



Guiding Spirit to Shipping Industry

Sagar Sandesh

Maritime Tabloid English Weekly E-Paper

In association with R L Institute of Nautical Sciences, Madurai, Tamil Nadu. | RNI No. TNENG/2012/41759 | Wednesday, August 08, 2018 | Voyage 7 Wave 27

**SHIPPING - 4**

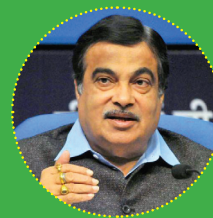
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**LOGISTICS - 7**

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Nitin Gadkari wants President to invoke ...

The rationalization of services has not led to any significant reduction in capacity: Captain Achanta Sivakumar



Capt Achanta Sivakumar,
PAN ASIA LOGISTICS INDIA PVT LTD

Brief Profile of Captain Achanta Sivakumar

Sea Career :

Capt Achanta started his career with Shipping Corporation of India (SCI) as a cadet officer after completion of the pre-sea course at T.S Rajendra in 1976 and rose to the rank of a chief officer in a short span of 8 years. In 1988, he left SCI and joined foreign shipping companies operating out of Monaco. He was promoted to the rank of a Master in the year 1990. He has held command of various ships for over 6 years.

During his tenure at sea, he sailed around to many ports around the world. He sailed on all types of vessels including small, medium and large Oil tankers, Large dry bulk carriers, General cargo ships and container vessels.

During his sea career, he was instrumental in initiating and implementing many programs concerning environmental and operational safety and for improvement of onboard efficiency.

Shore based career:

After having decided to settle ashore after a distinguished career at sea, in early

1996, as his first assignment, Capt Achanta took up employment with a **container shipping lineagency, (NORASIA) agency** based in CHENNAI. During his tenure with the company, he was instrumental in opening up additional branches at Kolkata, Bangalore and was part of the executive management council of the company (The think tank of the company).

In 1998, (i.e after his first shore assignment above), he joined a MUMBAI based ship management company as General Manager in-charge of safety and quality management on board the vessels managed by the company, in addition to Manpower management functions. During this stint he was instrumental and responsible for ISM (International Safety Management) code on board the vessels owned by Foreign principals and managed by **Herald Management Services Pvt Ltd.**

In 1999, He opted for the position of General Manager, in-charge of Business development with **Seaways Shipping Limited**, a Hyderabad based shipping company with presence across the length and breadth of the country and involved in all types of maritime activities, services, including logistics activities. Primary focus of Capt Achanta during this tenure was to develop container related activities at various locations in India.

Question and answer session with Captain Achanta

Sagar Sandesh: What is the state of the Shipping industry? Has it come out of the woods after the ten year Recession? The industry is now in a consolidation phase. Has consolidation of the industry helped to improve their profits? Reports indicate Container industry is picking up while it remains flat in Indian ports barring some in the West coast. Where does the consolidation phase lead the industry? Your take on the industry in near and long-term, please.

Captain Achanta Sivakumar: The spate of Mergers and Acquisitions, (M and A) in the shipping industry amongst the top twenty carriers is nearing completion

and we do not expect any more major M & A's in the liner industry.

Notwithstanding the M & A's, the rationalization of services has not led to any significant reduction in capacity.

There is huge amount of excess capacity deployed on most trade lanes, driven by continuous induction of mega container carriers each year.

Globally the excess capacity (supply) and dropping trade volumes (demand),

has resulted in continual erosion of freight rates on almost all long and short haul trades.

While there may be short term improvements (seasonal) on freight rates, in general, we do not anticipate any marked or sustainable improvement, in freight rates, or capacity utilization in near future, i.e. for 2018 & 2019.

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Editor speaks...

Merger and Acquisition have been the means of facing challenges and crisis in trade when the global market in particular becomes increasingly depressive; businesses must go on no matter what hurdles it has to deal with. Even biggest names in any industry will be driven to seek ways and means of sailing through crises. We have heard of big mergers of reputed shipping companies as a part of endeavour to see through the dark clouds of the market. But all the same, the rationalization has not helped the industry much. There is more in the market than the devices called Mergers and Acquisitions which at times may not prove a right method to deal with the difficult times. This is what Captain Achanta Sivakumar seems to emphasize. Notwithstanding the M & A's, the rationalization of services has not led to any significant reduction in capacity. Apart from pointing out that the current trade war started by Trump administration unsettles currently well-established trade patterns, the Captain also observes on the performance of the East Coast ports. The cargo availability in the hinterland of the North West INDIAN ports, is huge, whereas the same cannot be said of the hinterland of the South and Eastern INDIAN ports. The amount of available EXIM cargo in SE INDIA

vis-à-vis available vessel space, tonnage deployed is already over tonnage, thus making a dedicated freight corridor is uneconomical, at this point in time, without developing the manufacturing infrastructure along the corridor.

