to develop natural sources of energy and the potential of offshore business in the country."

Clients in the international market are also in quest for natural sources



We will see the business of offshore vessels strengthening its root in our country not too far in future.



Atul Kulkarni

of energy. To cater to this need, it is important to conduct high level research and exploration in the deep sea. This exploration is possible only with the help of technologically advanced offshore vessels.

However, offshore vessels constructed in India can conduct exploration only till a certain level beyond which vessels from international producers take the centre stage.



India is the sixth largest energy consumer in the world

6th

Largest crude consumer in the world

9th

Largest crude importer in the world

Oil and Gas Industry size is estimated at about USD

110 billion

- Contributes to about **64** per cent of gross revenues of Government (both Central and State together) through taxes and duties
- Contributes to about **45** per cent of India's primary energy consumption
- Constitutes about **32** per cent of India's imports
- Accounts for about **12** per cent of India's exports.
- India has the world's sixth largest refining capacity - **2.56** million barrels per day, representing approx. **3** per cent of world capacity

It is important for the government to focus on this issue and remove the obstacles in the growth of this sector. Government should come up with strong policies which will help strengthen offshore business in India. Exploration activities are on the rise in regions like Latin America, African East Coast and Norway, where government have given a freehand to people associated with offshore business to develop new technologies.

At this juncture, there is a dire requirement to bridge the gap between domestic and global offshore business through adequate policy intervention from the government.

India should allow domestic shipping companies to construct technologically advanced offshore vessels which will conduct high level explorations along the Indian coastline.

Key factors that determine the growth of offshore industry in the country include oil prices, depth of sea and government policies.

Taking into account the present scenario, oil rigs is a potential segment in the offshore business. Oil rigs play an important role in deep sea drilling. However, the rising demand with regard to these natural resources also gives rise to the need for deeper exploration in sea which requires bigger ships. These ships are not constructed in Indian market due to government rules and regulations.

Indian vessel building companies have immense capacities to build large vessels which can be used for deep sea drilling. Currently, the offshore exploration companies have to import vessels which add up to cost escalation.

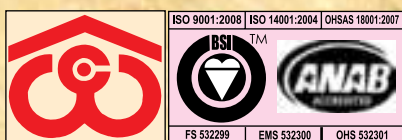
According to Sinha, if the Ministry of Shipping takes a few steps and ropes in an advisory panel to design rules and regulations, it will benefit all stakeholders in the offshore business. As of now only ONGC and the Shipping Corporation of India have vessels that can be used to deep sea drilling.

Since we are talking about being environment friendly, it is also important to construct green vessels for drilling. Efficiently operating ships, which do not pollute environment as well as those, operate in optimum conditions will help solve the country's energy security issues. **WGB**



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CAUGHT

The South Korean ship building industry is still strong enough to win against China, but analysts worry that the global glut might leave a lasting impression on it

IN A STORM



These days everything has to be made in China, but ships till now are an exception to the rule. Indeed, the last few years have seen a tug of war between South Korea and China to become the world's largest shipbuilder. Chinese yards are at times ahead of their South Korean rivals on some measures such as deliveries, deadweight and gross tonnage. But despite such factors, South Korea was able to nearly seize three-quarters of the world's ship orders in the first half of this year. The story of victory and defeat started in 2000, when South Korea wrested from Japan the title of 'world's largest shipbuilding nation'. Soon, South Korea, which had no shipbuilding industry until the early 1970s, had become home to seven of the world's ten largest shipbuilding companies. But a burgeoning China has now embarked on a path to surpass South Korea. Focusing on relatively low-tech containerships and bulk carriers, China replaced South Korea at the top of the table for new shipbuilding orders in 2010. But in 2011, South Korea regained the top spot as shipowners ordered more drillships, liquefied natural gas (LNG) carriers, mega containerships and other complex vessels in which South Korean companies specialise in. Analysts expect the reduction in global orders for capesize bulk carriers to continue throughout 2012, which may further intensify the race for survival for Chinese shipyards.

According to the London-based market researcher Clarkson Research Services, South Korean shipbuilders won a combined 13.55 million compensated gross tonnes (CGTs) in new orders last year, while Chinese

shipbuilders got a total of 9.2 million CGTs. Last year, South Korea accounted for 48.2 percent of a total of 28.11 million CGTs worth of deals globally placed, compared with a 31.2 percent share a year earlier. In terms of order value also, South Korean shipbuilders outpaced the Chinese. South Korean shipbuilders won deals valued at a combined \$48.16 billion last year, higher than the comparable figure of \$19.2 billion for Chinese shipyards. Furthermore, South Korean shipyards' order backlogs were smaller than those of the Chinese. South Korean shipbuilders' order backlogs came to 37.66 million CGTs, far lower than 44.99 million CGTs for Chinese shipbuilders, according to Clarkson.

So far so so

Therefore, due to competitive design skill, skilled labours and technological achievements, South Korean companies

have kept their ship sailing, despite stiff Chinese competition. Unlike the Chinese, South Korean companies believe that fuel efficiency of a vessel is determined not by engines, but largely by design skill, manufacturing skill and qualified components. South Korean yards secured all these requirements that cannot be copied easily by second-tier competitors.

The resilience of the South Korea companies is reflected in the balance sheet of Hyundai Heavy Industries, which in the first nine months of 2011, won \$10.03 billion in new shipbuilding orders, already surpassing its annual order target of \$7.47 billion. In 2010, the company won \$4 billion in new orders. This was largely due to surging orders for drillships and other specialty vessels, and HHI is keen to further boost its competitiveness in those high value vessels in the coming years. "The drillship sector was the saviour of the shipbuilding division," an official of the company was quoted as saying by the media. HHI has turned its eyes to the drillship market in recent years and its first drillship was delivered only late last year, but it has quickly established itself as a new power, competing head-on with long-time rival Samsung Heavy Industries (SHI) – another leading South Korean ship building company. SHI won its first drillship order in 1996 and

Shipbuilding Growth: A comparison

Cochin Shipyard started operations in 1972, the same year that Korea's Hyundai Heavy Industries launched its shipbuilding venture. Forty years later, the Korean company claims a market share of 15 per cent in the global shipbuilding industry, having delivered more than 1,686 ships to 268 shipowners in 48 countries. Cochin Shipyard's total deliveries, on the other hand, are expected to be 107 by the end of 2012.



has since clinched more than half of the contracts since 2005. "Many people initially questioned whether we would be successful in the drillship sector because it was totally new to us, but we surprised the market by delivering a high-quality ship on time," said the official.

HHI also will survive due to its intent to build more environmentally friendly ships and engines, including those using LNG as a fuel. Shipowners are demanding not only more complex vessels but more fuel-efficient and less polluting ships due to volatile oil prices and tougher environmental standards. This year the UN's International Maritime Organization agreed on energy efficiency design standards to substantially cut greenhouse emissions in new ships from 2013. With the environmental regulations set to become tougher, only companies with higher technological standards will be able to properly meet market needs. HHI attributes its success to a talented workforce committed to delivering high-quality ships in time and its close relationship with thousands of reliable parts suppliers and subcontractors. The company at present has no plan to expand its shipyards to meet the rising orders for drillships and other special purpose vessels. HHI currently has order backlogs which would keep the shipyard busy for at least until the end of 2013.

Port sector: Going great

The South Korean ship building industry may not be doing well, but its ports are still in good health. According to recent media reports, box volumes at South Korea's ports reached a record high in April 2012 as transshipment traffic drove growth. Figures released by the country's Ministry of Land, Transport and Maritime Affairs revealed a 4.7 per cent year-on-year gain as throughput reached 1.93 million 20-foot-equivalent units. Busan, one of the world's top five container ports by volume, handled the majority of Korea's container traffic in April 2012 with throughput rising 8.2 per cent compared to a year earlier to reach 1.48 million teu. National transshipment volumes increased by over 18 per cent to 758,000 teu, which made up for the 2.6 per cent decline in import-export cargo, which was affected by lower trade with China and Japan.

Indeed, these figures have ushered in an era of hope for the country's economy, as ports are not only the core distribution arm of the Korean economy where 99.7 per cent of all export and import cargo is handled, but also at the centre of the logistics, waterfront industries, fisheries and international trade sectors. Aspiring to become a marine superpower in the New Ocean Age, Korea has designated "modernisation and expansion of port facilities" as one of the nation's strategic projects. In order to provide a framework for the establishment and implementation of an integrated and efficient marine policy that actively corresponds to the changes in the world marine environment, the Korean government had also launched the Ministry of Maritime Affairs and Fisheries on August 8, 1996.

