

AMTOI

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NEWS

Happy New Year

2018



2017



ASSOCIATION OF
MULTIMODAL TRANSPORT
OPERATORS OF INDIA

AMTOI

AMTOI, The Association of Multimodal Transport Operators of India, was formed with the object of organizing Multimodal Transport Operators at the national level and improving the quality of their services. The members of the Association are Multimodal Transport Operators registered with the Directorate General of Shipping, Mumbai under the Multimodal Transportation of Goods Act, 1993 which also includes some associate members like CFS operators, tank container operators etc.

The Association is a non-profit making body registered under the Indian Companies Act and is managed by the Managing Committee comprising of 7 members elected by the Operator members. The Committee is assisted by a Board of Advisors consisting of the representatives of Government / Public Sector Organizations. Also, it has various trade association representatives on its extended board and is thus likened to an apex body.

As a unique initiative, AMTOI has set up a forum called the Grievance Redressal Forum (GRF). The objective of this Forum is to create a platform for dispute resolution and thereby addressing grievances of the members of the trade.

The Association has a two-tier membership – Ordinary members who are registered as MTOs and Associate members who are not MTOs themselves but who are involved in operations connected with multimodal transport. The Associate members are not eligible for voting rights or contest in the Elections.

The Association from time to time has made suggestions for the consideration of Government and in fact the suggestion for amending the Multimodal Transportation of Goods Act and for adopting other related measures.

AMTOI has been able to secure representation on Government bodies like the Standing Committee on Promotion of Exports, (SCOPE Shipping and SCOPE Air), Task Force on Multimodal Transport and various other forums of the Ministries of Shipping, Commerce & Finance of the Government of India. The Association is also a member of the International Multimodal Transport Association based in Geneva and has thus acquired international recognition.

For the benefit of its members, regular training courses are conducted be it on tax issues, insurance or other such related subjects.

An awaited event of the year is the MULTIMODAL DAY or an AMTOI DAY which the Association organizes as an 'Annual Day' for the last many years wherein the entire shipping fraternity of Shipping Lines, Ports CFS operators, Freight Forwarders, NVOCC's, CHA's, Airlines, Government authorities in addition to MTO's come together to network and interact with each other under one roof.

Members are kept abreast of the happenings in the industry by MULTIMODAL TIMES or AMTOI Newsletter which is published as a quarterly magazine currently and we hope to graduate into a monthly publication which will attempt to capture critical issues that are close to the industry and along with opinions of the industry leaders.

Lastly, keeping abreast with the advancing technologies, AMTOI continuously improvises its website and offers tools for various industry players to come together and thus endeavoring to be a leader in its class.



ASSOCIATION OF
MULTIMODAL TRANSPORT
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ASSOCIATION OF MULTIMODAL TRANSPORT OPERATORS OF INDIA

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- The Air Cargo Agents Association of India
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- Indian National Shipowners' Association
- Federation of Freight Forwarders' Association
- Federation of Ship Agents Association of India
- Coastal Container Transporters Association
- Consolidators Association of India
- CFS Association of India
- Indian Private Port & Terminals Association
- Association of Container Train Operators
- Women's International Shipping & Trading Association
- All India Motor Transport Congress
- Hydraulic Trailer Owners Association

Coasting Along

The services of a third-party logistics service provider who provides comprehensive service needs to be facilitated by the government.

In early February 2016, Link Shipping and its partner Symex Maritime Singapore, whom Link Shipping represents in India, created history by pioneering the first movement of cars on a special category Pure-Car-Truck-Carrier (PCTC) vessel, the IDM Symex. For the first time, 800 Hyundai cars were moved on the coastal route from Chennai port to Pipavav on the west coast.

Since then, Hyundai Motor India (HMIL) has moved a total of 12,805 cars. The reason I am writing on this topic is because just a month ago, Ashok Leyland and Tata Motors also chose the coastal route, giving a much-needed fillip to the government's aim of coastal shipping. Chennai-based ALL has already made two voyages with 185 trucks from Chennai to Mongla Port in Bangladesh while Tata Motors also sent 240 trucks on November 23 from Kolkata to Bangladesh.

That being said, the issues facing coastal shipping are multi-fold, among which wharfage, vessel-related and handling charges rank high on the list. These charges still render the sea route an expensive option. Although water transport has the lowest transportation cost, it also has the highest handling costs. Therefore, both coastal and inland water systems fail to attract traffic due to the extra costs which erode the cost benefits to a large extent.

Moreover, there is still no clarity over what is the Goods and Services Tax (GST) that needs to be charged when the cars are shipped by a coastal route when the first and last mile operations are by road. In this form of multi-modal transportation where two modes are



involved, the present GST law is subjective and left to interpretation of consultants and taxation experts. To remove the complexity, the shipping ministry needs to take up the issue with the GST committee and support the trade with one single GST rate on an end-to-end basis. The services of a third-party logistics service provider who provides comprehensive service needs to be facilitated by the government. These services cannot be seen in isolation or silos and necessitates uniformity in charges to help the service provider to use a single bill for end-to-end services.

From the vehicle manufacturer's perspective, if the ministry facilitates a single flat rate for wharfage, irrespective of the size of the car



and fixes a concessional vessel calling rate on the gross registered tonnage (GRT) at all major ports uniformly for at least three years, this coastal mode of transportation can be considered as a serious alternative to road transport, being a greener option and helping in reducing the nation's carbon footprints considerably.

