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Sagar Sandesh

Guiding Spirit to Shipping Industry

Maritime Tabloid English Weekly E-Paper

In association with R L Institute of Nautical Sciences, Madurai, Tamil Nadu. | RNI No. TNENG/2012/41759 | Wednesday, January 17, 2018 | Voyage 6 Wave 50

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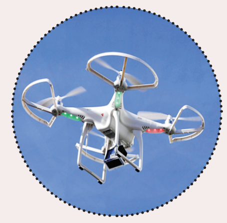

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2018, a tough year for the Shipping Trade: MD, BLA

2018 a tough year for the Shipping Trade says Master Mariner K G Ramakrishnan, Managing Director Ben Line Agencies (India) PVT Limited

While Ben Line is a 150 year old name in the Shipping Industry, the story of Ben Line Agencies starts from around 1987 when the agency arm was set up and by 1992 switched to being a full-fledged third party agency at a regional level.

Starting with exposure of liner and Owner agency across three countries, today BLA is present in 17 countries engaged in Agency, Logistics as well as Offshore support.

Mr K G Ramakrishnan has been at the helm of BLA since 2005 when the company was formed as a subsidiary of BLA Singapore. He is a Master Mariner with over 20 years of Sea going experience. Subsequently he had a successful career as General Manager of Bengal Tiger Lines before joining the BLA. He is a fellow of the Institute of Chartered Ship Brokers UK and a member of Institute of Master Mariners of India.

Describing 2018 as tough year for the shipping industry, Mr Ramakrishnan said while the earlier part of 2017 witnessed consolidation of freight gains from the second half of 2016, the latter part of 2017 has seen the rates fall on the main East West Corridor. The rate war is likely to intensify in 2018 unless the East West Trade explodes suddenly.

In an exclusive interview to ***Sagar Sandesh***, Mr Ramakrishnan answered a wide range of questions from the current state of the industry to why the East coast ports of India are lagging behind and suffer from excess capacity.

Sagar Sandesh: Shipping Industry is a victim of Economic down turn and is witnessing ups and downs during the last 10 years. With over 200 container ships scheduled for delivery in the New Year 2018, what would be the impact on the industry?

K G Ramakrishnan: 2018 a tough year for the industry. While the earlier part of 2017 witnessed consolidation of freight gains from second half of 2016, the latter part of 2017 has seen the rates fall on the main East West Corridor.

Introduction of 100 plus mega container ships and capacity augmentation

Mr K.G.Ramakrishnan, Master Mariner and MD, Ben Line Agencies (India) Pvt Ltd

of existing 15k TEU ships will certainly put pressure on the companies acquiring those but more so on the companies and consortium who are not having the same in a rate war which is likely to intensify. Unless the East West trade explodes suddenly! The existing strategy of consolidation and Economy of scales will be really tested if the world growth does not move up.

SS: 2018 has been predicted a tough year for the container shipping industry. Freight rates are likely to come down drastically due to excess capacity. Will it help the cargo volume front?

KGR: 2018 a tough year. It is cargo which determines the freight and not the other way. Mere reduction of freight on containers can at best convert some low value cargoes from bulk to Containers and will not influence cargo volumes sizeably.

SS: East Coast ports in India are lagging behind compared to say Mundra, JNPT or Ports in Gujarat in attracting Container trade. Established Ports like Chennai is functioning at 50 per cent of its cargo handling capacity. The hinterland of East coast ports is confined to southern states of India. What would be your suggestion to deepen their hinter land?

KGR: While there are World Class Container Terminals in the East Coast, barring the Kolkata region, their capacity has far outstripped demand resulting in low capacity utilization.

While some of the private ports in the east coast are really pushing for the hinterland cargo by giving service and incentives, they also try to CREATE new cargo by converting break bulk into Containers.

Ultimately it is the connectivity and cost from Central India which will generate the volumes to make them vibrant. Railway and road infrastructure from Central India to East Coast Ports need to be substantially enhanced on par with the West Coast. This can happen only through government policy and action.

SS: Are Private ports like Mundra, Katupalli and Krishnapatnam are posing a serious threat to the established state owned ports? Please share your experience in operating from a private port and the state owned ports.

KGR: Terminals in Private Ports have a clear edge over terminals in government ports in many ways. Private ports are more recent and built with deeper drafts in Greenfield ports with better space and facilities. Their cargo handling rates are fully in their control and flexible to suit the demand while the Government port terminals are mandated by unalterable TAMP regulation which have outlived their purpose long back and currently work against the interest of all parties.