The country's stress on port development is logical as it is located in the centre of the world's trunk routes, including the North American route, the Southeast Asian route, and the European route. Also, ports in Korea possess more favourable conditions compared with the competing ports of Kobe and Yokohama in handling transshipment cargo originating from China, Russia and Northwestern Japan. Considering this, the Korean government had decided to promote country as the logistics hub of Northeast Asia. Indeed, Korean ports do fully satisfy pre-conditions for investment.

Among all the ports, the Port of Pusan, is very important as it is a principle gateway linking the Pacific Ocean to the continent of Asia. The Port has a 120-year long history, and it is a fine, natural deep harbour experiencing only minor tidal changes. The port handles about 45 per cent of the nation's total export cargo and 95 per cent of the total container throughput. With the geographical advantage of its location which connects Asia and North and South America, the Port of Pusan plays a vital role as the hub of seaborne transportation throughout the Northeast Asia region.

Is all that well?

The survival story of HHI may portray a rosy picture, but all is not well when one looks at the industry's past and future orders won by the largest South Korean shipbuilders have fell by 50.8 per cent in the first six months of 2012 from a year ago mainly due to the poor market

in the midst of the European financial crisis. The country's three biggest shipbuilders Hyundai Heavy Industries Corporation, Daewoo Shipbuilding & Marine Engineering Corporation and Samsung Heavy Industries Corporation won orders worth a combined \$18.5 billion during the January-June 2012 period, down 50.8 percent from a year earlier. Hyundai Heavy Industries, last year's market leader, won \$6.13 billion in orders over the six-month period, while Samsung Heavy won shipbuilding orders worth \$6.5 billion and Daewoo Shipbuilding won \$5.87 billion worth of contracts. The sharp decline in orders is mainly attributable to weakened demand in Europe, hit hard by severe debt problems. The top three yards' orders from European buyers accounted for 57.5 per cent of their total orders last year, but the rate fell to 39.9 per cent in the first half of this year. "A drop in orders may affect our sales in coming years," an official at a Korean shipbuilding company was quoted as saying. "We will strive to win orders," he added.

The glut in the global economy is indeed rocking many a ships. According to South Korea's Ministry of Knowledge Economy, shipbuilding companies may post their first annual drop in overseas shipments in 19 years. This crisis has been brewing for sometime Korean shipbuilders won 93.4m compensated gross tonnes (cgt) in 2007, and the figure plunged to 54.2m cgt in 2008 and 16.4m cgt in 2009, before rebounding to 44.4m cgt in 2010 and it dipped again to 31.7m cgt in 2011. The number of Korean shipbuilding companies has gradually decreased to 75, 76, and 65 in 2007, 2008 and 2009, respectively.

At present cash crush is posing to be a big problem. Cash and near-cash items for Hyundai Heavy, the world's biggest shipbuilder, are down by about 17 per cent in the first quarter this year from a year earlier, while total liabilities increased by more than 28 per cent, according to data compiled by Bloomberg.

South Korea's shipbuilding industry may pick up in 2014 following years of contraction since 2007, according to a recent report by the Bank of Korea. For the time being, the South Korean ship industry is keeping its figures crossed and is hoping that it would be able to tide over the crisis. 

Niche player in a challenging market

Q How do you look at freight forwarding market in India and what kind of potential do you see in near future?

A Indian Freight forwarding industry is worth \$9 billion and is expected to grow at close to 15 per cent annually. By 2015, it is poised to cross \$12 billion as per a leading consulting agency studies.

There is even more requirement than ever now for forwarders' mediation as the trading industry itself is hugely fragmented and looking at the vast geographical spread coupled with challenging customs procedures, indeed we see promising potential in India. For leading mid-sized players in freight forwarding industry, creating a definitive niche for ourselves / identification of core tradelanes and verticals are key to our long-term success.

Q In the backdrop of global economic slowdown, what kind of challenges do you face?

The traditional western markets have shrunk in size and stagnated due to near still growth and even negative growth.



Pradeep Joseph
Country Head, India

Ahlers positions itself as a niche player for the challenging markets like CIS and Africa, keeping our business interest in Intra Asia segment warm and thriving.

From Europe and North America markets, forwarders have to shift their focus and business model towards thriving markets like Southeast Asia & Far East. Ahlers also positions itself as a niche player for the challenging markets like CIS and Africa, keeping our business interest in Intra Asia segment warm and thriving.

Q What are your expansion plans in India and what is the revenue growth expected?

In its decade long operation, we have spread our wings across India into 13 locations and have significant presence covering all corners. However we would like to emphasise our presence in one of

the most progressive industrial states in India namely Gujarat, by opening up our second office there by 2013.

We are looking at achieving close to 50 per cent revenue growth for the period till 2015 by expanding our activities in contract logistics especially for speciality chemicals and also give enhanced logistic solutions for shipments to CIS & Baltics with our unique business model, along with the double-digit growth we forecast for our core tradelane business, Project & Machinery business.

Q You focus on a unique business proposition like transportation to CIS countries and movement of heavy lifts. Going ahead, do you foresee any change in the strategy?

The 3-year strategy for Ahlers group finalised in 2012 will stay intact while evolving as per market demands. We emphasise our commitment to provide unique solutions to the Speciality chemicals trade by imparting our global expertise to Indian market. We believe in spotting opportunities for our customers in new markets, thinking along and thinking ahead.

Q Ahlers plans to set up a chemical warehousing facility in Gujarat. When this facility will be operational and what kind of potential do you see in the niche segment?

This is at the initial planning stage in line with our 3-year growth plan. The intention is to provide unique solutions to Chemical industry in terms of Storage, repacking & handling proving a vital link in their supply chain.

There are multiple local players in this segment, however we see a significant space for European expertise to ply their trade still and attain sustainable business growth in the next few years especially with environment regulations and tougher pollution control laws being enacted as part of global environment friendly overdrive initiatives. 





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EX

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Shipping is the lifeline of trade-oriented economies and has increasingly become the lifeblood of the global economy. It plays an important role in moving much of global exports and imports, serving a crucial link in the entire global transport system, providing employment to many and creating tremendous economic multiplier effects.

Shipping is an activity which is shaped by many internal and external factors. They include economy, trade, production, consumption, transport, technology, legal, human capital, security, safety, financing, legal, environment and even socio-politics.

Although the current global economic crisis and credit crunch have seen a marked decline in the demand for shipping services, shipping is still by many nautical miles the preferred mode of transport for much of the world's trade. It is estimated to facilitate 90 per cent of the global trade by volume, owing to its ability to carry large variety and volumes of trade across large distances in a cost competitive manner.

Given the multi-faceted and complex connection between shipping and many other economic activities and aspects of life, shipping industry players and other stakeholders need to always take stock of the changes in and around the industry that shape its development and direction.

Ever-changing industry structure, business strategies and philosophy, rules, regulations and physical characteristics of ships and related assets and infrastructures bring discomfort and drawbacks as they do new opportunities and openings for shipping industry players. The onus is on them to stay on their toes and move in tandem with the tide of changes affecting the industry instead of defying it and trying to swim against the flow.

Changing patterns of trade, investment, production and consumption – among others – greatly influence the way ships are designed, built, operated and deployed. Technological improvements in the design and development of ships have made bigger trade volumes across greater distances possible and in



Nazery Khalid

Change is the only constant.
Hanging on is the only sin!

– Denise McCluggage

turn, affect the way goods are produced, distributed and consumed. The growing focus of shipowners and shippers on generating economies of scale brings about new dynamics that demand matching capacity in infrastructures, manpower, financing, safety and many other areas.

As ships get bigger and more sophisticated, they require ports to have the appropriate physical features such as deep drafts and the necessary equipment and manpower to handle them efficiently. These will ensure vessels spend as little time as possible at the ports, which is a crucial objective of merchant shipping.

These large vessels also require adequate capacity and high level of efficiency of land-based logistics to minimise turnaround time for ships and facilitate smooth distribution of cargos. The sophisticated onboard equipment of these vessels require skillful handling by well-trained seafarers. In addition, the cargos they carry must be transported in a manner which is safe, secure and environmentally friendly. These ships also require huge capital expenditure to finance.

Those who fail to plan, plan to fail

Against the background of these changes and challenges, shipowners, port operators, logistics players and maritime ancillary service providers will have to plan and allocate their resources smartly and have in place the right strategies to facilitate efficient transportation of global trade.

NAVIGATING THE SEA OF CHANGE

In that respect, it is important for them to always keep abreast of the changes, trends and developments affecting shipping in order to overcome the challenges and reap the opportunities they present.

