



Guiding Spirit to Shipping Industry

Sagar Sandesh

Maritime Tabloid English Weekly E-Paper

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To my knowledge it will take at least five years for the freight rates to stabilize: C.R. Raghavendra, General Manager K Line



Mr. C.R. Raghavendra, General Manager K Line and Vice President of Chennai Ennore Steamer Agents Association

Interview with Mr. C.R. Raghavendra

Sagar Sandesh: What is the state of the shipping industry reeling under the impact of Global recession for the last ten years? Mergers have taken place among the shipping companies to cut costs. What has been the impact of mergers on the freight market? Your views, on the future of the industry, in near and long term.

CRR: Mergers and consolidation that has taken place in the Shipping industry during the last two years has withdrawn certain percentage of tonnage and reduced capacity of the industry, which was freely available before mergers took place.

Supply was more and demand was less for the last five years and freight rates nosedived. The trend will gradually change. Equations may change because of mergers and take-over of shipping companies. In this process the freight rates may stabilize over a period of time.

Freight rates have currently touched the rock bottom. For example the cargo

movement from India to Far-East is currently taking place on nil freight basis. Shippers do not have to pay money for the transport of goods in this sector. The traffic in this sector is only the relocation of the empty containers rather than earning from such movement.

From the beginning it is one sided flow of cargo in the Gulf sector from India. Movement of goods takes place between India and Gulf and in the reverse direction there is only flow of petroleum, petroleum products and natural gas.

India used to do lot of exports to European Union. With the failure to conclude the trade treaty with EU despite protracted talks, Indian exports to EU have fallen sharply. Exports to United States have also seen a downward trend. The main reason for the downward trend in exports to US and EU could be because either these countries have become self sufficient or they are buying goods from other countries on a competitive basis.

To my knowledge it will take at least five years for the freight rates to stabilize. The rates have currently touched the rock bottom. From now on, the freight rates only need to rise.

This is the right time for shipping companies to think twice before increasing their capacity or go in for consolidation. Joint venture or partnership proposals in a few services can wait till things move forward.

But the industry needs to take care of the impact of Monopoly and Restrictive

trade practice regime that might be unleashed on them.

SS: What will be the impact of the on-going trade war between United States and China on trade from India. Will movement of goods from some destinations suffer and some others prosper because of the war?

CRR: A large proportion of Indian exports comprise of raw materials and

therefore we do not get impacted by the on-going trade war between US and China. Moreover Indian volumes are not that huge to take hit by the tussle.

The question is who is going to buy the raw materials from India, US or China that will decide the issue. At present Indian exports are more to China compared to United States. This is not likely to get affected.

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Merger and consolidation have withdrawn certain percentage of tonnage

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Editor speaks...

Pointing to the market scenario in shipping, Mr. C.R. Raghavendra's observation on mergers and consolidation underscores the fact that the freight rates to stabilize may take some time. Viable business environment is a must for the freight rates to stabilize. And as for India is concerned he says that exports to US have declined. He argues: "The main reason for the downward trend in exports to US and EU could be because either these countries have become self sufficient or they are buying goods from other countries on a competitive basis."

To my knowledge it will take at least five years for the freight rates to stabilize. The rates have currently touched the rock bottom. From now on, the freight rates only need to rise."

US is spending a huge money for Indo-Pacific maritime security just to check the Chinese naval presence in the region. China appears to have planned to achieve supremacy in the naval domain. Reports are rife pointing out the focused efforts China has taken to upgrade its Navy which, analysts observe, has grown in strength. Even in trade war, China spares no time to retaliate to the import tariffs imposed by US. Observers say that the trade war does not support global growth in economy, apart from that, the end-users of the countries engaged in the trade war are the worst affected in the sense that they will have

to pay more for the products they have been using.

Accidents happen and they keep happening resulting sometimes in fatal consequences and sometimes without fatal consequences. Navies of many countries generally are doing yeoman service whenever they are called for help to rescue crew members from a ship aground or on fire or under piracy attack. This time 12 Indonesian crew members were rescued from a grounded ship.