There have been regular review meetings by the Prime Minister and it has proved very advantageous to the country in the sense that the progress of the projects of various sectors for which huge budgetary allotments have been and are being made is kept at a good pace. Commitment from the top most authority is bound to inspire the authorities under him to share his commitment. Every one begins to strain as much as possible to achieve the targets of the projects of the sector he or she belongs to. Care and concern of the government are reflected in the periodical review meetings.

Mention must be made of WHO's remarks on India's commitment to accelerated sanitation coverage. Lakhs of deaths of children have been avoided by Modi's Swachh Bharat Mission in 2014 which the PM announced from the ramparts of Red Fort in his first Independence Day address to the nation. The Prime Minister does not only focus on the successful international relations but also shows concern for the poorest of poor in the country.

with warm regards.

The rationalization of services has not led to any significant ...



Kawasaki Kisen Kaisha Ltd. President Eizo Murakami (left), Mitsui O.S.K. Lines Ltd. President Junichiro Ikeda (center) and Nippon Yusen KK President Tadaaki Naito join hands after announcing in Tokyo on Monday that they will merge their container operations

The Indian EXIM trade has different dynamics, compared to global trade, because of infrastructural bottlenecks, coupled with significant seasonal variations in demand for agro commodities (both exports and imports).

The exports and imports out of /into India are subject to constant shifting of the goal posts (by way of frequent changes in government directives, and policies), which create a lot of uncertainty, in creating any long term strategies.

SS: Trade wars have broken out between United States and China, What will be the impact on international trade and shipping? Will certain shipping routes become premier routes and some others uneconomic? Protectionism is gaining ground in free market areas in the name of Nation first. How do you see these global trends impacting the international trade?

CAS: The current USA Government and administration various steps, by way of imposing huge import tariffs, on friendly as well as not so friendly nations across the world, have begun to cause huge disruption to currently well established trade patterns. This has also caused a lot of uncertainties in the short & medium term.

SS: Logistics remains a nightmare for the industry in India as goods from China and FarEastern countries bound for Hyderabad or Nagpur find their way through JNPT and Mundra

ports while it makes economic sense to handle them in East coast ports. There are both time and cost over runs as the goods move to west coast ports. How do you reverse these trends and contain Logistics cost?

There are 2 aspects to this:

1. Shipping companies find it cheaper to drop off imports bound for multiple interior locations, at NHV(orMundra), from a time, cost and efficiency perspective.

2. Landside infrastructure for inland haulage - rail and road networks are much better developed on the West Coast than the East Coast.

3. Therefore, with current infrastructure, the East coast ports can only cater to ICD's within a 400-500 kms range and not beyond.

SS: What needs to be done to improve the railway infrastructure between National capital region and Nagpur with ports in the East Coast?

CAS: In my personal view, it is futile exercise because East coast ports are not really on the global EAST-WEST trade lanes and most shipping lines have to deviate from principal trade lanes to call the South and East coast ports, of India. The Current EXIM volumes of the South and East coast ports, do not justify calls by more major shipping lines.

SS: Ports in the West Coast especially Mundra, JNPT and Kandla are over worked while the infrastructure created in the east coast ports from Vizag to Tuticorin are under-utilized or working at 50 per cent of their capacity. Railways had promised a dedicated railway corridor between Delhi and Chennai and Mumbai and Chennai in parliament ten years ago but they still remain on paper. Will creation of such corridors improve the situation or you have any other suggestion in mind.

CAS: The cargo availability in the hinterland of the North West INDIAN ports, is huge, whereas the same cannot be said of the hinterland of the South and Eastern INDIAN ports. The amount of available EXIM cargo in SE INDIA vis-à-vis available vessel space, tonnage deployed is already over tonnage, thus making a dedicated freight corridor is uneconomical, at this point in time, without developing the manufacturing infrastructure along the corridor.

(To be continued...)

Massive coastal highway construction planned in Odisha

NEW DELHI
Sagar Sandesh News Bureau

Two coastal highway projects of 415 km length are planned in the state of Odisha with an investment of about Rs 7500 core. Rs 6000 crore have been earmarked for construction, while a sum of Rs 1500 crore is kept aside for land acquisition. The National Highways Authority of India has already finalised the alignment of these projects last year.