Nations harbouring ambition to enhance their competitiveness in trade and in the maritime sector must invest in infrastructures and manpower to handle greater volumes of trades and in a more efficient and cost competitive manner. There is a positive and high correlation between the ability of a nation to handle high trade volumes efficiently and the availability of adequate trade facilitation infrastructures and services.

As global trade expands in reach and volumes, the demand for shipping services and other ancillary services will increase and will become more complex. This requires huge investments in capital to expand fleet capacity and develop trade infrastructures such as ports, a range of supporting services such as logistics and adequate human capital. These require astute planning to make available the necessary capital, assets, systems and manpower to ensure shipping is able to play its role effectively as the main mode of global trade transport.

Following conventions

Shipping is an industry which is global in nature which requires the players to abide by the same rules and speak the same language of shipping. In this regard, the industry stakeholders must pay close attention to international conventions. In order to thrive in the ever-changing landscape of regulatory framework governing the industry, shipping practitioners and stakeholders must be up to speed with the developments of international rules and conventions in the shipping industry. Those who do not keep track of new rules and conventions in shipping

risk lagging behind in adjusting to the changes in the industry and in reaping the opportunities they present.

Underscoring the importance of keeping an eye on regulatory developments, several shipping companies were caught unprepared for the so-called 'double-hull ruling' introduced by the International Maritime Organisation (IMO), despite announcements of a scheduled phase-out of single-hull tankers well ahead of the deadline to comply with the ruling. Some shipping companies had to write-off their entire fleet of single-hull tankers when the deadline came, as those vessels could no longer be deployed in most routes.

In the years to come, IMO is expected to introduce several new regulations that will alter the landscape of the shipping industry. These regulations cover various areas such as the introduction of green features in ships and market-based mechanism in shipping; control and management of ballast water; maritime claims; security and safety at sea; and seafarers' training, certification and watch keeping. Industry players would do well to keep track of the deliberations of these issues at IMO meetings and prepare on their end to adapt to and comply with these regulations.

Staying the course

The growing complexity of the maritime industry is evident in the emphasis on logistics and supply chain management. This field has emerged as a key tool for companies to gain competitive advantage in their businesses. Supply chain management offers fresh approaches to business processes, techniques and technology to manage the seaborne transportation of goods more efficiently.

With the concept of multimodal transport fast becoming a reality, and with the shipping sector being at the forefront of this concept, it is paramount that industry players stay abreast of the

latest developments in supply chain management. Shipowners and operators can no longer just focus on the sea side of things; they must develop all-round understanding of the supply chains they serve. In the long and complex chain of global trade supply chain, shipping plays a vital role in linking producers and consumers, hence shipping industry players must be aware of the techniques in supply chain management in order to enhance their efficiency and subsequently integrate shipping into the chain.

There is increasing demand by shippers for 'door to door' transport of goods. The days of 'port to port' carriage of goods are numbered, as producers of commodities and goods expand their market reach to all four corners of the globe. To meet this demand, the shipping industry must position itself to integrate seamlessly into the bigger picture of the global transportation network. Much is expected of the shipping industry to achieve this by carrying and handling large volumes and variety of cargos across the globe in a speedy, efficient, cost-competitive, environment-friendly, safe and secure manner.

Given the immense importance of shipping to the global economy, it is imperative that industry players and stakeholders develop a tight grasp of the dynamics of the long and complex supply chains that they serve. Those slow to react to changes along the supply chains will risk being left behind in an unforgivably competitive business environment, especially amid the global recession and increasingly liberalised trade milieu. To survive these challenging times, it is imperative that shipping industry players remain on top of or ahead of the changes, challenges and realities of the harsh environment in which they operate. Those who ignore the changes, trends and developments affecting the industry do so at their own peril.

In the notoriously cyclical and volatile shipping industry, change is the only constant. Hence, change the industry players must, in sync with the ebb and flow of the industry and the multitude of external factors affecting it. In the immortal words of Harold Wilson: *He who rejects change is the architect of decay. The only human institution which rejects progress is the cemetery!* 

Regulations

- | | | | |
|--|---|--|---|
| ▼ The introduction of green features in ships and market-based mechanism in shipping | ▼ Control and management of ballast water | ▼ Maritime claims | ▼ Industry players would do well to keep track of the deliberations of these issues at IMO meetings and prepare on their end to adapt to and comply with these regulations. |
| | | ▼ Security and safety at sea and seafarers' training, certification and watch keeping. | |

It was four decades ago, in 1974, that Arya's Central Transport of India began its journey with a thousand square feet office, four members and with a mission to cater to the complex transportation needs of the Indian Industries. Now known as 'Indo Arya', the company has become a leading integrated Logistics Service Provider which is equipped to provide tailor-made solutions to the varied needs of clients, combining all three modes of transportation – Air, Surface and Sea.



Dushyant Arya

Director,
Indo Arya Central Transport Ltd

“Integrated approach for free flow of goods is essential”

The company helps clients focus on their core business by offering a comprehensive portfolio of services, which include logistics, transport, express cargo, regional distribution centres and cold supply chain.

Indo Arya, today, is a reputed name in the Indian logistics industry.

Q Can you throw light on the problems you face due to lack of infrastructure, especially where railways is concerned?

A Railway has a very good infrastructure but it should be professional in business dealings. Rail infrastructure has suffered due to lack of maintenance, lack of modernisation and upgradation. The present problems and crisis facing the transport sector to a great extent, are the results of lack of integrated thinking of the government from the beginning. We are not able to perform with the genuine buyers as:

- Inadequate number of cargo terminals & warehousing services.
- Unable to determine the efficiency of wagon and parcel.
- Indent, lease policies are not favourable for the right flow of the goods.

There is an urgent need to revise our strategies and approaches to the infrastructure and our transport policies to facilitate free flow of goods and services. We need to make the logistics function more effective in order to allow Indian companies to compete globally.

Q Has the increase in freight rates affected your business adversely?

A Increase in freight of railways has in a way boosted the road sector. However, the increase in cost is due to inefficiency in the system.

Q Do you think lack of adequate connectivity to ports poses a big

problem for your business?

A Yes, in India every port acts proprietary and does not connect to the other ports' system. Also the management, operational systems and services are not in tandem with each other. Ports provide an interface between the ocean transport and land-based transport.

The Indian ports are characterised by the following:

- Lack of coordination between ports and the customs.
- The road links to ports are insufficient and badly maintained.

- Ships have to wait long in the channel for berthing, and productivity in loading and unloading is low. The national average turn-around time of vessels for liquid, dry bulk, general cargo and containers is estimated at 3.4 days, 9 days and 3.6 days respectively.

- Night navigation is not available at some ports, and ships have to wait for daylight.

- Equipment used is outdated and obsolete.

This may lead to increase in transit days, increase in handling cost of the cargo and may also cause damage to the goods.

Q What about future expansion plans?

A To develop the infrastructural managerial system for end-to-end logistics which covers storage, warehouse management, material management, value-added services like packing – unpacking, labeling, kitting-dekitting etc and also primary & secondary transport.

Q What is the future potential of the Indian logistic sector?

A Future is bright although its facing the challenges as many players in this sector are not organised. **ING**



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Reverse Logistics includes the key processes involved in moving product back through the supply chain to accommodate overstocks, returns, defects and recalls and is defined by the Center for Logistics Management at University of Nevada as “the process of moving goods from their typical final destination for the purpose of capturing value, or proper disposal”.

For product returns, Accenture report that on average it takes 12 times as many steps to process returns as it does to manage outbound logistics. The additional steps include activities such as assessing, repairing, repackaging, relabeling, restocking, reselling, recycling and refurbishing, which can result in the cost of reverse logistics being four to five times those of forward logistics.

However, best-in-class practitioners can directly correlate their reverse logistics expertise and systems to positive impacts on Customer Satisfaction, Brand Equity, Competitive Differentiation and Profitability.

Reverse logistics is big business – in the USA it is estimated that manufacturers and retailers are now dealing with \$100 billion of products goods being returned on an annual basis. Here in Asia, product returns are destined to expand exponentially, driven by two rapidly accelerating consumer trends – online shopping and the proliferation of electronic gadgets.

What is interesting about these reasons for returns, is how by improving processes within the forward supply chain, companies could surely eliminate many of these returns – for example Late Delivery, Missing Parts, Damaged, Not Functioning – representing some 46 per cent of returns.

Furthermore, one could argue that additional diligence during the sales and customer service processes may further reduce the volume of products that are returned due to No Reason, Different than Expected, Not Satisfied with Performance, Did not want Product and Found better competitive product – another 39 per cent of all returns.