Private ports owning container terminals have much better marketing while the terminals in government ports do not have the similar support from the landlord ports.

SS: Though the shipping ministry has provided the necessary impetus to Coastal shipping, it has not picked up the way it should have. Despite several attempts, automobile movement from Chennai to Gujarat ports could not take off. What exactly is the problem the coastal shipping faces?

KGR: The government policies alone cannot drive coastal shipping. Though we claim to have a coastline of 7500 Kilometers, you cannot compare our coastline with China. Most of the shipping in our country is one way, movement from north to south. North India being a production centre and southern parts consumes it. It is one-way traffic, with very little return cargo.

SS: Can you give me an overview of Ben Line Agencies (India)'s India Operations.

KGR: BLA India is eleven years old in India and has established a good reputation as a Container liner agency and in Marine agency services. The addition of Project logistics in the last three years has added value though the market has been depressed and we look to see growth in this area.

The last few years of slow growth with various financial challenges has helped in streamlining our overall organization and have a much leaner and connected organization.

Considering that the Maximum growth in the world is expected to be in the East and that we are present in almost all the countries in this region would certainly help in the coming years in our growth and we look forward to.

SS: What ails East Coast ports?

KGR: Majority of ports in the East Coast are working 40-50 per cent of their cargo handling capacity because of the inherent nature of the Indian industry which is based in the north and finds its comfortable, infrastructure wise to move exports to ports in Western India.

The ports from Visakhapatnam to Chennai predominantly handle imports, the only exception being Krishnapatnam port which has more exports proportionally.

Availability of excess capacity in the East coast ports is a reflection of the way industry is situated in the country. Industrial belt of the country is based in Northern and Central India. It will not be unrealistic to describe Delhi as the biggest Port of India with many Inland Container Depots serving the NCR region itself with daily trains to the West Coast Ports.

Railway connectivity from Delhi has been designed over the years by successive governments at the centre predominantly to the West. CONCOR has been running freight trains Between Delhi and West coast ports for a long time due to the traffic density. The Mumbai Delhi dedicated freight corridor has further consolidated the connectivity.

It is a virtuous cycle where more cargo has generated better service and vice versa.

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Editor speaks...

The shipping industry will have to face a tough 2018, according to Mr. K.G.Ramakrishnan, Master Mariner and MD, Ben Line Agencies. Hitting the nail on its head, the MD says it is the cargo that matters and not reduction of freight which at best can convert some low value cargoes from bulk to containers and will not influence cargo volumes. Sustainability of any business depends largely on the balance between demand and supply; it means more vessels chasing little cargo must change. In a way, it is the same situation prevalent in coastal shipping. KGR says that most of the shipping in our country is one way, movement from north to south. North India being a production centre, southern parts consume it. It is one-way traffic with very little return cargo.

Trump administration's plan of opening up offshore drilling, it is said, could unlock 65 billion barrels. Sudden flooding of oil will have an impact on the international market and to ascertain the nature of impact we have to wait and see. In case of Sri Lanka, Exim Bank of India extending a Line of Credit of USD 45.27 million underscores India's interest in promoting the bilateral interests. It must be seen in the background of greater influence of China on the Hambantota.

It is heartening to note that there was a keen response from the investors from Gandhidam and nearby areas to Smart Industrial Port City (SIPC) Kandla project within the Gandhidham-Kandla-Adipur Complex. Industrial port cities will certainly give a boost to the economy of the country.

The quality of marine education seems to be in a sorry state of affairs in the sense that stakeholders do not seem to be in favour of cadets coming out of our marine institutes, it is said. And shipping minister Mansukh Mandavia has come out with a good suggestion; but, the crisis is so urgent that suggestion must be translated into action that singularly aims at changing the quality of marine education taking it on par with the international standards.

Use of drones for monitoring railway operations is quite an innovative measure that must be welcomed; in fact, in shipping , drones have been exploited for various operations. Drones have some very peculiar advantages and merits. It can photograph interior places from afar or even going close to it. The greatest benefit of drones is there will be no loss of life when engaged in dangerous operations like examining close-quarters some containers. In fact, drones can be used where human approach is not possible to inspect. Good news, indeed.

Other regular features will attract your attention and hope you will enjoy reading it.

With warm regards

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2018, a tough year for...

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Moreover the Railway tariff has been designed in such a way that the freight for moving from the North to the Ports in Western India is much cheaper than to the ports in the East coast. Freight trains moving from the North to the East Coast ports have an added disadvantage of sharing the transport infrastructure with the passenger trains crippling the movement of cargo.