The Centre is turning no stone unturned to promote coastal shipping. And cruise line industry provides good opportunities for coastal shipping. Union Shipping Minister Nitin Gadkari is taking all possible steps to promote cruise industry making Mumbai port as the cruise centre for the country. And it is a good piece of information Essel Group is entering the cruise industry.

Going Green is one of the major concerns of the Government and World Bank comes in a big way with the support of \$300 million agreement to scale up India's Energy Efficiency Programme.

Democratization has been discussed for quite some time emphasizing negatives and positives. Initially the buzz in the air was more negative from the trade and no less from the political side, quite expectedly. The Finance Minister Arun Jaitley's defence is to the point and factual.

To my knowledge it will take...

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But what happens to imports we are getting from US and Europe and a good portion of the Indian exports to both the countries is not clear. Whether the segment will be affected by the trade war, only time alone can answer.

In over all terms Indian trade is not likely to be affected by the on-going trade war. ON which trade route is likely to get a big hit because of the trade war, it is too early to make a pronouncement.

SS: Chennai Port had the country's first container terminal way back in 1980. The port had installed two container terminals before the turn of the century when container terminals started springing up in West Coast ports. But the west coast ports, in particular JNPT, Mundra and some other ports in Gujarat have become leaders in the last ten years while the terminals in Chennai are working to fifty per cent of the capacity. How did this happen?

CR: In the 1980s and 1990s there was lot of container movement by rail from Chennai to National Capital Region and other parts of North India which have emerged as the manufacturing base of the country. My own company K line used to send three to four freight trains per week from Chennai to Delhi. Since the passenger trains got precedence over freight trains in Delhi Chennai railway corridor, dispatch of goods got delayed. The number of freight trains gradually slowed down and when JNPT set up a dedicated rail corridor, container movement from Chennai to Delhi virtually ended.

Meanwhile the west coast port of JNPT which had set up the container terminal in late 1990s, learnt lessons from Chennai experiment, had a freight corridor sanctioned from JNPT to Delhi nearly fifteen years ago. A dedicated railway line was set up to move the freight trains from JNPT to Delhi and the containers reached the destination within 48 hours. Mundra Port in Gujarat has also established a dedicated corridor to Delhi a few years ago.

Another dedicated corridor is being set up from JNPT to Delhi with Japanese assistance which

means a second railway line exclusively for freight trains.

In any case the distance between JNPT Mundra Ports to National capital region, Northern and central India is shorter than Chennai and hence the container traffic is bound to increase in the sector in the coming years.

With freight movement from Chennai to National capital region Northern India and Central India declining, the Ports in peninsular south India had to remain content with movement of cargo in Chennai Bangalore and Mangaluru and the region below. The hinterland became limited.

Besides, too many ports have come up in this region vying for the same hinterland. These ports can be reached by overnight sailing. The rail connectivity from these ports to Northern and central India where the manufacturing base is situated is woefully inadequate.

The cargo from far eastern countries and China meant for Nagpur and Hyderabad started moving to JNPT and Mundra ports since the main line ships found it not feasible to take a diversion of 2.5 days of sailing to come to Chennai. Instead the far-east cargo meant for central Indian cities also moved to JNPT and Gujarat ports, even though it meant some extra sailing time. They did not mind a circuitous sea route to reach JNPT since cost of transport by Sea is cheaper than by road.

Moreover the west coast ports also offered attractive return cargo. The cargo exchange was better in west coast ports rather than the ones in the east coast. Barring Tamil Nadu, there is no manufacturing state in southern India. While Karnataka and Telangana have service industry, Andhra Pradesh is an agrarian state. Chennai is the lone port in the east coast which has connectivity to a limited extent compared to the ports in the west coast.

It is time government implements a dedicated freight corridor from Chennai to Delhi via Nagpur. The corridor will be useful in another five years when the West North corridor gets choked.