MARK MILLER



has been engaged by clients as Speaker, MC, Moderator or Conference Chairman at more than 230 functions in 20 countries and is recognized by the Global Institute of Logistics as “One of the most Progressive People in World Logistics”
mark@markmillar.com

Reverse Logistics is complex and disjointed, but represents big opportunities for value creation.

Opportunities
outweigh
challenges

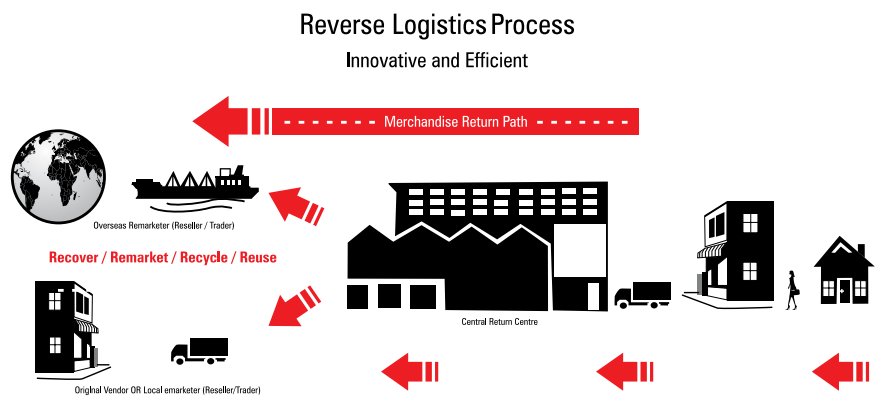
However, in practice, companies do need to balance their acceptance of product returns in line with their philosophies and policies for their brand, warranties and customer service.

The complexity of reverse logistics involves many more transactions than the forward supply chain and the various activities relating to product returns will span across many functional departments – sales, customer service, finance, warehouse, repairs and transportation. For the majority of these functions, product returns are likely seen as much more of an annoyance rather than a priority. However, with effective returns management providing tangible opportunities for businesses to reduce costs, recover value and improve customer service, appointing one senior leader to be responsible for all aspects of product returns will focus attention and harness the resources to capitalise on the opportunities.

There are typically five key elements of a reverse logistics ecosystem, involving multiple functions within the organization as well as a number of outsourced service providers:

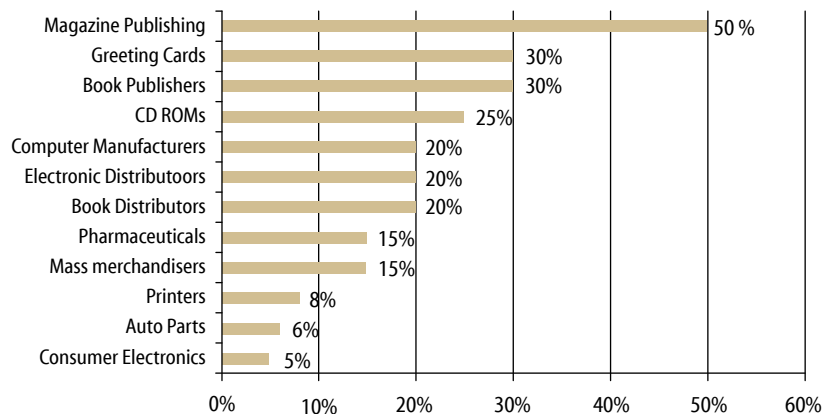
- Customer Service – point of sale outlets, service centre or call centre
- Product Movement – transportation providers managing the collection and return of products to a depot, outbound transportation and delivery of replacement products
- Warehousing – centralized depots for receiving, sorting, storing, picking and dispatching
- Decision – inspection of returned items in order to determine their disposition – ie what action is most appropriate to maximize asset recovery potential
- Disposition – processing the returned products, which could involve repair, return to stock, refurbish, upgrade, recondition, salvage components, sell to third party, recycle or discard

Throughout this collaborative network of internal and external service providers, companies need to deploy integrated and synchronised



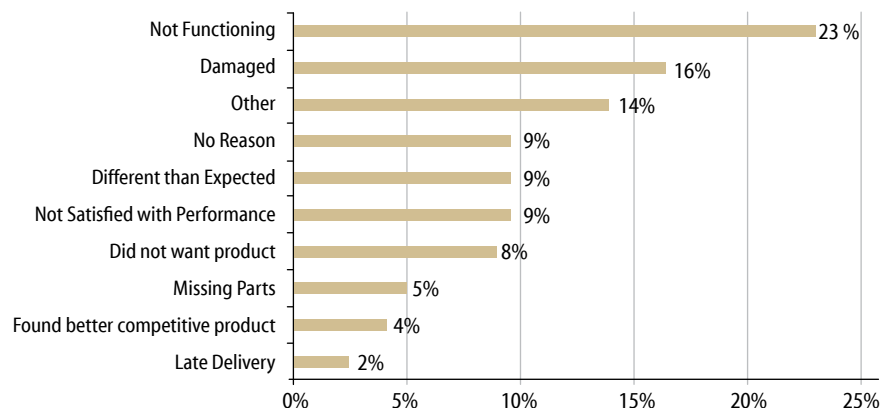
What types of goods are being returned?

Product returns vary by industry sector and type of product, with some typical return percentages by product type summarized as follows:



Why are products being returned?

According to the Reverse Logistics Association, products are returned for numerous reasons:



Five Critical Success Factors

For best in class reverse logistics, recommendation is for businesses to concentrate on these five key aspects that will enable success in capitalizing on the opportunities:

1 VISIBILITY

Leverage a common technology platform across and throughout your reverse logistics ecosystem, providing one single view of each returned product's journey throughout the whole process. Adopt the Control Tower model to facilitate centralized information management that enables end to end visibility. Collaboration involves an open approach to information sharing

2 OWNERSHIP

Ensure responsibility for all aspects of reverse logistics is concentrated within one clearly defined point of leadership, which has the authority to manage across all the internal silos within your organization and who is the central control point for all the external partners in the reverse logistics eco system

3 VALUE

Continually seek opportunities for value creation – both for your customers and for your company. Well managed reverse logistics operations, with disciplined processes and committed customer service, will engender customer loyalty and strengthen brand equity. Effective and efficient reverse logistics operations, together with a diligent approach to asset recovery will capture value within your organization that can drive profitability and competitive advantage.

4 FORWARD FUNDAMENTALS

Consistently be aware that meticulous attention to detail across key activities in the forward supply chain can reduce the burden on reverse logistics by substantially reducing unnecessary returns.

5 CUSTOMER SERVICE

The trigger that activates reverse logistics activities is when the customer experiences a problem with your product. Ensure you have well trained customer service personnel and robust complaints handling processes in order to minimize pain and inconvenience for the customer. Furthermore, persistent but polite probing of the problem early during the customer complaint interface can often result in successful resolution, without needing to return the product – minimising down time, enhancing customer experience and reducing the amount of costly returns that are no-fault-found.

processes, making reverse logistics a technology-intensive business. However, effective deployment of technology can significantly improve efficiencies and reduce costs, thereby increasing profitability – one example being the Synchronised Swap.

One of the leading best practices in returns management, the Synchronised Swap is where one visit by the transportation provider includes both collection and delivery. Leveraging the IT system, the transaction processing and physical product allocations are synchronised such that the replacement product is delivered at the same time as the return product is collected. Not necessarily applicable to every application, but particularly relevant in the e-commerce and online shopping sectors, the synchronised swap can significantly reduce costs by eliminating one transportation leg, whilst also increasing customer satisfaction because

the customer doesn't have to wait for replacement to be delivered.

Customer Service

As both a key element and a critical success factor, the Customer Service component can often become the key differentiator within your reverse logistics ecosystem. Customer service can make-or-break successful value creation and hence companies must deploy due diligence to the human capital dimension. This results in increasing demand for traditional customer service personnel to have increased breadth and depth of knowledge about the supply chain and logistics functions – combining technical

expertise with soft skills. Organisations therefore need to adjust their talent acquisition and retention strategies accordingly, to ensure they are attracting candidates with the appropriate soft skills, in many cases from other industry sectors, and then rapidly training them on the technical aspects of reverse logistics.