Currently, the share of coastal shipping and inland waterways in the country's modal mix remains low, contributing just 7.3% of the total domestic cargo movement in the country and this is precisely why the government has initiated the *Sagarmala* programme. Out of the 415 projects identified under the overall programme, 173 projects with an estimated aggregate cost of Rs 4 lakh crore are supposed to be executed by March 2020. Many of these are in the detailed project report (DPR) stage or cabinet approval stage. The government is committed to its blue economy vision with plans to create 10 million jobs, save \$6 million in logistics costs and increase coastal shipping volumes by five times from the

current levels of 60 million tonnes per annum. All this will be possible once the government embarks in right earnest on a model of port-led development, establishing new ports and modernising old ones to link coastal and island territories with the hinterland. It cannot be emphasized enough that an emphasis on coastal shipping to complement road and rail transport can lead to overall cost savings in logistics, rendering the trade extremely efficient.

It is true that all of the above is still work in progress but I have no doubt the country will reap the fruits of this hard labour in due course. For now, I would like to conclude on a note of pride as India has just been re-elected to the Council of the International Maritime Organization (IMO) under Category B, i.e., states with the largest interest in international seaborne trade. The IMO Council consists of 40 member-countries and it is a proud moment for us to have won this keenly contested election. ■

Nailesh Gandhi
President, AMTOI

The AEO Programme

The response for the Authorised Economic Operator (AEO) programme has not been as overwhelming as was expected.

Global supply chains are becoming more complex. The risk from many directions and in many forms, impacts different stakeholders. The intensity may vary but everyone is invariably affected. A secure, safe and resilient supply chain is among the top priorities and this has become a top management issue in many organisations. In evolved economies, even the stock markets are sensitive to supply chain resilience and security. One stakeholder that has become seriously concerned about safe, secure and resilient supply chains is the government, particularly, the border protection agencies.

In 2005, the World Customs Organisation (WCO) adopted the SAFE framework of standards to ensure security and facilitate global trade. The SAFE framework provides tools that act as deterrents to international terrorism, secures revenue collection and promotes trade worldwide. Central Board of Excise and Customs (CBEC), the Indian customs administration, launched the Authorised Economic Operator (AEO) programme in 2011. The stakeholders that are found compliant with supply chain security standards are certified as Authorised Economic Operators (AEO).

In 2016, the two facilitation programmes – the Accredited Client Programme (ACP) and the Authorised Economic Operators (AEO) programmes – were merged into a combined three tier AEO programme. Its prominent features are as under:

- 1) Inclusion of Direct Port Delivery of imports to ensure just-in-time inventory management by manufacturers – clearance from wharf to warehouse
- 2) Inclusion of Direct Port Entry for factory-stuffed containers meant for export by AEOs
- 3) Special focus on small and medium scale entities – any entity handling 25 import or export documents annually can become part of this programme
- 4) Provision of deferred payment of duties – delinking duty payment and Customs clearance
- 5) Mutual recognition agreements with other Customs administrations
- 6) Faster disbursement of drawback amount
- 7) Fast tracking of refunds and adjudications
- 8) Extension of facilitation to exports in addition to imports



- 9) Self-certified copies of FTA/PTA origin-related or any other certificates required for clearance would be accepted
- 10) Request based on-site inspection/examination
- 11) Paper-less declarations with no supporting documents
- 12) Recognition by partner government agencies and other stakeholders

AEO-LO Certificate: This certificate may be granted to categories of economic operators other than importers and exporters – logistics providers, custodians or terminal operators, customs brokers and warehouse operators.

There are some benefits to AEO-LO certified holders but they are quite nominal, particularly, when compared to the cost and effort for obtaining them. Logistics service providers and businesses in general are already overburdened with several licenses, statutory registrations and statutory compliances. The logistics industry suffers from regulation fatigue. In addition, many logistics service providers have

Supply chains cannot tolerate even 24 hours of disruption. If you lose your place in the supply chain because of wild behaviour, you could lose a lot. It would be like pouring cement down one of your oil wells.

-Thomas Friedman

respective industry certifications. They are further assessed for credit rating. Like every business, LSPs are subject to KYC. For each registration (and sometimes certification), the directors have to produce variety of documents such as birth certificate, domicile certificate, Aadhar card, etc. This is true about the LSPs in most parts of the world. Most LSPs feel AEO is an additional burden on already overburdened industry. The response for the programme has not been as overwhelming as was expected.

My company is AEO certified and I share the majority view that the benefits for obtaining AEO certification are not commensurate to its costs and expenses. Many appoint consultants for AEO certification. However, we did not feel the necessity to appoint a consultant as we had attended the training programmes conducted by the Customs authorities/ Moreover, the officers of Customs' AEO cell were available for consultation and guidance. Our cost, as a result, was lower than what many incur; yet, we feel the benefits are not commensurate with the efforts and costs. This, however, I submit, is a very narrow view and short-sighted outlook. While interacting with colleagues who applied for AEO certification, they shared with me the benefits of the process, as under:

Greater Realisation of:

- Security
- Safety
- Knowledge of cargo - cargo visualization
- Understanding cargo details with implications; and
- With implications of variation
- Financial security, e.g., net current assets; own, customers' and vendors'
- KYC, beyond collecting documents

Improvements:

- Greater control and monitoring of physical aspects of logistics and handling. E.g., cargo condition/appearance/location/operation
- Improved record and tracking of registrations and licenses with validity
- More elaborate interview of personnel with greater background checks
- Improved control on locks and keys; security and safety in general
- More questions for customers and more information from the customer - Index card sample
- More training of interns and management trainees
- Greater orientation content for new recruits while induction
- Buy-in for continuous learning

No two countries that are both part of a major global supply chain, like Dell's, will ever fight a war against each other as long as they are both part of the same global supply chain.