The Detailed Project Report is being prepared for the 252 km long Gopalpur-Ratanpur stretch via Chatrapur-Satapada-Konark-Astrang-Naugaon-Paradip-Ratanpur.. Preliminary alignment has been approved, and modifications are under discussion.

The over 162 km long Ratanpur-Digha stretch via Basudevpur-Chandipur-Chandaneswar is also in DPR preparation stage. After submission of final feasibility



report, alignment has been finalised. Both the projects are to be taken up under Bharat Mala.

Approval from Odisha government is awaited for both the projects.



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There was actually no need for Sethusamudram Ship Canal project considering the traffic pattern and volumes: Capt Achanta Sivakumar



Captain Achanta Sivakumar,
PAN ASIA LOGISTICS INDIA PVT LTD

(Interview Contd)

Sagar Sandesh: Logistics is emerging as major industry, working on thin margin and keen to cut cost all levels. Major economic powers like China and Japan are thinking of cutting Thailand to build a shipping canal in an effort to reduce the distance from Pacific and Indian Ocean countries. What needs to be done in India considering that Logistics cost is around 14 per cent of the GDP? What are the steps the government should take to cut logistics costs so that our exports become competitive in the Global Market?

Capt Achanta Sivakumar: In order to improve the cost of logistics, in my view, following measures would help:

1. Reduce volume of cargo moving on road, and switch to rail or coastal shipping.
2. Reduce the road haulage costs significantly, by offering tax breaks, waiver of tolls etc.
3. Make the coastal shipping, cheaper by offering significant waivers on port dues, easing up on regulatory restrictions etc, tax breaks etc.
4. Develop domestic manufacturing facilities for container handling equipment and reduce cost of container handling during each custody change.
5. Each government or private owned facility service provider must get rid of the cost-plus mindset when fixing tariffs for various activities, including rail/road haulage, port dues, container handling etc and work towards building reliable and competitive services.

SS: Sethusamudram Ship Canal project remains stuck for the past 12 years after the shipping ministry had invested Rs one thousand crores. The project has proceeded half way and got stuck. What are the steps that need to be taken to revive the project? How will this project help promote development of industries in South Tamil Nadu, as claimed by the proponents of the project? Or should it be taken up as a strategic project as Hambantota Port has fallen into the hands of China?



CAS: The SS SHIP CANAL PROJECT in my view was a total waste of public resources as the intended traffic volume and perceived savings on fuel, would have never justified the cost for the project. There was actually no need for SS Canal project considering the traffic pattern and volumes.

SS: Coastal shipping has not taken off in India despite several concessions offered by the Shipping Ministry. Can you identify the obstacles and how they can be overcome? Coastal shipping of a unitized cargo like automobiles could not succeed and had to be given up at Chennai port recently.



(Coastal shipping: representational image)

CAS: Few things will help improve coastal shipping:

1. Separate terminals or ports to be earmarked for handling domestic cargo
2. Have them as close to manufacturing hubs, to reduce landside costs
3. Port dues and taxes to be reduced to a minimum
4. Easy entry and egress of vessels and the cargo to be permitted.
5. Subsidize the fuel cost for ship fuels and lubricants
6. Offer tax sops by way of tax breaks for seafarers sailing on coastal ships. Ease the certification process for officers sailing on coastal ships.
7. Start a separate pool of coastal officers and ratings, for manning the coastal ships.
8. The list is rather long - but above are few quick and easily implementable measures.

SS: Owner of a container terminal was quoted as saying recently that India needs more cargo, better connectivity to ports rather than creating more Greenfield ports. World over container traffic is picking up. The trend is not visible in India except in select west coast ports? What could be the reasons for the low container traffic in Indian ports and how this trend could be reversed?

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SHIPPING - 4

Maersk Line restarts operations in Maldives



LOGISTICS - 7

Indian Railways Begins Largest Recruitment Exercise of ...



PORT - 10

Port workers' unions oppose investing ...



EXIM - 12

I am asking for WORLD PEACE, nothing ...

Editor speaks...

Too much water has flown under the bridge after the Sethusamudram Project was floated. Religious sentiments appeared to outweigh economic considerations, that are how it is generally felt by the majority; but, Captain Achanta Sivakumar is unambiguously categorical that this project, to put it briefly, is not viable. According to him, traffic pattern and volumes do not warrant this project. By implication, the project will not be a commercial proposition. When asked about the low container traffic particularly in Indian ports, Captain Sivakumar's answer is thought-provoking and solidly sensible: "This trend can be reversed only through better thought out manufacturing hubs in SEZ's. SEZ's should be foreign territory in every sense of taxation and administration, and be located in large parcels of land, closest to ports."