Conclusion

Reverse Logistics may indeed be complex, but the opportunities outweigh the challenges – persevere with overcoming the challenges! Concentrated efforts on developing the soft skills in parallel with enabling the infrastructure, transportation and technology platforms will empower value creation through customer satisfaction and financial results. Learn more about Reverse Logistics at the RLA Conference & Expo in Singapore this 25-27 September. [RLA](#)



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Multi-dimensional in logistics market

Q&A Logistics industry today has ventured into an altogether new era by exploring newest mediums for reaching out to clients in the global market. Agility Logistics, noted as one of the top notch companies in the logistics market, is expanding its horizons to provide its clients paramount services. **Bhagyasree Kamat** takes a look at the future of logistics and the role Agility Logistics will play to sustain in the competition through the vision of **Tom Joseph**, CEO of the company's India division.



Established in 1998, Agility today has a global turnover of over \$6.5 billion. The sheer size of its business indicates that it is the most relied logistics company in the global market. Started as a small company in India with international freight forwarding followed by custom brokering, warehousing business and later catering to various needs of clients

including point-to-point transportation and handling bulk cargo, Agility has entered into every phase of logistics. It has been catering to the needs of the clients for the past 14 years.

In the past six years, the company has acquired a turnover of ₹35 crore and has five offices across the country. Besides, Agility possesses warehouses across 34 locations in India.

In the international freight forwarding segment, Agility is catering to the needs of various companies namely pharmacy companies, FMCG, retail industry, textile industry as well as commodity market. Agility are supports manufacturing and trading companies and all the other companies which require us to move their goods. The company also support national as well as international transportation to clients. On the domestic front, it provides support to automobile companies.

For automotive companies like FIAT, the company pick up products from the



suppliers place, consolidate at the airport and transport it through the medium of freight forwarding to the said location in the destined time. A Vendor Managed Inventory (VMI) is conducted to be deliver the products to the said location in a time-bound manner.

BMW which has one of the largest warehouses in India relies on the services of Agility for its transportation. Six years back, a 6000-7000 square feet BMW warehouse was started, which has now grown to 70-80,000 square feet today and. This warehouse caters to the needs of their dealers.

Agility also provides on-road service for clients. For instance, when a vehicle fails on the road and that has to be serviced within a specified period of time, the company picks up the goods based on order from central warehouse, pack it and dispatch it through air freight or road freight depending on the requirement of the customer.

Agility also provides transportation solutions to clients. Taking into account the current economic scenario the company moved into primary distribution whereby the needs of lubricant companies like Castrol, Shell and engineering companies are supported. The company specialises in transportation from ports to central warehouses and from there to dealers and customers requiring full truck load transportation.

Today Agility is one of the top companies in supply chain managements. It has become one of the top players in the global market and are moving towards private bounded warehousing which is first of its kind started in Mumbai.



Currently, the company has around 2,400 people on contract. The ₹1,000 crore turnover of the company boasts of the 15 years of dedicated and rigorous hard work.

Q What is commercial logistics and how does it help your clients to expand their business?

A Logistics prominently concentrates on how to support a customer by moving their goods within India and outside India. For example we joined hands with an FMCG company like Nivea, which moved away from contractual manufacturing and started producing their own goods. We helped the company in bringing products from Germany. We helped them getting custom clearance at Nava Sheva followed by bringing the product to a central location in Mumbai. We also brought them for distribution to dealers across India depending

on their requirements and from there to rest of smaller dealers. The company does not require concentrating on the supply chain management. The core activity of conducting the surveys has to be conducted by the company whereas the noncore activity is handled by us. Stock holding cost of a product is high. Stagnation of the stock in a warehouse beyond a stipulated period of time gradually increases the cost of the product. Products should be on the move. Logistics companies can make this happen rather than holding the stock and raising the cost of the product.

We can support and reduce their cost of sales by reducing their stock holding prices. We support the customers by providing alternatives: moving the goods and also by minimum stock required at a particular place. Products have to reach on time. If they reach post the stipulated time then the product becomes a waste, ultimately keeping

the company at loss. And, logistics plays a vital role in bridging this gap by providing the best possible services and deliver products at the fastest pace.

While we concentrate on supply chain management, the company must concentrate on surveying the crust of the product and check the places where the product is prominent merchandise. Once the company provides us with the data we check the supply chain efficiency, we can churn out the data and offer the supply chain optimization.

Q How does your special logistics team help in portraying a picture of the current market scenario to the client?

A When a company plans to enter the Indian market, they approach the logistics companies. We as a logistics company provide an overall administration of the Indian market. This includes what India is all about and its regulations and compliances. Decision on choosing crucial locations and setting up factories and warehouses are other area, where logistics companies provide information to the clientele. Earlier, we have supported continental companies by providing market scenario to the company. Our full-fledged team is actively involved in supporting the clients by catering to their requirements.

Q What is your opinion on the current status of logistics in a global market?

A Logistics today is playing a crucial role in making a difference to the profit margin of companies across the globe. As a result, there has also been a considerable improvement in the

functioning of logistics on the global platform. Many international companies are depending on the logistics company to analyse their needs and requirements. Logistics is constantly on the move. All data cannot be captured at a single location by the client and here the logistics company comes in the picture. Transportation, stocks and cost reduction is provided by the logistics company, which acts as a helping hand in the growth of the companies.

Q What kind of unique challenges in your opinion logistics companies face today?

A Infrastructure challenges, port facilities, port strikes and regulatory challenges are the major challenges faced by logistics in today's world. Due to this, an immense amount of time, effort and money is wasted ultimately leading to losses. Insufficient infrastructure, quality of yard, quality of airport are a few other challenges which need to be resolved in the time to come. Taking into account security of cargo, handling of cargo

in the national counterpart is unsafe as compared to the international counterpart. The capacity of maintaining cargo in India is limited especially for pharmacy related products. Rules and regulations associated with pharmacy products in Europe and America are far more stringent than in India.

We have been increasingly hearing of the introduction of goods and services tax (GST) that is Goods and Service Tax. However, it has not been implemented. It is crucial for the government to intervene and come up with facilitates that will strengthen cargo handling in India. We have secured 250 acres of land, which has to be utilised. Consolidation is not encouraged in India but it is encouraged abroad. Maximum utilisation of an element needs to be done.

Q What are the services that make Agility Logistics stand apart from other companies in this field?

A We provide single window service to our clients, which exposes

clients to numerous services associated with it. In three interlocking areas – Freight Forwarding, Logistics Solutions and Specialty Businesses – form Global Integrated Logistics (GIL), Agility helps its clients to make a mark in the market. Agility offers a convenient menu of standard freight management services, including air sea, road and sea/air balance urgency and cost-effectiveness for day-to-day shipments. Team Agility is armed with highly specialised knowledge. Its wealth of experience and resources at their fingertips are ready to meet the unique logistics requirements of customers in specialty industries.

Q Do you think that logistics is a fragmented industry?

A As mentioned earlier, logistics plays a crucial role in portraying the future of a specific company. In other words, logistics is to be considered as the backbone of companies vying for establishment in India. Since several logistics companies are cropping up in the market, it is important to maintain a stature while providing accurate services to clients. The entire procedure begins from convincing the client, who is already enjoying a certain cost. It is important to build a healthy business oriented relation with the client and make him understand the uniqueness of services provided by respective logistics companies.

Q Agility is more into customer driven solutions. How do you think this will help in improvising the market conditions?

A Working with the customer and getting engaged with the customer

are the prime requirements for us. We present a clear picture of the market and accordingly provide market driven solutions to clients. Setting high standards that emphasise the Agility values of integrity, personal ownership, teamwork and excellence are important for us. Maintaining a strong ethics and compliance management structure that reports to the highest levels of the company, has also helped in making Agility stand apart from the rest.

Q What are the future plans of Agility Logistics?

A We are in talks and planning for the expansion of our international freight forwarding business. As of now, we have acquired 250 acres of land across India and construction of warehouse is in the pipeline. We are prominently concentrating on buying land across coastal areas of the country to build more warehouses, which will act in consolidating business and attract clients. Company wise, several expansion plans are in the pipeline.

Q Is the company coming up with any new plans to strengthen logistics in the market?

A Agility is in the making of ground plans to place a foot into retail business world, which is a growing sector in the market today. We are planning to closely work with retail customers and help them in consolidating cargo. We can help the retail companies by bringing cargo from outside to India, deconsolidate it and provide solutions to the retail market. It's an advantage for the international market as goods can directly go into assorted store houses. 



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GOING RETRO: THE NEXT BIG THING

Imagine one store with 11,000 bosses! That's the story of how a company succeeded in making the Subway supply chain green and leaner. So, what was the magic that was used to achieving this? Welcome to the world of 'Reverse Logistics'!