-Dell theory of Conflict Prevention; an updated version of Friedman's previous Golden Arches theory of Contact Prevention

More Improvements:

- Improved practice of record keeping
- On-job training (includes security challenges)
- Non-conformities noticed; leads to training for
- Corrective action
- Prevention of repeat
- Escalation
- IT systems and databases
- Access rights policy and documentation
- Organised documentation of backup mandatory

Besides, as management, we found this led to the trend of formal adoption of informal processes. In addition, the colleagues found it inspiring; they improved their documentation skills and understood the logic behind the requirements. Also, the implementing team claimed the process of application for certification helped them develop comprehensive and sequential thinking in the context of security, including financial security and KYC vigilance: cause - effect - implications - costs.

I will, therefore, highly encourage all stakeholders to participate in the AEO programme. I will further appeal to AEOs to join forces with us for advocacy with the government for greater benefits to the AEOs, be it for customers (i.e. importers/exporters) or be it for AEO-LO, i.e., logistics service providers.

The safety and security of our country is of prime importance to every citizen and businesses certainly have their part to play. In the global market place, the safety and security of the global supply chain and of citizens of other countries is no less important than safety of the people in our country. It is therefore important that all the stakeholders adopt the AEO programme in its true sense and make a success out of it. ■

**- Shantanu Bhadkamkar
Managing committee member, AMTOI**

Move It!

Digitisation will change how freight is moved efficiently and with greater transparency, making it truly smart cargo.



If we were to categorise the different phases of industrial growth, it has evolved from what may be considered the beginning, comprising of the mechanical weaving loom, water and steam power. Industry 2.0 was when the first production lines were set up with an emphasis on mass production using electrical energy. Next, industry 3.0 was when the first programmable logic controller (PLC), and computers and other devices gained widespread usage with a focus on electronics and information technology for further automation. The current phase, industry 4.0 is based on cyber-physical systems, linking real objects with information processing via information networks, i.e. the internet.

Similarly, the various stages the shipping industry went through started with the era of the sailboats, gradually evolving to steam engines between 1860 to 1920 when all cargo and passenger ships adopted this new invention. The third stage saw cargo being put into containers as a standard measure with the first

container voyage taking place around 1956. A decade later, in 1966, the transatlantic container service was introduced. Today, we are in the fourth stage when the era of smart shipping has already begun.

What is it today, though, that has made shipping smart? First, satellite communication systems have given us the ability to maintain continuous communication with ships globally (or near global), at a reliable and cheap rate. Second, the cloud provides the opportunity to store information in very large quantities globally with cheap and easy access. Third, the rise of the ubiquitous sensor offers the opportunity to generate digital information about equipment on board ship without the need for human intervention, and this is increasingly entering all spheres of life, called the internet of things (IoT). Last but not least, smart phone technology has provided both the example and capability to develop "apps" designed to do specific jobs extremely well and efficiently.

Smartness has also touched the way companies today



are managing their fleet. With connected diagnostics and regular reporting for every vehicle, faults can be detected on the move, reports generated, analysed and submitted for action while on the move.

According to industry estimates, the smart fleet management market is projected to grow at a CAGR of 8% to reach \$462.48 billion by 2022. Rising concerns about vehicle safety, driver monitoring and passenger or goods safety have fueled the growth of the global smart fleet management market. The benefits to smartly managing one's fleet are increased operational efficiency, reduced environmental impact, rational operational and maintenance costs, a safe and secure transport environment, and a change in the overall



pattern of the way transport infrastructure services are provided.

Recently, the Customs department has initiated single window clearance and direct port delivery and direct port entry, resulting in reduced clearance times for the trade. In domestic transportation, the country saw initiatives such as the Goods and Services Tax (GST), electronic clearances at toll booths, the logistics data bank project and the dedicated freight corridors, resulting, or expected to result in improved transit times.

Such measures have helped improve the smartness quotient in the logistics sector today. However, looking to the immediate future, the requirement is for a port community system (PCS) 2.0, wherein all stakeholders such as the CFS operators, CHAs and forwarders, exporters and importers, shipping lines and their agents, and transport companies are all on a common system or at least interfaces with each other and with the Customs agencies, terminal operators, port and other relevant government authorities. ■



This article is authored by Vivek Kele, director, Teamglobal Logistics and immediate past president, AMTOI.

Simplifying GST

With the government planning to give exemptions and concessions to various sections of the shipping industry, it was felt that AMTOI should take the lead in educating the members of the trade.



The Goods and Services Tax (GST) was ceremoniously introduced on the stroke of midnight on July 1, and was no doubt, an historic occasion.