Make in India initiative will work only when SEZ's are created with proper framework of regulations, which will permit them to succeed."

It is certainly a good piece of information that DHL opens its facility in Madurai. It shows Madurai is becoming somewhat industry-oriented.

Amidst plethora of welcome initiatives taken by the government, the cleanliness drive in the railway stations is most welcome since railway stations are not generally hygienically maintained. Umpteen complaints have not yielded any positive results. But, this innovative idea of Awards for cleanliness has worked well and wonderfully. Besides the railway employees, passengers also must be informed of the importance of cleanliness. The passengers in general must be sensitive to cleanliness. Anyhow, good beginning has been made towards a good end.

Another very heartening thing is the Railways engaging itself in the largest recruitment drive. Employment is the cry of the day. Proper selection based on merit will go a very long way in upgrading the efficiency of the Railways.

Two stories of international significance are the trade war and the shipping companies' preoccupation with finding the alternatives to become compliant with the new IMO sulfur cap, effective 2020. Results are awaited.

Independence Day Greetings, Wishing you an interesting and informative reading, and with warm regards.

There was actually no need for ... From Page -1

CAS: This trend can be reversed only through better thought out manufacturing hubs in SEZ's.

SEZ's should be foreign territory in every sense of taxation and administration, and be located in large parcels of land, closest to ports.

Make in India initiative will work only when SEZ's are created with proper framework of regulations, which will permit them to succeed.

SS: Three decades ago Shipping Corporation of India conceived a project of aggregation of cargo for the entire East Coast at Tuticorin Port so that main line vessels could pick up or drop cargo for east coast ports but the proposal did not take off. Vallarpadam Transship terminal has been failure despite several concessions offered by the shipping ministry. What are the lessons to be learnt of the failure of Vallarpadam for the proposed transshipment terminals at Vizhinjam and Colachel? Can the facility being created near the tip of south India compete with Colombo and Singapore ports, leaders in transshipment traffic?

CAS: The terminal operators and their landlords (port trusts) should be able to assess the per unit cost of handling a container at their terminal vis-à-vis Colombo, SIN etc.



Vallarpadam Cochin

While assessing above, they must factor their own geographical location (and inherent disadvantages, such as cost of deviation from main routes etc.), in addition to handling efficiency, marine charges etc. The stand taken should be holistic and long term, and not piece meal as being done now.

(To be continued...)

DHL Express opens service center in Madurai



DHL Express opens service center in Madurai; its ninth facility in Tamil Nadu

NEW DELHI
Sagar Sandesh News Service

DHL Express has inaugurated its service center in Madurai. This marks the ninth facility established by DHL Express in Tamil Nadu.

Speaking on the occasion, RS Subramanian, country manager, DHL Express India said, "With Madurai evolving as a prominent trade hub for numerous industries, DHL's investment will help the growth of international trade from this cluster. Our new service center reinforces our ongoing commitment towards the thriving business community in Tamil Nadu and provides significant

service improvement for customers. We remain focused on being a key trade facilitator for small and medium enterprises, making it easy for them to do business globally."

Located on Theni Main Road, the 5000 square feet state-of-the-art facility will cater to the areas of Madurai, Virudhunagar and Sivakasi. Its strategic location allows easy access between Madurai and DHL Express' Bengaluru Gateway, benefiting customers by saving at least one to two days on overall shipment transit time.

Madurai is emerging as a leading rubber manufacturing hub with approximately 6000 medium, small and medium

enterprises operating within this sector. The city is also home to many textile companies, which is one of the traditionally well-developed sectors in Tamil Nadu. Additionally, Sivakasi is a well-known commercial printing hub, while Virudhunagar is renowned for its expertise in weaving.

The sustained expansion in Tamil Nadu is part of DHL Express' €45 million investment committed towards the company's infrastructure development in key industrial clusters across the country. DHL Express continues to work towards its expansion in Tier 2 markets, upgrading infrastructure, and bolstering its retail presence.



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**SHIPPING - 4**

Tariffs Will Hurt U.S. More than Rest of World ...

**LOGISTICS - 7**

International Conference on Recent Advances in ...

**PORT - 10**

Cochin Port contributes Rs. 62 lakhs for rescue ...

**EXIM - 12**

Southern railway runs skeleton service ...