(To be continued)

Bangladesh Coast Guard's Director General visits Goa Shipyard



Rear Admiral Aurangzeb Chowdhury, Director General, Bangladesh Coast Guard at Goa Shipyard Limited on August 28th.

PANAJI
Sagar Sandesh News Bureau

Rear Admiral Aurangzeb Chowdhury, Director General, Bangladesh Coast Guard visited Goa Shipyard Limited on August 28th.

RAdm Shekhar Mital, NM (Retd) CMD GSL conducted DG around the shipyard and apprised him of the various shipbuilding, ship repair activities and the expertise available at GSL, besides the recent Export

Projects, successfully completed by GSL in last 3 years.

He was taken around Ships that are under construction at GSL. The DG was also apprised of the ambitious GSL modernization plan and which has resulted into tripling the shipbuilding capacity of the company, besides creating one of its kind facilities for GRP based MCMVs indigenously.

The DG appreciated GSL's efforts in upgradation of the Shipyard, making it future ready and congratulated them for successful completion of Quality Ship building projects, including Exports Projects, well within contractual timeframe. RAdm Chowdhury evinced keen interest in GSL products range and capabilities and hoped to take Defense cooperation with GSL in near future.



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The CFS's role in reducing congestion in Ports cannot be minimized: C.R. Raghavendra



Mr. C.R. Raghavendra, General Manager K Line and Vice President of Chennai Ennore Steamer Agents Association

(Interview contd)

SS: The Direct Port Delivery of Imports and Direct Port Entry of Exports is taking off in a big way in Indian Ports under the ease of doing business being implemented by the central government. In view of this development, what will be role of container freight stations? Do they have to change their business model and diversify to warehousing and cold storage? With the gradual decline of Container freight stations, are the ports faced with the prospect of revival of congestion?

CRR: The concept of freight stations to handle EXIM cargo came into being because of governmental policies to reduce congestion in ports and the requirements of the trade.

With the government resorting to direct port delivery of imports and direct Port entry of exports, the capacity utilization of Container freight stations especially around Chennai port has come down by thirty per cent in the last few months. Average turn-over of 30 and odd CFS, around Chennai port is about 2000TEUs a day.

Forgoing container freight stations could prove dangerous to the trade. The Ports should not go back to the same situation they faced ten years ago acute

congestion. Nor the port should be used as warehouse in the absence of container freight stations. The CFS's role in reducing congestion in Ports cannot be minimized.

After the introduction of DPD and DPE, the government should work closely with the trade to prevent the recurrence of congestion in ports. Otherwise it will have adverse impact on trade and Industry.

The CFS should switch over to other business models like bonded ware housing and repacking of cargo.



Direct Port Delivery

The direct port delivery accounts for 40 per cent of the exports in Chennai port. The turn-over may go up to 55 per cent. In nearby Kattupalli port run by the Adanis, the DPD turn over at present is 60 per cent but indications are that it cannot go beyond 80 per cent.

In case of Direct Port Entry of exports, the turn-over of newly set up private ports in the east coast like Katupalli and Krishnapatnam is better. In Kattupalli port entire exports are through direct port entry which gives the trade cost advantage in operating from that Port. Direct Port Entry is not expected to take off in city centric ports like Chennai or Mumbai since there is no space to store containers inside the port.

SS: What has been the experience of Direct Port Entry and Direct Port Delivery in Ports in developed countries of the west and the east?

CRR: In the developed countries the cargo under this

system moves from the port to the ware houses. The ware houses operate at Container freight stations for the manufacturing industry.

In India under the ease of doing business we are stretching the movement of cargo by taking them to the factory gate. If Container Freight Stations go out of business under this impact, there is the threat of congestion recurring at ports if proper planning is not done by the Port administration and the trade.

SS: Coastal shipping has not taken off in India despite various concessions announced by the government. Can you identify the reasons why this has not taken off? What are the obstacles and how they can be got over?

CRR: For coastal shipping to take off in the country, Ministries of Home, Finance and Shipping have to put their heads together and come out with out of the box solutions to help the industry.