Since its implementation, though, across the country, the situation for businesses has been pretty much chaotic, exacerbated by the lack of clarity on a number of taxation issues on one hand, and a limited understanding of the new regime that was introduced, on the other hand.

The logistics industry was among the most affected. The Association of Multimodal Transport Operators of India (AMTOI), being the apex body for the industry, was inundated with queries on GST. To its credit, most doubts were dealt with quickly and efficiently by AMTOI. However, with the persistent and wide-ranging nature of queries, AMTOI decided to engage the services of subject matter experts to tackle the questions posed. Accordingly, renowned legal and tax consultant K Vaitheeswaran, from Chennai, was brought to provide

a series of talks and host interactive sessions for the members of AMTOI. Mr. Vaitheeswaran was engaged to conduct such sessions for the benefit of the trade even prior to the implementation of the new tax regime, so that the industry could be well prepared.

All the seminars and the interactive sessions were well received by the industry. According to OP Gupta, promoter and managing director, GRT Global Logistics, the sessions were informative with many new perspectives being developed. While he had some specific suggestions for the topics to be covered in future sessions, Mr. Gupta said, "The sessions were positively beneficial, relevant, practical and gave us additional help in our preparedness for GST."

The awareness seminars were conducted in coordination with other affiliated organisations across the country. The details of some of these seminars are as follows:

April 4, 2017, at Chennai, by Mr. Vaitheeswaran



May 5, 2017, at Maccia Hall, Kala Ghoda, Mumbai

May 6, 2017 at Ahmedabad, Gujarat

The programme for conducting the seminars continued post the implementation of the GST regime and sessions were held in coordination with the ACCAI, CAI and FFFAI. A session was held at MACCIA Hall in Kala Ghoda in Mumbai on August 18, 2017 and was conducted by Mr. Srinivasan, deputy commissioner of Customs and a member of the GST committee.

Amit Bhendre, managing director, Interport Global Logistics, believes a common platform, such as the

one set up by AMTOI, was critical in disseminating information across different segments of the logistics sector. He said, "Since there are four-five different modes of transport operators within the multimodal association, it was important for each to understand the billing procedures and other issues. The sessions simplified a lot of uncertainties but most importantly, the sessions were conducted by the right people and at just the right time which was most helpful."

Being a multifaceted and intricate industry, AMTOI has realised many of its members are struggling to understand the implications of the new and complex tax regime. To help them understand the issues better, it has already prepared and rolled out FAQs to all members and subsequently attended any and every written as well as verbal query from them.

The only association that took the initiative to hold one-on-one sessions for its members to address their doubts and queries on GST, the exercise saw over 80 participants who benefitted from it. These were held at AMTOI's new office, near the Bandra-Kurla Complex (BKC). Small groups of 15-20 members have had their queries addressed over the past couple of months by tax consultant, Yogesh Ashar. The sessions were held on September, 9, 18, 26 and 28. AMTOI is now planning to hold question and answer (Q&A) sessions also for specific verticals of the logistics sector such as LCL cargo operators, road and goods transport agencies, NVOCC and transport and tank operators. ■



From Developing Ports, Airports, to Port-led Development

Expectations are on the *Sagarmala* project to catalyse port-led development in the country.



View of the Indian Port terminal the Sagarmala at night

While moderating a panel discussion at an industry conclave recently, it appeared that many colleagues from the maritime and logistics sector are perhaps still wondering how can ports lead to economic development and what is this twist of words about?

Having contributed to multi country programmes in aerospace and logistics-related sectors for over two decades, I am outlining my perspective on port led development.

Cities have historically developed around ports. Venice, Alexandria, St Petersburg, New York, LA and Mumbai, Kolkata, and Chennai are just a few examples. Modern port cities like Antwerp and Rotterdam in Europe and Asian cities like Singapore, Shenzhen and Shanghai, contribute significantly to the economy of their countries.

Similarly, an aerotropolis like Schiphol (Amsterdam), Dallas Fort Worth (Texas), Dubai International and

Incheon (S Korea), among others, contribute significantly to their regional/national GDP.

Most of us agree India needs to invest significantly in the development of infrastructure towards the Ease of Doing Business and the Make in India initiatives. Some studies have indicated improved infrastructure can contribute to India's GDP by about 2% additionally.

Why are ports and airports important? Think of sea ports and airports as physical portals or gateways through which, goods, related services and people move in and out of the country. In other words, ports provide the country's exporters access to world markets and provide the world access to Indian markets, linking producers and consumers.

With the continued growth of exports and imports in absolute terms as well as a share of GDP, the development of these gateways will contribute significantly in supporting India's aspirations for economic growth.

Most ports are small fishing villages, and airports, sleepy hamlets in the middle of nowhere, before development projects transform these into modern commercial gateways. For a port developer, even after securing the development rights, regulatory clearances and overcoming significant land acquisition challenges, attracting talented people to relocate to project sites continues to be a challenge.

It's a myth that a great location by itself can make the port or airport successful. The port could be located on a coast having deep draft where ships could sail across or an airport could be at the centre of the hinterland where aircraft could happily fly over. However, without good commercial reasons like availability of cargo or passengers and good hinterland connectivity, shipping lines do not berth at new ports, nor do aircraft land at new airports.

After the physical infrastructure has been constructed, attracting shipping lines to ports and airlines to airports could remain a challenge for years. Shipping lines don't dip into newly developed ports unless there is sufficient cargo to be collected or discharged. Airlines, too, do not land at airports unless there is a base load of passengers and cargo.