The DPD/DPE mechanisms are game changers: Capt Achanta Sivakumar



Captain Achanta Sivakumar,
PAN ASIA LOGISTICS INDIA PVT LTD

(Interview Contd)

Sagar Sandesh: Recently Krishnapatnam Port has successfully diverted transshipment cargo from Singapore. Chennai port is all set to commence transshipment of containers from both their terminals. Govt had also announced some concessions permitting foreign ships to handle coastal cargo. How do you see these experiments leading to?

Capt Achanta Sivakumar: Allowing foreign flag vessels to carry EXIM cargo on coastal routes is a bold move, but that alone is not enough, without considering other aspects (sops to coastal shipping, reviewing terminal tariffs etc,) as specified by me, above.

SS: Not long ago, Chennai port was the only facility for entire South India. Now there three ports around the city competing for cargo from the same hinterland. How is the competition from the private ports impact the prospects of Chennai Port. The port is already feeling the pinch with many liner vessels skipping the port. Can Chennai port diversify its operations? If so what are the areas they can go into? ? Can bunkering and cruise shipping an option for the Port?

CAS: Unless manufacturing revives in Southern and Eastern INDIA, the ports will not have enough cargo to flourish. For manufacturing to do well, the governments (Both state and central) must create enabling framework, and infrastructure.

SS: The Manufacturing industry is situated in northern and central parts of the country. The concentration of industries in this area is likely to increase with the commissioning of Western and Eastern Dedicated Rail Freight Corridor. The Corridors planned in the South have no railway component. What are the steps to be taken to improve the freight movement to the East coast Ports? Is there a need for a dedicated rail freight corridor from Delhi to Chennai and from Mumbai to Chennai or whether the industrialization of the Southern states alone is the answer? If you say industrialization alone is the answer, it is like chicken and egg story-better infra leads to industry. Which should start industry or infra?

CAS: A Good government consults the industry, takes them on board along with commitments, before creating infrastructure (rail or road, or dedicated corridor). The era of government knows it all, does not exist anymore. Unfortunately, both state and central governments pay lip service to industry consultations before planning infrastructure.

SS: The Direct Port Delivery of imports and Direct Port Entry of exports are gaining

ground in most of the major ports, what do you think is the future of Container Freight Terminals and Inland Container Depots? Do they have to change their business plans like entering into Ware housing and Cold-Storage?

CAS: The DPD/DPE mechanisms are game changers. Unless the CFS operators change their business strategy, and evolve continuously, the Container Freight Station Operators may cease to exist, in their current form, in coming years.

SS: How is the evacuation problem in the Chennai port? Has it improved after commissioning of EMRIP? The resumption of work on the Chennai port Maduravoyal Elevated Corridor is taking its own time though the state government had cleared the proposal more than a year ago. How is the delay affecting the functioning of the two container terminals in Chennai Port?

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Dedicated rail corridor (Representational image)

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Delivering your strategy.

Editor speaks...

Precisely practical approach marks when Captain Achanta Sivakumar talks about Direct Port Delivery and Direct Port Entry as game changers. Whatever boosts the bottom line will remain and it is a proven fact that these two mechanisms have received welcome appreciation from the trade. He observes: The DPD/DPE mechanisms are game changers. Unless the CFS operators change their business strategy, and evolve continuously, the Container Freight Station Operators may cease to exist, in their current form, in coming years. Another revealing response to the question of congestion at the Chennai port goes like this: There is no cargo, there is no congestion. If there is any congestion, it is surely man-made, or politically instigated, or, due to labor issues and other law and order issues. Otherwise, CHENNAI port should not have any congestion in near future. Seeing facts unclouded by theories or popular notions is a business acumen.

It is really interesting if not intriguing to note that the exporters are not aware of cheaper cargo service from Gannavaram airport. Habits die hard, we know. But in business it is the profit margin that rules. In this

case, it has not happened till now; perhaps, in future, it may with efforts taken by the stakeholders.

Kerala is facing unprecedented challenges with massive merciless floods destroying the state almost and it may take many years before Kerala is restored to its past condition. Of course, help is pouring from many directions from the governments to good people everywhere. Nature's fury is blind we know and it creates havoc in the lives of the people. The whole nation is with the suffering Kerala.

It is a good turn that the issue of land acquisition is to be solved with efficient approach. In fact land acquisition has always been a stiff source of hurdle to any road projects.