The Home ministry needs to tame the immigration officials posted in the East coast ports to remove unnecessary restrictions imposed on shipping activity in the ports in southern India not known for terrorist footprints.

Coastal ship operators operating between east and west coast of the country should be allowed to touch Colombo port to pick up EXIM cargo as well since doing coastal cargo alone is not profitable to vessel operators.

The revenue and shipping ministry should work out the modalities to facilitate the process of a coastal cargo vessel being allowed to enter a foreign port (Colombo) before proceeding to the other coast of the country. The trade in Chennai is pushing this proposal with the customs authorities to allow coastal vessel to carry EXIM cargo as well.

SS: Will this not lead to confusion for handling agencies like Customs and immigration?

CRR: To remove the possible confusion when the scheme is implemented calls for enactment of a law jointly by the Finance and shipping Ministries. There

are operational problems which are not insurmountable.

For example Chennai port has no exclusive coastal berth as yet. So the coastal containers also get into the terminal handling EXIM cargo. The differences between the containers carrying coastal and EXIM cargo needs to be earmarked.

The coastal container can be painted in a different color. While the coastal container can be immediately taken out of the port on landing, EXIM Container will follow the EXIM route for clearance from various governmental agencies like customs.

The trade in Chennai is also pressing the customs authorities to allow free movement of empty EXIM Containers from one Indian port to another to carry coastal cargo.

The customs have allowed such a movement of empty containers through a notification issued way back in 2001. Ironically, the notification is yet to be implemented. We have taken up the matter with them and we hope the issue will be sorted out within a few months.

Another problem facing coastal shipping is the practice of customs in allowing transshipment in ports like Mundhra and Krishnapatnam while not providing the same facility in other ports.

For example ports like Chennai, where movement of containers, are electronically controlled, customs declined to give permission for transshipment. This issue has been sorted out with Customs. The customs have given the go ahead for Ports doing manual as well as electronic clearance to conduct transshipment business.

This also removes the confusion among the foreign ship operator about different rules for different ports in the country. However many Indian ports taking up transshipment business will take away the importance of Colombo Port in the near future.

(To be continued)



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Chennai port has to concentrate on transshipment business: C.R.Raghavendra



Mr.C.R. Raghavendra, General Manager K Line and Vice President of Chennai Ennore Steamer Agents Association

(Continued from the previous issue)

Sagar Sandesh: Future of Chennai Port.

C.R.Raghavendran: Chennai port has to concentrate on transshipment business. The two containers terminals operating in the Port should be advised to take up transshipment as one of their priority.



Pillars, erected for the Maduravoyal-Chennai port elevated corridor project, stand near Maduravoyal

There was ray of hope in the road connectivity front to the Port when the Ennore Manali Road Improvement Program (EMRIP) providing a dedicated lane for container lorries between Chennai and Ennore ports through the congested North Chennai area was commissioned recently. The container movement in eight kilometers of the highway has since

been affected as Indian Oil Corporation is digging the area for laying the new pipeline from the port to their Refinery. With the result the service lanes are not available to the container traffic.

Connectivity to the port would improve only when the Chennai Port-Maduravoyal Elevated Corridor is commissioned. Work on the corridor is expected to resume by early next year after the revised detailed project report is completed. The commissioning of the project is expected by 2021.

While the Chennai port has gone through the phase of congestion and is trying to get out of it, the new ports in the vicinity like Katupalli and Kamarajar may also face a similar situation when their cargo handling picks up.

The North Port Access road project conceived nearly ten years ago to facilitate quick movement of containers from these ports to the Kolkata highway has not taken off. The project was entrusted to the Tamil Nadu government road construction wing a few years ago. But the work is yet to start. If this road connectivity is not provided, Katupalli and Kamarajar ports may face congestion. .

Height restrictions have been prescribed for container lorries crossing the branch railway line linking these Ports with Athipetu railway stations for the past several years s. The electric traction wires come in the way of huge containers entering the port. A suggestion to convert the branch railway line from electric to diesel is pending with the Port authorities for quite some time. With the result the shippers have to shell out at least Rs two lakh for every movement of large containers as the electric traction lines need to be dismantled temporarily for the passage of container tractor lorries in this section.