On an average, movement of cargo by rail from North to East Coast ports works out 40 per cent more expensive. Hence shippers prefer the overworked ports in the west coast than the ports in the east coast whose capacity is lying idle, Attempts by the terminals to attract cargo to the south from the national capital have not been successful due to the steep difference in rail haulage.

The ports in the east coast may be efficient but are unable to attract more cargo since large volume of export cargo from the hinterland is not available to them. Whatever exports the east coast ports do involve high end shipping of value added engineering goods, Hosiery goods from Tirupur, textiles and leather goods and agricultural products.

(To be continued)

Trump Administration's Offshore Drilling Plan Could Unlock 65 Billion Barrels – Rystad

NEW DELHI
Sagar Sandesh News Service

Looking purely at areas that are potentially going to come out of restriction, we are talking about something closer to 65 billion boe: Rystad Energy (Photo: By Alex Polo / Shutterstock)

The Trump administration's proposal to open up almost all of U.S. offshore waters to oil and gas drilling could unlock up to 65 billion barrels of oil equivalent (boe), attracting billions of dollars in investment, consultancy Rystad Energy said.

"Looking purely at areas that are potentially going to come out of restriction, we are talking about something closer to 65 billion boe," Sonia Passos, senior analyst at Rystad, a major independent consultancy tracking the sector, said in a note last week.

That figure excludes resource potential from western and central areas of the U.S. Gulf of Mexico, but includes the eastern region, she said.

However, the drilling proposal has since faced resistance from various quarters. On Tuesday, President Donald Trump's administration said it would not allow drilling off the coast of Florida after urging from the state's governor.

"The resource potential in the basins in the direct proximity to Florida, together may hold about 1 billion boe to 1.5 billion boe, so excluding those will not change the overall picture dramatically," Passos said on Wednesday.

The consultancy said if operators utilize the full potential of the newly unlocked offshore regions, exploration activity could reach a new peak after 2030, with some 200 exploration wells drilled per year on average.

That would imply annual investment levels of about $15 billion, Rystad said.

Exim Bank extends Line of Credit of USD 45.27 million to Sri Lanka

NEW DELHI
Sagar Sandesh News Service

Export-Import Bank of India [Exim Bank] has, on behalf of the Government of India, extended a Line of Credit [LOC] of USD 45.27 million to the Government of the Democratic Socialist Republic of Sri Lanka [Government of Sri Lanka] for financing rehabilitation of Kankesanthurai Harbour, says a release.

The LOC Agreement to this effect was signed in New Delhi on Wednesday, January 10, 2018, by Mr. David Rasquinha, Managing Director, on behalf of Exim Bank and Dr. R. H. S. Samaratunga, Secretary, Ministry of Finance & Mass Media, on behalf of the Government of Sri Lanka.

With the signing of the above LOC Agreement for USD 45.27 million, Exim Bank, till date, has extended seven Lines of Credit to the Government of Sri Lanka, on behalf of the Government of India, taking the total value of LOCs extended to USD 1,429.43 million. Projects covered under the LOCs extended to the Government of Sri Lanka includes supply of equipment, upgradation and laying of railway tracks, supply and installation of signaling and communication equipment, supply of transport vehicles and equipment, and procurement of railway rolling stocks.

With the signing of this LOC Agreement, Exim Bank has now in place 223 Lines of Credit, covering 62 countries in Africa, Asia, Latin America and the CIS, with credit commitments of around USD 21 billion, available for financing exports from India. Besides promoting India's exports, Exim Bank's LOCs enable demonstration of Indian expertise and project execution capabilities in emerging markets.

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2018, a tough year for the Shipping Trade: MD, BLA

Mr K.G.Ramakrishnan, Master Mariner and MD, Ben Line Agencies (India) Pvt Ltd

Earlier in the Interview

In the earlier part of the exclusive interview to Sagar Sandesh, Mr. K.G.Ramakrishnan, MD, BLA, had said that 2018 would be a tough year for the shipping industry; and mere reduction of freight on containers can at best convert some low value cargoes from bulk to Containers and will not influence cargo volumes sizeably. He has rightly pointed out that what matters is the cargo and nothing else. Asked about the East Coast ports, Mr.KGR said that the infrastructure of rail and road connectivity needs to be substantially enhanced on par with the West Coast and this can only happen through government policy and action. Talking about the terminals in private ports and the government ports, he brought out the difference between the two in terms of performance. While private ports are more recent and with deeper drafts unlike the terminals in the govt ports; moreover, the support from the marketing while it is effective with regard to the private ports, it is lacking for the government facilities .Replying to the question why the coastal shipping has not developed despite govt consistent support, KGR said that