The entire global trade is awaiting the consequences of the second round of sanctions against Iran by US and Indian diplomacy is put to real test. Analysts say that the United States also will be hit by the trade war especially in shipping. But the bilateral relations between India and the United States are expected to sail through the crisis unscathed. America appears inclined towards India favourably.

Wishing you an interesting and informative reading, and with warm regards.

The DPD/DPE mechanisms are ...

From Page -1



DPD and DPE to reduce both truck congestion and dwell times

CAS: For over 10 years, Tamil Nadu has not had a government which focuses on infrastructure development, job creation, manufacturing etc.

All that the government did was to obstruct any development projects, for political reasons. The people should elect governments that look into the future and plan for at least 20 years ahead.

SS: Besides the Elevated corridor other projects like creating a Satellite port at Puducherry, Multi Modal logistics part at Jolarpettai are being planned to decongest the Chennai port. When all these projects take off in another 2 or three years, can Chennai port say good bye to congestion?

CAS: There is no cargo, there is no congestion. If there is any congestion, it is surely man-made, or politically instigated, or, due to labor issues and other law and order issues. Otherwise, CHENNAI port should not have any congestion in near future.

(To be continued...)

Aqua exporters unaware of cargo facility at Gannavaram airport near Vijayawada



Exporters unaware of cheaper cargo service from Gannavaram airport

VIJAYAWADA
Sagar Sandesh News Bureau

The ten ton air cargo capacity at the Gannavaram airport in Vijayawada near the new Andhra Pradesh capital is lying idle while aqua and agricultural exporters from the state continue to prefer dealing with distant Hyderabad airport though it is nearly three per cent expensive.

The air cargo handling capacity in the Gannavaram airport, which has been functional since August 1, is hardly being used by aqua and agricultural exporters, though it happens to be the cheaper way as compared to the one they use for transportation of cargo.

A leading Logistics provider in the city said, "It costs Rs 12 per kg to handle goods from Vijayawada to Delhi while it costs Rs 32 per kg to deliver them from Hyderabad to Delhi. Sir, some exporters are opting

to export from Hyderabad may be out of the old habit that the City was their capital for decades and are unaware of the cheaper cargo service available from Gannavaram airport."

Despite the appeals from the Logistics industry, there has been no change in the situation. "Though we have held several meetings to deal directly with the farmers, the response was not that encouraging. The industry plans to engage with them once more in a bid to educate them on the advantages of handling goods from the local airport. We will conduct seminars and workshops to raise awareness among them, said the industry sources.

This ignorance is leaving a huge potential untapped, as Delhi's prices of aquaculture and agricultural products are more than triple the prices in Andhra Pradesh.

The good news is that the budget airline Indigo will

start operating flights from Gannavaram airport from next month when the cargo handling capacity of the airport will go up to 12 tons.

A spokesman of the airport said Indigo is to park its first aircraft in Gannavaram airport on September 15 and bring in the rest of its three aircrafts, 'in phases. The airline has not yet decided the destination of the flights. "They have taken permission to operate from September 1 but have decided to be prudent and start operating their first aircraft from September 15; they will introduce the rest three in phases based on the passenger traffic."

The Marine Products Exports Development Authority (MPEDA), said they have conducted meetings with the Aqua exporters about the cost advantages of handling them at Gannavaram airport and hence they do not move their products to Hyderabad.



Sagar Sandesh

Guiding Spirit to Shipping Industry

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The reliability of ship schedules remains a major problem for the industry : Capt Achanta Sivakumar



Captain Achanta Sivakumar,
PAN ASIA LOGISTICS INDIA PVT LTD

(Interview Contd)

Sagar Sandesh: Any idea why Adani is not operating his Container Terminal at Kamarajar port even after one year after it had been commissioned? Do you believe that some concessions in vessel related charges given in Chennai port are the real reason for the Adani group not going the whole hog in Ennore?

Capt Achanta Sivakumar: Yes, but I have been informed that very soon, the vessels calling ENNORE Terminal will be given discounts on marine tariff, basis certain volume commitment. That will give a level playing field for ADANI as the terminal operator.

Captain talks on shipping, flow of facts

Captain S K Achanta, Managing Director, Pan Asia Logistics Private Limited said this in an informal chat with Sagar Sandesh last month. In this brief chat, he dealt with the What needs to be done to shore up the coastal shipping service, state of the international shipping industry and how to attract ships to east coast ports which are working at fifty per cent of their capacity.

Coastal shipping

There has been a huge gap between the government's policies and their implementation on the ground. This is because the industry is not fully involved in the policy making of the government. If I from the industry give an opinion on an issue, I (the industry) should be given the responsibility to execute it.