SS: The much publicized Puducherry Satellite port project has not taken off. Has the dredging in Puducherry port completed and when will the project take off?

CRR: The Satellite port project faces lot of problems. Initially it was dredging. Availability of containers from Puducherry is also limited since there is no manufacturing industry in the Union territory. As the port is situated in the city, access to it is a problem. Huge containers

find it difficult to move through the congested lanes of Puducherry. There are several small bridges in the city through which the container trucks need to cross before reaching the port. Container movement is also restricted to night. The Puducherry port with limited draft could be made a port of call for cruise liners rather than making it handle containers.

Summary of the interview with Mr C R Raghavendra, General Manager, K line and Vice President of Chennai Ennore Steamer Agents Association (CHENSAA)

(For the benefit of the readers)

The freight rates in the shipping industry have currently touched the rock bottom and it has to rise from now on. Freight rates are expected to stabilize in the next five years after facing the impact of global recession for long. Mergers and consolidation taking place in the industry in recent years have reduced the tonnage available in the market.

Supply was more and the demand was less for the last couple of years but the equations may change with mergers and consolidation taking shape in the industry.

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Delivering your strategy.

Editor speaks...

Innovation and exploration into new territories form the central spirit of any business enterprise that aims to sustain itself in any competitive environment. In fact, business and competition are inseparable; without competition, business stagnates and without business, competition declines into theoretical concepts. Mr. C.R.Raghavendra suggests transshipment business to the Chennai port to meet the challenges of the future. Of course, it has been often repeated that the completed Maduravoyal elevated corridor remains a source of hope for the port and the construction must be completed at the earliest; too much time has elapsed.

It looks like India is fortunate in having the kind of President and the Vice President who go to countries seeking trade development. The stupendous efforts of the Prime Minister are able and amply supplemented by the supporting engagements of the President and the Vice President with the countries that have potentials for mutual growth. In this issue, we have the Vice President Shri Venkaiah Naidu's visit to Serbia.

Mention must be made of the 40th anniversary of CMA CGM. What a growth in just 40 years. What began with a single ship and just

four employees has ended up in a massive shipping enterprise. It speaks volumes of the merits of the founder and his unfailing remarkable leadership qualities.

With the new IMO 2020 regulations becoming effective in a very short period, the whole shipping industry is seized of the necessity of taking effective steps towards compliance with the regulations. Low Sulphur Fuel Oil and LNG appear to have gained ground with the shippers. And some big names in the industry seem to move in for scrubbers. Time will answer; but all the same, the new scenario will expect the seafarers to be ready to meet the requirements for hassle-free operations.

Among other stories of topical interest, commissioning of Truck Mounted Fogging Machine commands respect for the advantages the machine brings to the stakeholders.

The new concept of Reuse of the import containers will prove a boon to the industry. Using an import container to go straight to your export customer without having to go back to the terminal is a refreshing advancement for planners and dispatchers.

The matter of concern for Tamil Nadu is possibility of power outage in case it does not get required coal.

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

Chennai port has to concentrate on ... From Page -1

Citing an instance to the low in international freight rates, the Ships in India-Far East sector operate on a Nil freight basis. Shippers have to pay no freight in this sector. Cargo movement taking in this sector is merely movement of empty EXIM containers rather than earning from it. Rates have touched the rock bottom and from now on, they are bound to increase.

Taking these factors into account, the Shipping companies should think twice before expanding their capacity, go in for joint ventures and enter into a limited partnership with firms for a few services.

The volume of Indian trade is not that huge to be affected by the on-going trade war between United States and China. Moreover Indian exports are more to China which is not going to be affected the tussle. Whether India's imports from United States and European Union are going to be affected, time alone can give the answer. It is too early to predict the trade routes that are likely to be affected by the trade war.