Interestingly, the established ports and airports, having endured these issues and devised solutions for them, also enjoy the benefit of having their regulatory agencies like Customs authorities, the Food and Drug Administration (FDA) and others better equipped to clear cargo efficiently. Further, the business ecosystem, including offices of freight brokers, agents, forwarders and transporters are usually located near gateways that have other amenities like schools, colleges, universities, malls and entertainment options.

Therefore, the successful development of infrastructure projects like ports and airports require development of the hinterland as an integrated region, along with industrial and social clusters to support cargo generation and consumption.

While successful private infrastructure developers of ports like Mundra Port and Krishnapatnam Port have adopted this process well and begun investing in the development of the hinterlands, they do not have the wherewithal to develop large industrial and residential clusters on their own. They need the government to step in as the owner of the zone and as a facilitator.

From a governance perspective, major ports are administered by the central government and the non-major ports by the state government(s), making coordination of the development priorities cumbersome for the ports as well as their hinterland zones.

The *Sagarmala* project is expected to create 10 large coastal economic regions (CER), as focal points for

integrated planning and development/upgrade of major and non-major ports, industrial clusters in the hinterland and also transportations systems, including roads, rail and waterways, along the 7,500-km coastline. This will enable the Central and the state governments to collaborate and help the cause of integrated development of ports and their hinterlands. The first coastal economic zone, to be developed near JNPT, has recently received approval from the government.

Thinking big, the government has set up an umbrella agency – *Sagarmala* Development Company (SDCL) – that takes the unified view of the 10 CERs. Each of these are proposed as special purpose vehicles (SPV) with equity participation from the state(s) and the Centre and they will be responsible for the coordination of the project. The objectives of SDCL include the development of projects emanating from the National Perspective Plan (NPP), providing assistance to project SPVs set up by Central ministries, state governments and maritime boards, ports, etc. They are also to provide funds for residual projects that cannot be funded by any other means, prepare the detailed master plans for the Coastal Economic Zones (CEZ) identified as part of NPP and raise funds from multilateral and bilateral agencies as debt/equity, as per project requirements.

India's ports can then contribute to the development of a wider coastal region, which in turn contributes to cargo generation and consumption for the gateway ports.

India has made relatively better progress in the development of ports through public private partnership (PPP) projects, compared with similar projects to develop airports, roads and other infrastructure.

Port-led development, especially on the eastern coast, can also contribute to the development agenda entire South Asian Association for Regional Cooperation (SAARC) region.

The concept of port-led development applies to other infrastructure projects like airports, roads and power plants as well.

A similar initiative for integrated development in the airports sector would be quite welcome for all stakeholders.

With the commencement of mega initiatives like *Sagarmala*, in turn supporting multiple large infrastructure projects, I expect the infrastructure sector to move into a higher orbit, providing a growth impetus to the Indian economy. ■



This article is authored by Subhasis Ghosh, managing partner, Apex Group, and co-founder, Maritime World Services.

Challenges and Opportunities in the Digital Age

Sea-freight forwarders must make a serious effort to clearly define data and data quality policy.



It is expected in the years to come the freight forwarding industry will go through dramatic changes. With the event of digitalization, big data, the internet of things (IoT) and blockchain technology, there will be challenges but also opportunities for the traditional sea-freight forwarder. Whilst our industry has proven to be flexible and fit to changes in the past, the upcoming changes are expected to be much more complex.

Threats are not only expected to come from traditional market players, but also from start-up companies with a very strong information technology (IT) base and others with substantial access to funds. On the other side, the concentration of shipping lines will lead to very powerful and big companies. These few shipping lines are expected to invest in a better control of the supply chain, in the process, integrating services of their subsidiaries to become global integrators of container logistics.

This article looks to the future from the view of the sea-freight forwarder, identifies challenges, but also opportunities for the trade and suggests immediate steps to be taken.

Definitions

Most of us are aware of the definitions, but often the terms are wrongly used, even in the press:

Digitization and Digitalization

These two terms are often used interchangeably. This is not correct and there is a clear distinction between these two terms:

Digitization is the transformation of analogue data into digital data and is more about systems of record. Digitalization is about systems and the use of digital data to transform complete business models.

Big Data

As per Wikipedia, big data is a term for data sets that are so large or complex that traditional data processing application software are inadequate to deal with them. Challenges include capture, storage, analysis, data curation, search, sharing, transfer, visualization, querying, updating and information privacy. The term big data often refers simply to the use of predictive analytics, user behaviour analytics, or certain other advanced data analytics methods that extract value from data, and seldom to a particular size of data set. Analysis of data sets can find new correlations to spot business trends, prevent diseases, combat crime and so on.

In 2012, Gartner updated its definition as follows: Big data is high volume, high velocity, and/or high variety information assets that require new forms of processing to enable enhanced decision making, insight discovery and process optimization.

Internet of Things

As per Wikipedia, the Internet of things (IoT) is the inter-networking of physical devices, vehicles (also referred to as connected devices and smart devices), buildings, and other items – embedded with electronics, software, sensors, actuators, and network connectivity that enable these objects to collect and exchange data.