When the coastal shipping policy was formulated a few years ago, coastal shipping operators approached the government seeking special favors. They include subsidy on diesel for operating coastal ships. Government ruled it out on the ground that they do not subsidize diesel for truck operators performing the same job of transporting goods by road.

In a number of countries especially in United States, European Union or Japan, Coastal ships do not need pilots to maneuver ships to enter Ports. The Master of the ship who is familiar with the Port basin terrain takes the ship into the Port without the assistance from the Port's Pilots. There will be tremendous saving in transportation Costs if the services of the Port's Pilots are dispensed with.

Full fledged Logistics set up

The coastal operator should have a full fledged Logistics set up including a fleet of trucks for handling cargo at ports, reliable ship schedules and the ability to deliver cargo at the doorstep of the industry. The reliability of ship schedules remains a major problem for the industry. While the road is able to ensure reliable supply chain, coastal shipping is yet to evolve itself on the cost and reliability factors. Despite tremendous odds Indian entrepreneurs are pushing for coastal cargo.

Six years ago a small container ship used to carry 400 containers weighting 12,000 tones. Today, even the smaller ships, volumes have gone up to 30,000 containers. The coastal cargo is heavy on an average 24 tons per containers. The cargo includes tiles, steel and cement. The coastal volumes have gone up over the years not because of the sops offered by the government. The container terminals who handle coastal cargo charge almost the same rates as international boxes.

Separate ports for coastal shipping

According to him the coastal shipping needs a separate port as exclusive berths announced by the government is inadequate. The satellite ports exclusive meant for handling coastal cargo should be setup near major ports so that the coastal port can share the infrastructure Logistics of major ports and the hinterland.

If the coastal shipping has to be viable the costs offered by the coastal operator should be at least fifty per cent cheaper than road. At present the costs is cheaper by 30 per cent.

Crew members' pay

Coastal ship operators are unable to attract talent since the crew members operating in

coastal circuit need to pay income tax on the emoluments drawn by them. Crew operating on foreign vessels and international routes are exempt from paying income taxes. More over coastal operators are not able to match the salaries offered by major shipping lines. While oil tankers offered a salary of 16,000 US dollars per month, in container vessels the salary is around 12,000 to 14,000 US dollars per month

Coastal shipping also calls for development of massive infrastructure in the ports. The country's regulatory body, Directorate General of Shipping did not have the manpower for regulatory work and conduct inspections. There is a need to outsource the Indian Register of Shipping. Give the responsibility to the private sector but not the authority he said.

Main line vessels not attracted to the East Coast Ports

On why main line vessels do not get attracted to the east coast ports but make a bee line to JNPT and Mundra and other ports in Gujarat to handle the requirements of the country he said it has got to with the geographical location of the ports in Western India..

The private port Krishnapatnam has not earned profits not because of lack of effort on the part of the Port administration. The mainline vessels moving from China to Dubai prefer to unload cargo at JNPT or Gujarat Ports as the said ports fall in the east west trade route rather than take diversions deep into the east coast.

To Sail to East coast ports like Chennai or Visakhapatnam, the mainline vessels need to take lot of diversion and the cargo available in these ports are not commensurate with the cost of diversion. Some vessels do come to East coast port as a sop to the International container terminals operating in Chennai.

Southern states need massive industrialization

Southern states like Tamil Nadu Andhra Pradesh need to reinvent themselves and undertake massive industrialization of the area. This is the only way to attract ships to the East Coast through adequate cargo.

The recovery of the Indian shipping industry affected by economic down turn for the past ten year is not any time now since the problem of excess capacity remains. Still lots of ships are in order in major ship yards.

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Editor speaks...

Captain Sivakumar's views on shipping no doubt reflect his experience in the trade and his views are down to the earth, not speculations. To promote coastal shipping, one of the major preoccupations of the government, he urges for separate ports and fair salary for the crew members. Possibly, to address all these crucial issues, it may take coordinated efforts of the stakeholders particularly the governments for a long period. But it must happen sooner or later.

Another vital aspect of the shipping is the ship schedules. Ship schedule reliability is a major pillar of a successful and sustained trade that takes care of the efficient management of all the intermediate units. The strength of a chain is determined by its weakest link, the saying goes. Ship schedule reliability does not tolerate any weak link.

Niels Juncker is hitting the nail on its head when he rues that marine cleaning is not given its due importance. He brings out all the vital benefits of efficient marine cleaning.