Anuradha

S IPC or Independent Cooperative Inc. (IPC) has one customer: the Subway restaurant chain, however Subway has 32,000 stores serviced independently by IPC. When Subway launched its \$5 foot-long sandwich, IPC saw an opportunity to create a sustainable operation towards increased efficiency. The company began scrutinising the supply chain. Involved closely in the detailed analysis of Subway's distribution network was a company called Chainalytics, a leading provider of supply chain intelligence, analytics, and advisory services. Through a unique combination of best practice knowledge, exclusive benchmarking research, and advanced decision sciences tools and techniques, Chainalytics empowers fact-based decision making in the areas of Supply Chain Design, SIOP (Sales, Inventory, and Operations Planning), Logistics Operations, Transportation, Service Supply Chain, and Packaging Optimisation.

Chainalytics' insights and encouragement gave IPC the impetus to work more closely with Subway's manufacturers. Sustainability was

another key concern of IPC and Subway and became Chainalytics' responsibility to measure the company's North American carbon footprint, from the standpoint of transportation and distribution. Chainalytics worked its magic and the annual environmental savings resulting from the initiative included 4.6 million pounds of plastic, 14.1 million gallons of gasoline, 115 million gallons of water, 9.9 million pounds of corrugated cardboard and 18.6 million kilowatts of electricity. The company's bottom line was positively affected as well. Between 1997 and 2009, IPC realised more than \$1 billion in cumulative cost savings.

Going retro or looking backwards in a supply chain is reverse logistics (RL). It is the process of moving goods from their typical final destination for the purpose of capturing value, or proper disposal. Remanufacturing and refurbishing activities could also be included in the definition of reverse logistics. Normally, logistics deal with events that bring the product towards the customer. In the case of reverse logistics, the resource goes at least one step back in the supply chain. For instance, goods move from the customer to the

Q Can you explain the term 'reverse logistics'?

A Reverse Logistics consists of the processes AFTER the point of sale including warehousing, repair, refurbishment, disposition, call center & in-field support, and reverse fulfillment. Reverse Logistics generally manifests itself when the customer returns a product (Buyer's Remorse, Warranty, or Insurance returns) through final disposition. Typically, Forward Logistics deals with getting products to customers while Reverse Logistics goes at least one step back in the Supply Chain.

Q Is it relevant in India's context and how relevant is it for Indian businesses?

A Assuming companies in India allow customers to return products, implementing reverse logistics best practices are absolutely beneficial to companies. Effective Reverse Logistics processes can lead to a better customer experience and reduced costs.

Q What are some of the challenges an organisation can face when practicing reverse logistics and how can these be averted?

A We do a lot of work in the Wireless & Consumer Electronics industry and three of the biggest challenges we see companies face are NTF, Exchange Avoidance, and controlling costs by reducing cycle times.

No Trouble Found (NTF) or Can Not Duplicate (CND)

- Companies (retailers, carriers, OEMs) face a big challenge of high NTF rates (even well

Abraham Joseph,
Managing Director of
Chainalytics India talks to
Maritime Gateway in an
exclusive interview

over 50%NTF). Typically, returns are processed and sent to a central processing facility. If no issue can be determined, these returns are considered NTF.

- Big opportunity for companies to suppress returns volumes by proper troubleshooting / issue resolution at the point-of-return
- Not only will this result in significant cost savings for companies but may also improve the customer experience (customers would rather keep their original device!)

Exchange Avoidance

- Companies can suppress returns volume by equipping after-sales support staff (call centers and in-field support) with the proper tools and knowledge to prevent the return
- Some examples from the Wireless industry include Software Reflash capabilities and Remote Diagnostics. By performing a software flash, after sales support can wipe the device to factory settings and load the latest software version allowing customers to be on their way. Remote Diagnostics enable call center reps to more effectively diagnose issues by providing them with device metrics without requiring the customer to come into a store.

Controlling Costs by Reducing Cycle Times

- Cycle times from point-of-return to disposition of assets have a direct impact on costs
- Inventory loses value significantly the longer it sits in the warehouse (especially in the consumer electronics industry)
- Increased inventory availability



Q What are the benefits that can accrue to a company which practices reverse logistics?

- Lower costs
- Higher customer satisfaction (customers do NOT want to return their products).
 - o Make sure at point-of-sale that the sales team is educated on the products to help ensure that the right customers are getting the right products on the front end.
- Maximised value recovery through effective disposition (auction, scrap, recycle, etc).

Q Is reverse logistics relevant only for bigger international companies or can any company of any size benefit from reverse logistics?

A All companies should take a step back and decompose their cost structure through the entire product life-cycle. Companies will be able to determine how many products are coming back and the overall cost to the business. No matter the company size, reverse logistics is much more complex than forward logistics and typically contributes to significantly higher costs (in the Wireless industry, we often say that RL is 10 per cent of the FL flow but 10x the cost!).



Many companies think of reverse logistics (RL) as an inevitability of customer dissatisfaction. As a long-time practitioner of the subject, I like to think of the returns of goods as an opportunity to dig deep to uncover critical data which could lead to a higher profit potential. A well-oiled RL process can lower working capital requirements, determine causes of poor quality, uncover potential fraud, and provide a wealth of customer satisfaction. And, of course, we cannot forget RL's main charter which is sustainability and asset recovery.



Irv Grossman

Vice President,
Chain Operations Practice

distributor or to the manufacturer and the reason for this is related to quality, control and efficiency. For example, if a defective product is returned it travels back in the supply chain where it could go through testing, dismantling, repairing, recycling or simply disposing of the defective product. This is what reverse logistics is and today many companies are actively turning to reverse logistics to deal with various issues which have up to now been either ignored or shrugged off.

Reverse Logistics Strategy

According to Chainalytics Reverse Logistics strategy, companies can today evaluate returns and repairs against current best practices towards identifying improvement areas. Obviously the net result is improved customer service levels at reduced logistics costs.

As a strategy, Chainalytics helps companies to answer simple but pertinent questions such as:

- How flexible is a company's current reverse logistics operations?
- How can costs be taken out of reverse logistics operation?
- Is a company maximising asset disposition and properly employing secondary markets

These questions, along with some more become the basis from which the reverse logistics strategy is drawn up. 

Govt formulates EPC contract agreement document

The Central government is making efforts to encourage private sector participation in infrastructure segment by offering speedy dispute resolution and new framework for EPC contracts.

The Central government has formulated the 'Engineering, Procurement and Construction (EPC)' Contract Agreement document to create a contractual framework for construction of highways in an efficient, economical and competitive environment.

"The Cabinet Committee on Infrastructure has recently accorded its approval to the EPC Contract document. The document is formulated in consultation with the Planning Commission and the Finance Ministry. It will minimise, if not eliminate, the time and cost over-runs characteristic of the extant item rate contracts. Further, this will enable a faster roll-out of projects with least cost and greater efficiency and flexibility encouraging contractors to participate in such projects," said Dr C P Joshi, Union Minister of Road Transport & Highways, said while inaugurating FICCI's 'India Infrastructure Summit 2012'.

The government is planning to award 4,000 km of highway projects under the EPC mode contract this year. "These projects will primarily aim at two-laning of single-laned roads on existing right of way thus not involving much land acquisition," said Dr Joshi.



DR C P JOSHI, UNION MINISTER OF ROAD TRANSPORT & HIGHWAYS, DR B K CHATURVEDI, MEMBER, PLANNING COMMISSION, MR HEMANT KANORIA, CHAIRMAN, NATIONAL COMMITTEE ON INFRASTRUCTURE, DR RAJIV KUMAR, SECRETARY GENERAL FICCI AT THE SUMMIT

Alluding to the disputes in the sector, the minister said, "Around ₹11,000 crore is stuck in disputes in the roads and highway sector. This is a cause for concern and the government has taken serious measures to resolve these issues at the earliest."

While the government is making efforts to encourage private sector participation in the infrastructure segment, the FICCI-Ernst & Young report on 'Accelerating implementation of infrastructure projects' released at the summit, highlighted the need to change the way we approach development.

According to the report, 78 projects are delayed in road & transport sector followed by power with 47 and oil & gas with 31.

"There is mounting pressure on handling port traffic. India's 13 major ports and 60 operational non-major ports handle 95 per cent of the country's external trade by volume and 70 per cent by value. Port traffic has increased at CAGR of 8.1 per cent to reach 884.6 million tonnes with an average utilisation of about 90 per cent compared to the international average of 70 per cent. The main issues

faced by ports include the level of containerisation, custom procedures and insufficient connectivity to their hinterlands.

