



## 'ABC for port activities should be done at regular intervals'

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### Q&A

**MA The Indian shipping industry has lot of potential. What steps Government has taken to ensure that the unexploited potential is realized?**

Yes, the maritime industry is the backbone of the country's global trade. Around 90% of the country's import and export trade is moved through sea ports of India. Government is committed to develop ports on the continuous basis. During the recent past, the Government has taken a number of policy initiatives to boost the port sector and some of them are the introduction of:

- PPP policy
- Land Policy
- Captive Policy
- Tariff Reforms by linking it with performance
- Empowerment to Ministry and ports by way of enhanced of delegation of powers
- Setting up of two New Major Ports

In addition to the above policy initiatives, attempts are also being made to develop seamless connectivity with the ports through expressways and DFCs for faster evacuation of cargo from ports and massive mechanization in the port sector to meet the increasing demand of the trade. The creation of adequate port capacities, increasing the draught levels from 14 meters to 17 meters to accommodate Post Panamax size vessels as per international standards are in currently in focus. The existing tariff regulations converted into service-level regulation to bring harmony in port trade and also encourage extensive private participation.

**MA Why India has failed to attract foreign investments in shipping?**

No. As per the Government policy, 100% FDI is permitted in port development projects. Huge Foreign Investment is attracted in port projects

in India. For example, in India, most of the private container terminal operators are among the top container handling companies of the world like DP World (Dubai), PSA (Singapore), AP Moller (Denmark), LDA (France), etc. and made the investment to create the world class infrastructure. Such facilities and infrastructure give a boost to the up-gradation/modernisation of major ports.

**MA Do you think India needs to increase its share in the global EXIM trade? Can you please elaborate the importance of shipping transport on this expedition?**

The main factors that will lead to an increase in global EXIM trade through Indian ports are as follows.

- Anticipated increase in demand in consumption of petroleum production leads to increase in import of crude.

- Anticipated exportable surplus of POL production
- Anticipated demand in natural gas for power generation, fertilizer industry, etc.
- Shortage of indigenous coal for power generation leads to increase in import of coal
- Anticipated increase in production of steel as per the national steel policy required to import coking coal
- Anticipated increase in exportable Iron ore production
- Anticipated increase in fertilizer imports
- Growth in container traffic is envisaged to international trade growth, penetration of containerization and hub and feeder service structure.

**MA What are the major problems faced by the ports in India? How can the problems be overcome?**

The constraints in ports are said to be lack of deep drafts, massive mechanisation, effective hinterland connectivity and efficiency in Cargo handling. However, the creation of additional cargo handling capacity is also one of the basic requirements to tackle the increased volume of cargo at major ports. The ports as well as the Government have already chalked out a number of plans to enhance the port capacity from the present level of 800 million to more than 1 billion tonnes by the end of 12th five year plan. Also, concerted efforts are being made to enhance drafts by dredging, PPP models in mechanization, composite efforts to create a modal split in evacuation and increase in productivity levels. As mentioned earlier, the Government has already taken a number of initiatives on the subject matter and resolving the issues in consultation with all the stakeholders involved to resolve such problems.

**MA How did rupee depreciation affect the shipping business? What is your strategy to protect the sector from this dilemma?**

The affect of rupee depreciation is not particular to the Port Sector alone but the adverse effects of the rupee devaluation in the economy will also consequence on this sector also. The fall in EXIM trade will have a large bearing the port and shipping sectors. As far as the revenue is concerned, Port charges for vessel related activities are being collected in the US \$, so loss in trade will be offset to some extent by the increased dollar rate. However, the overall impact on the shipping industry will be negative. The steps which Government

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normally takes to regain the value by imposing economic regulations, viz., revision of REPO, encouraging exports, increasing import duty, etc. will be expected to boost EXIM trade and reduce the balance of trade, etc.

**MA What role do you see for PPP model to boost up Port and Shipping sector in India?**

The Government of India aims at facilitating enhanced private investment for improved services and port performance at par with the best practices in the world maritime sector through economic liberalization, competition, and upgraded technology. Towards this endeavour, GOI encouraging more private ports in maritime states and Private terminals in major ports also to meet the global demand and to stay internationally competitive. In fact, the PPP model in port & shipping sector is considered to be most successful & preferred model in the overall infrastructure sector.

**MA Do you feel proper Cost Management techniques are necessary to enhance the efficiency and performance in this sector? Please suggest in what way Cost and Management Accountants may offer their expertise in this quest.**

Yes, basically ports are service oriented organizations. Induction of various Cost and

Management techniques related to service sectors will not only enhance the efficiency and performance but also helps for the cost control/cost reduction in this sector. Activity based costing (ABC) for cargo handling, berthing, pilotage, railways activity, etc., should be done at regular intervals and a management information system to analyse the performance will be of immense use for decision making to the management for achievement of better results by way of performance and profitability.

Another area where the costing techniques are pertinent is assessing the cost benefit analysis which making the huge expenditure or investment. Ports should explore the possibilities of the scenarios like 'Make or buy', 'Inhouse or outsourcing' or 'Private or public', etc. by using appropriate costing and management techniques. However, due care must to taken before making such analysis since some of proposals may relate to social or obligatory and may be incidental if not, directly related to any activity.

A perpetual inventory system may be the need of the hour, which will perhaps reduce unwanted or obsolete inventory in the stores and in turn reduce the inventory-carrying cost and working capital.

In determining and evaluating the ideal revenue share to be obtained from private operators in PPP projects, CMAs can play a vital role.