On why West coast ports have scored over Chennai port in container handling even though Chennai stated the business much ahead, the ports in India have to cater to the manufacturing base that is situated around the National Capital Region and central India.

Chennai port started container business way back in 1980s much before west coast ports thought about it. The Japanese K Line alone sent four freight trains from Chennai to Delhi per week for nearly two decades till 2000. In the Chennai Delhi sector passenger trains get precedence over freight trains and hence cargo movement got delayed. Gradually cargo movement from Chennai to Delhi stopped and the traffic moved to the west coast.

Learning lessons from the experience of Chennai port JNPT had built a dedicated railway line to Delhi nearly fifteen years ago. Mundra port in Gujarat also has a dedicated freight corridor with Delhi. They managed to send the cargo to the national capital region within 48 hours.

The ports in the east coast including Chennai are situated in the peninsula, where their hinterland cannot go beyond Bengaluru and Mangalore.

While the west coast ports by virtue of establishing links with the manufacturing base in North India are able to offer return cargo for the containers, the same is available in limited quantities from East coast ports. Hence Liner vessels shy away from making a detour of two and a half days to reach Chennai port and instead land the cargo in JNPT or Mundra for onward movement to National capital region Or Central Indian cities of Nagpur and Hyderabad.

With the introduction of direct port delivery of imports and Direct Port entry of exports bypassing container freight stations, the turn over CFS will come down. In Chennai port alone where over thirty container freight stations operate, the turn-over has come down by nearly thirty per cent.

The container freight stations were set up due to the demands of the trade and governmental policies. They were designed to take care of the congestion in ports. There is the threat of congestion recurring at ports if the role of CFS is minimized. We should not go back to the same situation the trade faced nearly ten years ago when congestion wrecked the ports. The government should work closely with the trade to avert the problem.

In Chennai port, the direct port delivery of imports accounts for 40 per cent of the turn-over of the containers handled. The figure may go up to 55 per cent. In nearby Katupalli port, the DPD turn-over is sixty per cent. But it cannot go beyond 80 per cent under the present conditions.

The direct port entry has taken off in a big way only in newly constructed private ports which offer lot of space for containers. For instance the entire exports of Katupalli is through Direct port entry which offered the trade a competitive edge. The DPE have not taken off in Metropolitan ports like Mumbai or Chennai which cannot offer space for storing containers.

Mr Raghavendra had a few suggestions to offer to the Customs authorities to kick start coastal shipping which has not taken off in Indian ports despite several concessions offered by the Shipping Ministry. The

Ministry of finance and shipping should think of out of the box solutions to end the impasse.


For example coastal ship operators should be allowed to take EXIM cargo from Colombo port en-route while moving from coast to coast since transport of coastal cargo alone will not be feasible for the vessel operators. The confusion of handling both coastal and EXIM cargo at the same time in one terminal could be resolved. The coastal containers should be painted in a particular color so that they may be taken out separately on landing at the terminal while EXIM containers can follow the prescribed route.

The trade in Chennai is asking the customs authorities to allow movement of empty EXIM containers from one Indian port to another. The empties may be used for carrying coastal cargo. The modalities are being worked out based on the customs notification issued way back in 2001. Ironically the notification was not implemented so far. The proposal may take shape in six months.

Until a few months ago some ports like Mundra which are handling containers on a manual basis were allowed to have transshipment business by the customs but ports like Chennai where movement is controlled electronically were denied the facility. Now all the ports have been allowed to do transshipment business. Foreign vessel operators not longer have to contend with different laws in different Indian ports as far as transshipment of containers are concerned.

Different sets of laws are being enforced by the immigration authorities in east and west coast ports. The authority functioning under home ministry denies certain shipping activity in east coast port while the same is allowed in west coast ports. Ironically the west coast ports like Mumbai or Kandla face more security threats compared to the ones in the east coast. The laws should be streamlined.

The satellite port project at Puducherry to relieve the congestion in Chennai port may not take off immediately due to various reasons including infrastructure problems and lack of adequate traffic from the Union territory.



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