The government policies alone cannot drive coastal shipping. Though we claim to have a coastline of 7500 Kilometers, you cannot compare our coastline with China. Most of the shipping in our country is one way, movement from north to south. North India being a production centre and southern parts consumes it. It is one-way traffic, with very little return cargo. Asked about what ails East Coast ports, he replied: Majority of ports in the East

Coast are working 40-50 per cent of their cargo handling capacity because of the inherent nature of the Indian industry which is based in the north and finds its comfortable, infrastructure wise to move exports to ports in Western India… Moreover the Railway tariff has been designed in such a way that the freight for moving from

the North to the Ports in Western India is much cheaper than to the ports in the East coast. .. On an average, movement of cargo by rail from North to East Coast ports works out 40 per cent more expensive. The ports in the east coast may be efficient but are unable to attract more cargo since large volume of export cargo from

the hinterland is not available to them.

Now, to continue with the interview

Sagar Sandesh: Why Coastal Shipping has not taken off in India?

K G Ramakrishnan: Government policies alone cannot drive coastal shipping. Though we claim to have a coastline of 7500 kilometers, you cannot compare our coastline with China.

Most of the Coastal shipping in our country is one way movement from North to South, with North India being a production centre and south which consumes it.

Coastal shipping has been used by heavy industries to ship raw materials like iron ore and coal from the East to the western ports. However, Coastal shipping cannot be panacea for all our transport issues as it needs different logistic environment for non bulk goods.

Coastal movement of cargo has been active in the west coast from ports in Gujarat to Cochin and Tuticorin, mostly dealing with imports from Gujarat. There is also an effort to link the eastern states with south and west by transshipping within the country.

Contrary to popular myth, moving goods from one inland point to another through coastal shipping need not necessarily be cheaper than the road. Citing an instance he said car movement by coastal shipping from Chennai to the dealers in Rajasthan, via Gujarat ports did not work out since it involved one coastal and two road movements. While there will be a marginal reduction in freight costs due to the coastal leg, the longer transit due to multiple handling may not be acceptable to the end consumer.

Mundra Port : India's Largest Commercial Port

This does not take into account the environmental benefits of moving cargo over sea and based more on commercial reality.

What coastal container shipping has achieved in the country has been due to the efforts of smaller companies or entrepreneurs who have converted road cargo to ships through their endeavour. The absence of our bigger shipping companies in this domain is noticeable.

Another hindrance coming in the way of coastal shipping is our customs and immigration Rules. While a truck load needs just a way bill, the documentation to send by sea is elaborate. Also there is variation in the way these are applied from port to port and from officer to officer. The arrangement is ad hoc since the government is yet to formulate the standard operating procedure to deal with the situation.

On the basis of alleged security concerns, immigration authorities have made most of our anchorages outside Ports unusable even in ports in southern India. Ships are not allowed to bunker, undertake repair work or any activity connected with shipping in outer anchorages. This is another disincentive to coastal shipping and shipping in general. It also curtails commercial activity at most ports with most service providers opting to close down in the absence of opportunities. The claim of 7500kms of coastline falls flat when much of the seafront and anchorages cannot be put to any meaningful use.

SS: On the outlook for container shipping industry in 2018.

KGR: Hopefully the industry will get over the consolidation phase in a year's time. But with so much of tonnage being added to container ship fleet, it is unlikely to the freight rates will go up.

The industry is in for two added pressures of rising cost of fuel and introduction of restrictions of Sulphur emissions. With prices of petroleum looking up it is only question of time before bunkering costs move up and the time lag between this cost increase and freight increase can be crippling.

The upcoming restrictions on sulphur content in fuels to 0.5 per cent in the next two years imposed by the International Maritime Organization would mean serious investment to upgrade ships. With freight rates expected to remain low, the going will be tough for the industry. This will be a serious challenge to the domestic shipping companies and coastal shipping as well.

SHIPPING - 4

Maersk, IBM to form joint venture for applying ...

INSTITUTION - 6

SAMS (Southern Academy of Maritime Studies)

LOGISTICS - 8

MOU signed between Commerce Dept and CII for ...

PORT - 10

Port of Seattle expands its efforts to combat ...