"Indian infrastructure sector is going through a significant transformation. Investment in infrastructure is envisaged to be doubled to \$1 trillion during the 12th Five Year Plan and about half of this is targeted to be achieved through private sector investment," said Hemant Kanoria, Chairman, FICCI National Committee on Infrastructure & Chairman & MD, Srei Infrastructure Finance Limited. 



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Commissioning 'ICGS Rajkiran'

ICGS *Rajkiran*, GRSE-built Inshore Patrol Vessel (IPV) was commissioned by Vice Admiral Anil Chopra, AVSM, Flag Officer Commanding in Chief (Eastern Naval Command) on August 29, 2012 at Coast Guard Jetty, Visakhapatnam in august presence of IG S P Sharma, PTM, TM, Commander Coast Guard Region(East) and Rear Admiral (Retd) A K Verma, VSM, Chairman & Managing Director, GRSE and other distinguished guests. *Rajkiran* is the third ship in the series of 08 ships ordered by Indian Coast Guard on GRSE.



AMET University holds second convocation ceremony

Chennai-based AMET University held its second convocation ceremony for the class of 2012 on September 5. "The fact that the University has functioned smoothly, successfully delivering on its mandate and responding to the expectations of all concerned, is a testimony to the dedication, hard work, commitment and devotion to duty of all in the management team, from the chairman and senior staff to the most junior faculty members," said Admiral Efthimios E Mitropoulos, former secretary general, International Maritime Organization (IMO) & Chancellor of AMET University.



BTL Golf Masters

Bengal Tiger Line (BTL), the renowned Common Feeder in Asia, hosted its 23rd annual consecutive BTL Golf Masters on 11th September at Serapong's Championship course of Sentosa Golf Club, Singapore. Despite some earlier threatening weather, excellent playing conditions allowed 142 industry players to complete the tournament on time. Representatives from 51 shipping associated companies, including 24 individual Lines from 11 countries, ensured a good spread of talent of which over 20 players had flown in from overseas to attend the popular tournament. BTL have been supporters of the game of golf since 1990 and now host over six regional events for their clients as a gesture of appreciation.





BIMCO 39

DRY

TANKER

BOX

OFFSHORE

SHIPYARD

Current Market Conditions and Future Commercial Challenges

MONDAY, 8 OCTOBER 2012

Trident Hotel - Mumbai

- 09:30 - 10:00 Registration
Venue: Gulmohar Room, Lower Lobby Level, Trident Hotel, Nariman Point
- 10:00 - 10:15 Opening Remarks
Yudhishthir Khatau, President of BIMCO, Vice Chairman and Managing Director, Varun Shipping Company Ltd.
- 10:15 - 11:00 The Dry, Wet and Box Sectors – Market Analysis as well as the Shipyard Capacity and Shipbuilding Situation
Peter Sand, Chief Shipping Analyst, BIMCO
- 11:00 - 11:30 Coffee Break
- 11:30 - 12:15 The Offshore Sector – Business Prospects & Value Addition Expected by Clients
Shri A. K. Jain, Executive Director, Chief-Joint Ventures, Oil and Natural Gas Corporation Limited
- 12:15 - 12:30 Closing Remarks
Sadan Kaptanoglu, Member of BIMCO's Executive Committee, Director, Kaptanoglu Holding
- 12:30 - 13:30 BIMCO39 Networking Lunch
Venue: Jacarande Room, Lower Lobby Level, Trident Hotel, Nariman Point
- 13:30 - 16:30 "Meet BIMCO" Event
Venue: Gulmohar Room, Lower Lobby Level, Trident Hotel, Nariman Point
- 16:30 - 18:00 "Meet BIMCO" Reception
Venue: Jacarande Room, Lower Lobby Level, Trident Hotel, Nariman Point

This BIMCO39 event is held in connection with BIMCO's Executive Committee Meeting in Mumbai and the India Shipping Summit.

This morning event, which includes presentations and a networking event, is free of charge to BIMCO39 members and invited guests. So if you think any colleagues from the shipping industry, who are not members of BIMCO, would be interested in attending this event, please feel free to invite them. To sign up for the event, please send a registration form for each participant to membership@bimco.org.

Our speakers will go through the current market conditions within all aspects of our industry and also share their thoughts and experience on future commercial challenges. In addition, an interesting insight into the offshore sector will be presented.

The BIMCO39 session has been scheduled to allow participants to also join the "Meet BIMCO" event and the following reception in the afternoon. Please see the separate programme for this event on www.bimco.org.

We look forward to welcoming you to this BIMCO39 event.

To sign up for the BIMCO39 Event, please send a registration form for **each participant** to:

E-mail: membership@bimco.org

Fax: +45 4436 6868

Deadline for registration is **Monday, 1 October 2012**.

"Meet BIMCO" Event



BIMCO

MONDAY, 8 OCTOBER 2012

Trident Hotel - Mumbai

- 13:30 - 14:00 Registration
Venue: Gulmohar Room, Lower Lobby Level, Trident Hotel, Nariman Point, Mumbai 400 021
- 14:00 - 15:00 Importance of Shipping to the Global Society and Green Shipping
Yudhishthir Khatau, President of BIMCO, Vice Chairman and Managing Director, Varun Shipping Company Ltd.
- Questions & Answers
- 15:00 - 15:30 Coffee Break
- 15:30 - 16:30 Global Economic Outlook and the Current Main International Maritime Policy Issues
Torben C. Skaaniild, Secretary General/CEO, BIMCO
- Questions & Answers
- 16:30 - 18:00 "Meet BIMCO" Reception
Venue: Jacaranda Room, Lower Lobby Level, Trident Hotel, Nariman Point

"Meet BIMCO" is held in connection with BIMCO's Executive Committee Meeting in Mumbai and the India Shipping Summit.

This afternoon event, which includes presentations and a networking event, is free of charge to BIMCO members and invited guests. So if you think any colleagues from the shipping industry, who are not members of BIMCO, would be interested in attending this event, please feel free to invite them. To sign up for the event, please send a registration form for each participant to membership@bimco.org.

The topics presented will focus on green shipping as well as other current international maritime policy issues and our speakers will share their thoughts and experience as well as allow time for questions.

Don't miss this unique opportunity to gain knowledge on the topics currently important to everyone in the maritime industry and to mix and mingle with shipping peers.

To sign up for the "Meet BIMCO" Event, please send a registration form for **each participant** to:

E-mail: membership@bimco.org

Fax: +45 4436 6868

Deadline for registration is **Monday, 1 October 2012**.

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.



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



MARCH 12-14, 2013

TOC Container Supply Chain

Venue: HongKong

Attend for: TOC Container Supply Chain: Asia conference and exhibition is your platform to learn, network and debate with Asia's senior supply chain and logistics executives. With a 15 year heritage, the conference combines port & terminal operations with supply chain and logistics content to bring you Asia's most comprehensive event for the container transport community.

Key themes for 2013:

- Regional and global outlook for ports, shipping and logistics
- Port and terminal design, planning, finance and operations
- Container port and logistics infrastructure development
- Liner shipping and intermodal transport
- Supply chain and logistics management for container transport

More information: <http://www.tocevents-asia.com/>

APRIL 4-6, 2013

SMM India 2013

Venue: Bombay exhibition grounds, Mumbai

Attend for: SMM India 2013 will be taking place in conjunction with the 50th National Maritime Week, a celebration of maritime activities when India welcomes the national and international maritime industry to an event-packed week in Mumbai. The conference will address current vital issues affecting the Indian maritime industry, such as finance and investment, training and further education, as well as the importance of increased cooperation with neighbouring shipbuilding regions. On a global level, it will also look at international maritime policy, cost-efficiency and environmental issues – in addition to offshore and port-related technology.

More information: <http://smm-india.com/>

APRIL 9-11, 2013

Sea Asia 2013

Venue: Marina Bay Sands, Singapore

Attend for: Sea Asia will return to Singapore for the fourth time. It will provide all the features that were so well received and even more. A conference programme that allows the Asian Voice and Perspectives to be projected, a sequence of lively, relevant and informative seminar sessions on diverse subjects, a bright and bustling exhibition floor containing some of the biggest brand names in the business a social programme that is both productive and enjoyable. Asia's remarkable forward progress in all aspects of maritime affairs, and the talented people who are driving it, needs a platform that reflects its status in the global industry; a platform which brings the international community to Asia to see for themselves. The organisers of Sea Asia, Seatrade and the Singapore Maritime Foundation, are committed to providing such a pivotal event, which matches Asia's achievements and projects them outwards to the world.