Each thing is uniquely identifiable through its embedded computing system but is able to interoperate within the existing internet infrastructure. Experts estimate that the IoT will consist of almost 50 billion objects by 2020.

Blockchain Technology

As per Wikipedia, blockchain is a type of distributed ledger or decentralised database that keeps records of digital transactions. Rather than having a central administrator like a traditional database, (think banks, governments and accountants), a distributed ledger has a network of replicated databases, synchronized via

the internet and visible to anyone within the network. Blockchain networks can be private with restricted membership similar to an intranet, or public, like the internet, accessible to any person in the world.

The validated block of transactions is then timestamped and added to a chain in a linear, chronological order. New blocks of validated transactions are linked to older blocks, making a chain of blocks that show every transaction made in the history of that blockchain. The entire chain is continually updated so that every ledger in the network is the same, giving each member the ability to prove who owns what at any given time.

Blockchain's decentralised, open and cryptographic nature allow people to trust each other and transact peer to peer, making the need for intermediaries obsolete. This also brings unprecedented security benefits. Hacking attacks that commonly impact large centralised intermediaries like banks would be virtually impossible to pull off on the blockchain. For example, if someone wanted to hack into a particular block in a blockchain, a hacker would not only need to hack into that specific block, but all of the proceeding blocks going back the entire history of that blockchain. And they would need to do it on every ledger in the network, which could be millions, simultaneously.

THE CHALLENGERS

Shipping Lines

The few remaining global organised container shipping lines – at present – in only three global alliances, are a threat on their own. Government organisations such as the FMC, the EU and relevant Chinese authorities will be watching the development and shippers' councils around the world will keep bashing out on the alliances. All remaining shipping lines will invest and will try to make the middle man redundant. Of course, shipping lines have failed badly in the past, but that does not mean that the future environment and the event of digitalization will see them fail again. The environment could be to their advantage.

New Start-ups: IT-driven Logistics Companies

As mentioned, new logistics start-up companies are entering the logistics market with almost unlimited access to funds and an extremely strong IT environment that is focusing on digitalization and big data. Such self-proclaimed technology-driven forwarders use online applications and software to manage their activities and promise to give fast quotes to customers.

Basically, every day, you find articles in the press on such start-up companies promising all kinds of services. Often, there is a direct comparison to the so called traditional forwarders suggesting that they are not up to the challenges. It is often suggested that the traditional freight forwarder will be obsolete in future!

Agreeably, these start-ups appear to have the ability to analyse data and with their analytical tools, may have unlimited options to present relevant information in different colours and designs. Algorithms may work in the background to simulate the real world and let artificial intelligence make decisions.

However, if you actually go onto their webpages, one realises quickly that often they come short of the promised services and functions. Quotations are often only available for very limited trade lanes and commodities. There is a lot of hot air.

Why the Sea-freight Forwarder will not be Obsolete

Can digitalization and the analytical tools to deal with big data really replace the function of the freight forwarder? Can algorithms really replace the personal - human involvement completely?

As the event of digitalization evolves, processes will change and some functions of the traditional sea-freight forwarder may indeed disappear. This is a very normal evolutionary process. This is nothing new and as in the past, the sea-freight forwarder will adapt to this development.

Expertise

Above all, many products and services require special expertise. It is the experience and special knowledge of the freight forwarder that adds value and makes him indispensable.

The complexity and multi-layered environment (Helpdesk function)

Supply chains are highly complex and multi-layered. There is no algorithm that can successfully absorb, understand and counter all the challenges that a freight forwarder faces on a daily basis. The involvement of the freight forwarder in the supply chain is totally underestimated. The real services we are offering are not transparent in our quotations and invoices. In my opinion, we are, to a high degree, the interface between the customer and the usually inefficient and unreliable environment of a supply chain. We identify interruptions of the supply chain if and when they occur and take immediate action. These interruptions are not recorded or reported, but are acted on without delay.

Of course, in future, such interruptions can, to some degree, be anticipated with more visibility and analytical tools.

A start-up company with artificial intelligence cannot foresee the aforementioned scenarios. The shipper will face an interruption that may be identified as it occurs. I would assume the standard operating procedure of a start-up company, in such a situation, would be to call the helpdesk. The helpdesk better be a serious investment, as it will not help to have operators with a calm and kind voice to record a problem! This helpdesk must have



substantial knowledge and forwarding expertise to solve a serious interruption.

In conclusion, a part of the value-added services a sea-freight forwarder offers is not visible, since interruptions that occur in a complex supply chain are fixed instantly and often in the background. Such a function is best described in the digitalized world as a help-desk function.

Some of the problems will likely disappear with digitalization, but not entirely. Customers of the trendy start-ups will have to make sure they have unlimited access to their helpdesk.

Past Experience and Resilience

The demise of the traditional forwarder has been predicted many times before, only to have been proven wrong. The opposite seems true. We have more forwarders, handling more cargo now than ever before.

Trust and Confidence

Freight forwarders are often described as the architects of transport, or, in more modern times, as the supply chain designer. We understand the complex supply chain and its requirements. We have acquired the international knowledge, experience and agility that the tech start-ups will find difficult to match.

Just think how a help-desk would have reacted during the mess in the Hanjin shipping bankruptcy.