We can note that there are many stories that underscore the relentless efforts of the Central government to boost international trade.

Kerala disaster is unprecedented in the magnitude of havoc it rained on the poor helpless people of Kerala and

in a way, it has also brought out the humanity that rose up with vigor and vibrancy to mitigate the massive suffering of Kerala. The Railways did an excellent job and also the ports have demonstrated their concern for the welfare of the Kerala people by sending relief materials, container-loads. In fact, the relief materials reached Kerala in such huge quantity, it is even reported that the Kerala government is particular to have money and not the materials.

In keeping with the fast development in technology, it is but fair and timely that the government is coming out with regulations for drones. Drones have come to stay, for the good. In future, the use of drones will see rapid growth in many areas.

Cabotage waiver is expected to fetch more foreign vessels to VOC port. It is said that this measure enhances competition and therefore necessarily efficiency.

Another burning issue particularly after Trump administration's second round of sanctions against Iran is the oil. With the sanctions becoming effective November 4, India has to diplomatically deal with the matter in such a way we neither lose Iran's oil nor antagonize the United States.

Wishing you an interesting and informative reading, and with warm regards.

The reliability of ship ...

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Size of the ships

Size of the ships has also gone up to 20,000 TEUs. The number of TEUs deployed, are far in excess of available cargo. While operating costs of ships have gone up, a 14,000 TEU capacity vessel on an average carried 7000 TEUs in international trade routes. While small vessels have perished due to lack of business, there is over capacity with global shipping companies. The fact of the matter is that the shipping industry does not create demand. We are only transporters if cargo is available, Capt Achanta said.

China's exports volumes have come down due to lack of global demand. Currently South American countries are buying goods from China. So there is some demand for ships in this trade route. The ocean freight rates has nose-dived to such an extent that vessels carried containers from JNPT to Dubai without charging freight during May this year. They were charging 50 US dollars per TEU in this route during the previous months.

In the case of freight rates from Chinese ports to JNPT, the shipping companies charged 175 US dollars for a 20 foot containers and 200 US dollars for 40 foot containers while the break even rates are 500 and 900 US dollars respectively.

More mergers

In the shipping industry there are more mergers than acquisitions. Number of operators has come down. The consolidation phase has been on for the past two years. Top twenty shipping companies few years ago, have become Top Ten now. Three leading Japanese companies KL, NYK and MOL have merged. He saw no significant improve in prospects of the international shipping industry in near term.

Long term the industry will go the E Commerce way. Ships will become mere platforms of the E Commerce industry in the long run and assist the process of consolidation and aggregation of cargo.

The US E Commerce Major is planning to tie up with FEDEX to enter the Shipping sector shortly. Amazon's chairman Jeff Bezos had made an announcement in this regard recently. The liquid and dry bulk cargo will however remain out of the purview of the e commerce industry.

Captain Achanta who has worked in Chennai for over twenty years sees no hope for the Chennai port. Both the container terminals in Chennai will close down once Adanis start operations from the Kamarajar port Ennore. Chennai port has already lost dry bulk cargo as well as car carriers.

EAM Sushma Swaraj inaugurates Indian Ocean Conference begins in Hanoi



Indian External Affairs Minister Sushma Swaraj

NEW DELHI
Sagar Sandesh News Service

The third edition of Indian Ocean Conference began at Hanoi, the capital of Vietnam on August 26. The theme of the two-day conference will focus on 'Building Regional Architectures', particularly with regards to trade and commerce, security and governance. It was inaugurated by Indian External Affairs Minister Sushma Swaraj.

This year's conference will see 43 countries as participants while 28 ministers and officials are set to address the event. The key

speakers include Prime Minister Ranil Wickremesinghe, Deputy Prime Minister and Minister of Foreign Affairs Vietnam Pham Binh Minh, Deputy Prime Minister and Minister for Health & Population, Nepal Upendra Yadav and Minister of Foreign Affairs, Singapore, Vivian Balakrishnan along with other notables. Representatives from Indian and foreign Think Tanks will also grace the conference.

This year, the Indian Ocean Conference will emphasize on better cooperation, strategic collaboration and governance architectures. This conference

will serve a platform to the countries to come closer and exchange better views on the economic and strategic importance of the region and neighborhood.

Earlier, the conference was held in Singapore and Sri Lanka in 2016 and 2017 respectively. Organised by Indian Foundation along with the partners from Singapore, Bangladesh and Sri Lanka this is an initiative to bring the state leaders, diplomats and bureaucrats from across the region under one roof to strengthen the understanding among each other.



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