**MA What kind of support do you expect from the Government for the overall growth of this important sector?**

The port and shipping sector is looking forward to enhanced delegation of existing powers and also delegate the non-statutory powers in clear terms with conditions for exercise of those powers. Also while approval is granted for a project, there should be no need of distinction between new and replacement projects as both the projects entails same outlay and hence, the distinction should be removed. Port Trust Boards be empowered to approve PPP projects at their level up to Rs.100 crore with due appraisal.

Powers to be given to the Ministry of Shipping for settling the environment clearance within the periphery of Government guidelines, so that delay on such matters could be avoided.

Government should also accord infrastructure status to dredging projects and also exemption in the import duties of port equipment & machineries etc.



# Advisory for Renewal of Certificate of Practice 2014 –15

The members of the Institute holding Certificate of Practice having validity up to 31st March, 2014 are requested to comply with the following guidelines for renewal of their Certificate of Practice:

1. The following changes consequent to amendment of the Cost and Works Accountants Regulations, 1959 vide Notification dated 4th February, 2011 published in the Gazette of India may be noted:
  - The validity of a Certificate of Practice (COP) is for the period 1st April to 31st March every year unless it is cancelled under the provisions of the Cost and Works Accountants Act and Regulations, 1959 as amended.
  - The Certificate of Practice issued shall automatically be renewed subject to submission of prescribed Form M-3 and payment of renewal fee and annual membership fee.
  - From the year 2011-12 onwards, letter for renewal Certificate of Practice is not being issued.

However, the members concerned may download the renewal status from the Institute's website [www.icmai.in](http://www.icmai.in).

2. It may please be noted that under Section 6 of the Cost and Works Accountants Act, 1959, both the Annual Membership Fee and Fee for Renewal of Certificate of Practice falls due on 1st April each year.
3. Special attention is invited to the fact that the validity of a Certificate of Practice expires on 31st March each year unless it is renewed on or before the date of expiry in terms of the amended Regulation 10 of the Cost and Works Accountants Regulations, 1959. Hence, a member shall be required to renew his certificate within 31st March every year.
4. If the Certificate of Practice of a member is not renewed within 31st March, 2014, his/her status of COP from 1st April 2014 till the date of renewal would be "Not Active" and he will neither be able to affix his digital signature on any cost audit report or compliance report nor will he be able to get approval of Form 23C or Form 23D and the forms will get rejected on the MCA Website.
5. Subject to what has been mentioned in Sl. No. 4 above, a member can get his/her Certificate of Practice for 2014-15 renewed within 30th June, 2014. If application for renewal of Certificate of Practice is made after 30th June 2014, the member's Certificate of Practice for 2014-15 will not be renewed but will be considered as a case of fresh issuance with effective date being the date of the application or receipt of the prescribed fee for Certificate of Practice, whichever is later.
6. It may please be noted that mere payment of fees alone will not be sufficient for renewal of Certificate of Practice. Application in prescribed Form M-3 is to be used for Renewal of Certificate of Practice duly filled in and signed is mandatory. The soft copy of prescribed Form M-3 for Renewal of Certificate of Practice can be downloaded from Institute's website [www.icmai.in](http://www.icmai.in).
7. The Institute has introduced a scheme of Continuing Education Programme (CEP) and the same is mandatory in accordance with proviso to sub-regulation (1) of Regulation 10 of the Cost and Works Accountants Regulations, 1959, as amended, whereby no Certificate of Practice and renewal thereof shall be issued unless a member has undergone minimum

number of hours of such training.

The detailed guidelines in this connection are available on Institute's website [www.icmai.in](http://www.icmai.in).

The requirement specified above does not apply to a member in practice who has attained the age of 65 years as on 1st April 2014.

Other relevant issues for Renewal of Certificate of Practice are as follows:

- Application for renewal of Certificate of Practice upto 31st March 2014 has to be made in prescribed Form M-3 which may be filed online or through hard copy of form duly filled in and signed on both sides together with Renewal Certificate of Practice fee of Rs.2,000/- and all other dues to the Institute on account of annual membership fees and entrance fees.
- The annual membership fee for Associate and Fellow members are Rs.1,000/- and Rs.1,500/- respectively. The entrance fee for Associate and Fellow members is Rs. 1,000/- each payable at a time at the time of application for admission to Associateship or advancement to Fellowship, as the case may be.
- The fees may be paid online or by Demand Draft/Pay Order/at cheque payable at Kolkata if remitted by post to the Headquarters of the Institute. The fees may also be paid directly by cash at the Headquarters, Kolkata or by Cash/Demand Draft/pay Order/Cheque at the Regional Councils or Chapters of the Institute.
- Members should note that the renewal of Certificate of Practice can be effected only after receipt of the prescribed fees along with duly filled in form at the Headquarters of the Institute and on meeting the stipulated CEP credit hours. Mere submission of the same at the Regional Councils or Chapters will not be sufficient. Members are advised to make payment directly to the Headquarters or use the online facility of submission of application and payment to avoid any delay.
- All practicing members are advised to send their application for renewal of Certificate of Practice for the year 2014-15 along with other requirements as indicated above immediately.

Renewal of Part-time Certificate of Practice

1. For renewal of part-time Certificate of Practice, it is also essential to furnish a certificate from the employer in the following form or in a form as near thereto as possible if the practising member has undertaken any employment or there has been a change in employment:

"Shri/Smt ..... is employed as (designation) ..... and (name of Organisation) ..... he is permitted, notwithstanding anything contained in the terms of his employment, to engage himself in the practice of profession of Cost Accountancy in his spare time in addition to his regular salaried employment with us.

Signature of Employers with seal of Organisation"

2. It may be noted that members holding Part-time Certificate of Practice (COP) are not eligible to undertake statutory assignments like Cost Audit, Central Excise Audit, Certification of Compliance Reports etc.