OPPORTUNITIES

Global supply chain integrators

Often, the sea-freight forwarder is not acting as agent, but as principal. By issuing their own Bill of Ladings, they often act as carriers. In the process, sea-freight forwarders have developed networks of their own offices

and agents to become the integrator of supply chain logistics that some shipping lines desire to become. In fact, the shipping lines are our subcontractors for the port-to-port portion of a multimodal integrated service.

If we don't handle door-to-door services, at least, we integrate the pick-up from origin or destination delivery usually with our own customs service facilities and merchant haulage trucking.

In this context, it is important that forwarders arrange container transport in merchant haulage. Forwarders should be encouraged to join forces in initiatives or platforms such as the Central Booking Platform in Antwerp/Belgium.

Data, Data Ownership and Data Quality

The future development of digitalization, big data or the IoT is based on simple data. Sea-freight forwarders sit on a huge amount of data due to the fact that they have an international network, act as carriers and traditionally offer multimodal services that includes pick up from the door at origin and/or delivery to door, at destination.

We are the integrator of container logistics in the container supply chain! We have everything that the shipping lines or IT driven start-up companies want to achieve. All we need to do is to identify the data that we have, make it available and analyse it. This would provide the visibility of the supply chain everyone talks about.

Conclusion

We will need to respect and follow very closely current developments, but there is no need to be overly concerned as the sea-freight forwarder is well positioned to use opportunities that come along with digitalization.

Sea-freight forwarders must make a serious effort and clearly define data and data quality policy.

Ideally, the sea-freight forwarder should have access to data from door-to-door through a network of their own offices and agents.

In order to allow the sea-freight forwarder to communicate and have access to supply chain data from door-to-door, a central database operated by a neutral party may be helpful. Without such a central database, the industry may risk losing out to powerful shipping lines, start-up companies and multinational freight forwarders with their own dedicated networks.

National and supranational freight forwarders associations appear ideally positioned to operate such a central database.

*The article is authored by
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Mumbai Customs Half Marathon: A Glorious Run!

The marathon celebrated the cohesive spirit of business together with healthy living.



The morning mist felt nippy to our summer souls even as the winds soared up and high, whipping up the excitement around New Customs House in Mumbai as the venerable building, in all its grandeur and colossal history stood an eloquent witness to history being scripted. As 10,000 pairs of feet left their footprints on October 29, 2017, through the hallowed and heritage precincts of Ballard Estate on the occasion of Mumbai Customs half Marathon, the event served as a platform to spread the messages of organ donation, human trafficking and dignity for senior citizens.

To start with, Mickey Mehta, fitness guru, conducted a warming-up session after which participants embarked on their morning run with Amruta Fadnavis flagging off the 10-km run at 5.45 am. Amisha Patel, Vinod Kamble and Shekhar Suman flagged off the 5-km run. Distinguished athletes like Anju Bobby George, Dilip Tirkey and Aparna Papat, amongst others, graced the event with their presence. A short run for differently-abled children carried a simple yet strong message – Striving to make India a disability-friendly nation. Famous

Bollywood actress Aishwarya Rai attended the flagging-off ceremony for a race for differently-abled kids.

The marathon celebrated the cohesive spirit of business together with healthy living. Exim trade today requires creative solutions to emerging challenges, which can only be achieved by an alert and open mind, and which can only be nurtured in a healthy body. There could not have been a better time to host this event as it was held on National Integration Day, which happened to fall immediately after the roll-out of the Goods and Services Tax (GST). The turnout surpassed expectations as over 10,000 runners showed up across categories. Whether they were veterans, women, differently-abled children or others, participants numbered in the thousands for the terra run of 21 km, the aqua run of 10 km and the aero run of 5 km.

The first marathon to take place through the historical precincts of south Mumbai, the route was marked with representations depicting not just the government's flagship programmes like Swachh Bharat and Digital India but also the multi-faceted role of the Customs which



seeks to keep India's economy healthy, safe and secure from undue influences and ever-increasing threats facing global trade today. Mumbai Customs is not merely an organisation tasked with the highest collection of duties in the country of over Rs 69,000 crore annually, but it has an integrated and comprehensive role to protect the economic frontiers of our nation.

It plays the role of economic guardians by curbing notorious imports of unfit food products, environmentally degrading substances, checking trading in historical artefacts and endangered flora & fauna, and by intercepting imports of counterfeit products of reputed



brands. In doing justice to our multi-faceted roles and responsibilities, we consistently engage and depend on all of you. Our taxpayers, importers/exporters, industry chambers, partner allied agencies help us in fulfilling our responsibilities for a stronger, safer and more prosperous India and this event was an attempt to celebrate our unique partnership. The event was graced by the presence of Hon'ble Union Finance Minister Arun Jaitley, Hon'ble Union Minister of State for Finance, Shiv Pratap Shukla, Hon'ble Chief Minister of Maharashtra, Devendra Fadnavis, Hon'ble Ministers of State Sudhir Mungantiwar and Jayakumar Rawal. Dignitaries from the Central Board of Excise and Customs (CBEC) also



graced the event, as did ad guru Alique Padumsee, realty baron Niranjan Hiranandani, Shaina NC, athlete Gulshan Rai, Ajit Agarkar, Pravin Amre and Nilesh Kulkarni, amongst others.

Shri Arun Jaitley congratulated CBEC and Mumbai Customs for successfully organising a marathon of such grand scale and said the event showed a lot of good will; and it helped enlighten people about the causes the marathon represented.