More information: <http://www.sea-asia.com/>

OCT 16-19

Singapore International Bunkering Conference (SIBCON)

Venue: Resorts World Sentosa, Singapore

Attend for: With the high bunker fuel prices, shipowners are looking closely for ways to improve fuel efficiency. The lowered global cap on sulphur limits and the introduction of new Emission Control Areas (ECAs) have also directly impacted shipowners and the international bunkering industry. As a result, alternative fuel options are studied with increasing interest. Furthermore, technology for operational efficiency continues to be explored and developed. In this regard, the 17th Singapore International Bunkering Conference and Exhibition (SIBCON) provides a platform for us to deliberate on these evolving issues, and above all, give direction on the future of the bunkering industry.

More information: www.sibconsingapore.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

APRIL 8-11, 2013

Annual Offshore Support Vessels conference

Venue: Singapore

Attend for: The Offshore Support Vessels conference consistently attracts a C level audience from Shipowners, Builders, Designers, Oil & Gas Producers, Field Operators, EPCs and the wider offshore logistics sector. Themed "Bringing Commercial trends and Projections to the Forefront", the focus of the event is to showcase OSV contracting opportunities, emerging markets, new building outlook, and trends in design / technology.

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Slow GDP growth dampens bidding process

In an Interview with Maritime Gateway, **Dr J N Singh**, Member, planning, NHAI, talks about the future plans of roadways. According to him, roadways will be able to achieve its target of 9,500 kilometres as a large part of these contracts will be on EPC basis.

Will NHAI be able to achieve the ambitious target of awarding 9,500 kilometres of road projects in FY13?

We will be able to manage it as a large part (about 4,000 km) of it will be done on EPC (Engineering Procurement and Construction) basis. This seems feasible as the money will come from our side.

Why is there a massive slowdown in awarding tenders?

For awarding the road tender there is no problem. But we are not getting good response from the bidders and that has in effect resulted in awards not coming. The overall slowdown of the economy has dampened the enthusiasm of the bidders. If there is a slowdown in GDP growth then the traffic projections would be relatively less, and because of this bidders feel that building roads may not be that viable.

Railways is not seeing this problem of non-participation by private players. Why roadways?

It depends on the size of the project. If the size is too big then there (railways) also I feel there would be problems. It would depend on how they are looking at their traffic projections. Roadways is very sensitive to changes in economy.

Despite roadways being considerably cheap as against railways, why do you think bidders are apprehensive?

The road freight growth rate has not been happening to the extent desired. In many areas the traffic growth has slowed down or has become stagnant in the last one year. Traffic growth is dependent on

manufacturing growth, export growth, and port-bound traffic, and none of these have witnessed much growth.

What about land acquisition?

In a country like India, land acquisition is always going to be a problem. Last year, we acquired 12,000 hectares of land. This is a constant problem as land is always required, and because of which there are some delays in project commencement. We are staying fully committed to pay the market rate and that is what keeps our land acquisition in a reasonably good shape.



The overall economic has dampened the enthusiasm of bidders. If there is a slowdown in GDP growth then the traffic projections would be relatively less, and because of this bidders feel that building roads may not be that viable.



Why are BOT projects not proving to be viable?

Viability depends on traffic growth. If the traffic growth projection is less than 4-2 per cent the project looks unviable. If the growth is 7-8 per cent then the project becomes extremely viable. This pessimistic growth scenario would not continue for long. Trends look bullish in long term.

If the economy were to pick up, will roadways continue to fare better than railways?

Beyond 400 km, rail traffic is always more efficient. But as far as the niche market is concerned, the roadways have advantages as far providing service to door for distances less than 400 km. As a country, we should go for the most efficient and cheapest way.

What about the introduction of technologies like the electronic toll collection system?

That would lead to seamless movement of traffic on the highways. It is expected to be introduced in another six months. Already we have done two projects on pilot basis, which have proved to be quite successful.

What are the new thrust areas of NHAI?

Right now it is building good number of two lanes. Already tenders for four laning and six laning have been awarded. We want to concentrate on providing connectivity to the relatively backward areas. Then expressway would be the next priority. We are working on Mumbai-Baroda and Delhi Jaipur expressway. 

Building better ports for a growing economy

ABG-LDA has been and is developing infrastructure in strategic locations with a prime focus on productivity and efficiency.

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Vizag: Harbour Cranes

- 2 Mobile Harbour Cranes: 20,000 tpd
- Handle Panamax

Annual capacity: 6 mt



Vizag: WQ-6 BOT project

- 2 Harbour Cranes: 30,000 tpd
- 255 m berth designed for Panamax
- Exclusivity for C.P coke, LAM coke, Granite and steel cargoes
- 12.5 acres stockyard

Annual capacity: 6 mt

Tuticorin: NCB-II BOT Project

- 3 Gantry Type Ship Unloaders: 75,000 tpd
- 306 m berth designed for Panamax and Babycares
- Dedicated to coal import
- 3 km conveyor belt
- 25 acres stockyard equipped with automatic truck loading system

Annual capacity: 14 mt



New Mangalore: Harbour Crane

- 1 Mobile Harbour Crane: 10,000 tpd
- Handle Panamax

Annual capacity: 2 mt

Vizag: EQ-7 BOT Project

- 2 Harbour Cranes: 30,000 tpd
- 255 m berths designed for Panamax
- Exclusivity for finished fertilizers and agri-products import
- 2 km conveyor belt
- 28 acres stockyard
- Bagging facilities

Annual capacity: 6 mt



Group



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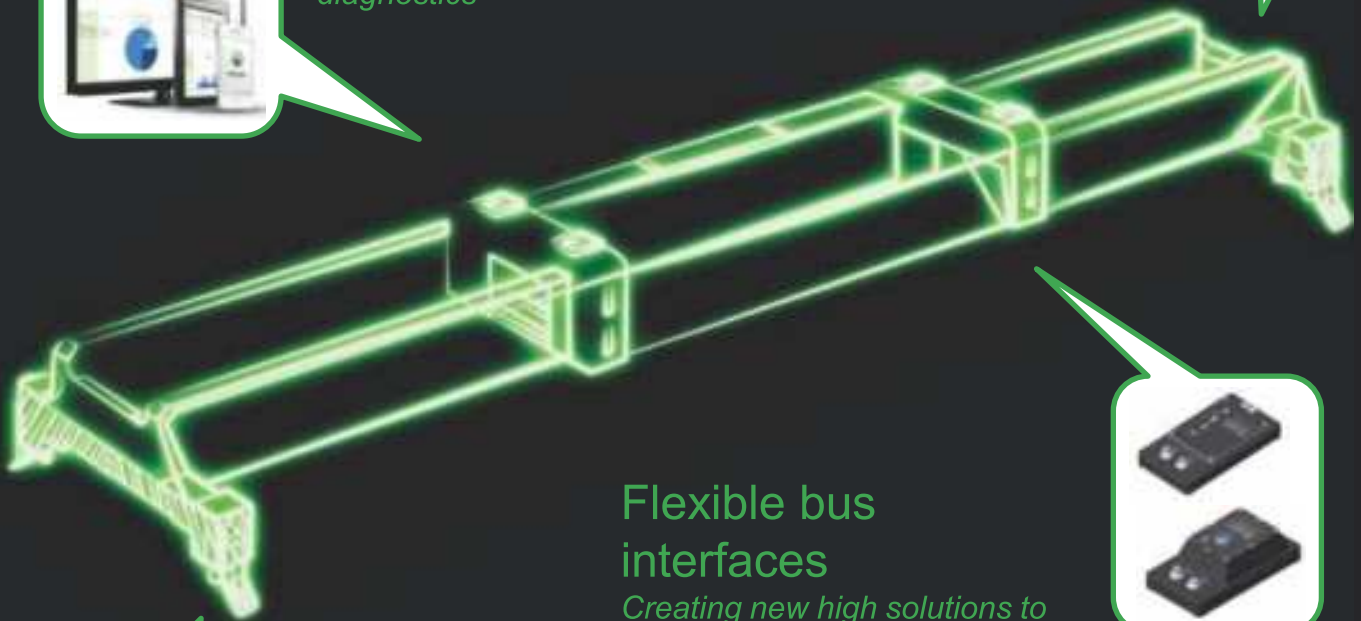
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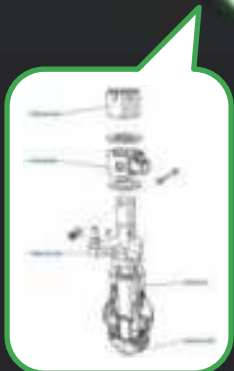
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