Shri Pranab Kumar Das, member, CBEC, said the response of "Mumbaikars" to this maiden half marathon had been overwhelming and reiterated our commitment to play the role of a facilitator as a part of the government's overall ease of doing business initiative.



Rajeev Tandon, chief commissioner of Customs, Mumbai Zone-1, observed there is no better stress buster than a marathon, especially to the officers of the department who are working 24x7 in stressful conditions. He said the marathon is indeed a motivator for such people.

Vanaja N Sarna, Chairperson, CBEC, appreciated and acknowledged the efforts the Mumbai Customs, under the able guidance of Rajeev Tandon, Chief Commissioner of Customs, Mumbai Zone I, for setting a new benchmark in showcasing the engagement between citizens and the government. She acknowledged and appreciated Mumbai Customs for proudly promoting the noble causes of organ donation, blood donation, and differently-abled children, in line with the government's emphasis on Sabka Saath, Sabka Vikas. The 9000+ participants, organisers, dignitaries and invitees were well-entertained by percussionist Shivamani, who enthralled one and all as always, with an eclectic performance.

We hope in days to come, we will further improve our relationship with trade and citizenry and take new initiatives to make India a viable place for business.

Jai Hind! ■

This article is authored by Rajeev Tandon, chief commissioner, and Rasaal Dwivedi, deputy commissioner, Mumbai Customs

Infra Status for Logistics

The infrastructure status is expected to boost competitiveness and transform logistics into a sunshine sector, according to industry officials.



The logistics sector has finally received infrastructure status by the Indian government. The move is expected to help the sector attract more funding at competitive rates. Amending the existing framework, a notification issued by the Department of Economic Affairs (DEA) has widened the category of infrastructure sub-sectors to "transport and logistics" from the earlier sub-head of "transport".

Receiving infrastructure status would also help secure the secure credit on a long-term basis. The definition of logistics includes industrial parks, warehouses, cold storage and transportation companies.

According to the notification issued by the government, logistics infrastructure includes multi-modal logistics parks comprising inland container depots (ICD) with a minimum investment of Rs 50 crore and a minimum area of 10 acres.

Further, a cold chain facility having an investment of at least Rs 15 crore as well as warehousing facility with

investment of minimum Rs 25 crore would come under logistics infrastructure. In both cases, the facilities should also have a minimum required area.

The industry has welcomed the move.

Deepal Shah, CEO, customs clearance and freight forwarding at Avvashya CCI Logistics Private Limited, said the government's decision to accord infrastructure status will boost competitiveness which will transform logistics into a sunshine industry. He said, "This will lead to better access to funds and consequent rise in investments for industrial parks, warehouses and transportation, providing a major fillip to consumption. Growth in consumption will significantly scale up manufacturing growth, leading to creation of more jobs. We expect cost of borrowing for logistics companies to come down by 50 bps."

Agreeing with Shah, Pirojshaw Sarkari, CEO, Mahindra Logistics, also said an improvement in efficiency in logistics is the need of the hour for India. He said, "We



believe the infrastructure status will reduce the cost of capital in transportation and warehousing, thereby reducing the cost of logistics."

R Shankar, CEO, TVS Logistics Services, India, believes there was an urgent need for third party logistics to be seen as value providers. He said, "With this recognition of infrastructure status, we get the much-needed acknowledgement as a key contributor to the growth of the country."

According to Ramesh Nair, COO, JLL India, the inclusion makes it easier for logistics companies to access larger amounts of funds as external commercial borrowings (ECB) and access longer-tenure funds from insurance companies and pension funds.

K Ravichandran, senior VP, ICRA, says the infrastructure status has a number of benefits. He said, "Number one, infra industries get longer maturity loans.

They are also eligible for slightly higher equity ratios and they can also do refinancing with specialised lenders like IDFC and IIFCL." IIFCL was set up by the government particularly to provide long-tenure financing for big-ticket infra projects in India. Earlier this month, ICRA had said it expects the logistics sector to clock a growth of 9-10% per annum over the medium term.

While warehousing is already seeing big-ticket investments in the country, Nair of JLL says warehousing and logistics are likely to find good a foothold in emerging

urban and semi-urban centres. Nair said, "The relatively easier availability of land in tier II and III cities compared to the larger metros, along with improving connectivity through infrastructure developments, make for a winning combination in these cities."

In one of the most notable transactions in the warehousing space till date, the Canada Pension Plan Investment Board (CPPIB) has acquired a majority stake in IndoSpace, the warehousing and logistics real estate arm of Everstone Group. As part of this deal, CPPIB will acquire 13 industrial and logistics parks totalling 14 million square feet of space.

The cost of logistics is extremely high in India with some estimates putting it at about 13% of GDP, which is higher than the USA (9%) and Germany (8%). The introduction of the Goods and Services Tax (GST) is also expected to be a major driver for this improvement. Post GST, the size of warehouses is expected to increase. In order to serve these large capacities, higher tonnage trucks would be required and this means more and more new investments.

Besides transport and logistics, the list comprises energy, water and sanitation, communication, social and commercial infrastructure. Roads and bridges, ports, shipyards, inland waterways, airport, railway track, tunnels, viaducts, terminal infrastructure, including stations and adjoining commercial infrastructure are all part of the transport and logistics classification. ■

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