Newsletter (March 28th,2004 to April 03,2004)

**Strict measures by DG shipping has borne its fruits**

DG shipping had initiated some measures against errant ships that were detained in foreign ports under Port State Control. The increase in number had the government worried about the image of India. Though the measures were criticized by the industry players as unreasonable, the effects of it can be seen now, as the number of Indian ships detained has come down since the introduction of these measures.

**Global cruise liners put India on their cruise map**

With the objective of promoting tourism in India, the government has exempted the cruise liners from cabotage regulations for five years. The reaction to this liberalisation was almost immediate with Star Cruise, a Norwegian liner and with the largest number of vessels in the world, is in discussion with the government regarding the immigration procedure and is planning to make regular calls on India. The government is hopeful that many other global cruise liners will follow the leader and will help in realising the potential of cruise tourism, which is estimated to reach $100 million by 2010.

**DCI continued to be protected under the new policy**

The new dredging policy is seen as old wine in new bottle by the private players in the industry. Under the new policy, DCI continues to bask in the government's favouritism, as the Corporation has the first right of refusal if its rate is within 10 per cent of the lowest technically qualified offer, for capital as well as maintenance dredging. This does not create a level playing field, allege the effected parties.

**Government participation in private projects**

As a part of the "viability gap funding" scheme, the government has offered help in form of equity participation, to the extent of not more than 26%, to projects in private ports. Though the viability gap is the main criterion, rate of return and profitability will also be the deciding factors. The participation can also be routed through a major port as in the case of Ennore port, where Chennai port has a stake. There is a plan to use the landlord port methodology, wherein the government provides the land and the private players are invited to set up terminal and berthing facilities.

**Fishing Zones to take form**

Indian National Centre for Ocean Information Services, an autonomous body under the department of ocean development is planning to set up an information center to co-ordinate research in satellite oceanography and provide research-based information for identifying potential fishing zones. The plan is to collect relevant oceanic data across the country and make available the information to facilitate easy navigation, handling disaster situations, predicting storms and weather conditions and monitoring oil spills. The Centre has set up an Ocean Development and Information Networking system which will use strategies for capacity building modelling and assimilation of data for understanding the Indian Ocean.

**Bilateral mediation gives some hope for reinstating the Mumbai-Karachi sea link**

Shipping companies hope that the ongoing bilateral mediation between India and Pakistan, will open up the link between Mumbai and Karachi, which is closed now for more than two decades. Any resumption in trade in this route will require the existing Shipping Protocol, signed in 1975, to be re-looked at, as this agreement allows only for bilateral trade. This route can be used as a transit route to ship goods to Central Asia and Iran. The route, if opened, is estimated to handle trade to the extent of $1 billion in the first year itself, with a potential to grow further.

**JNPT sets ambitious targets**

Encouraged by its own performance of crossing the 1 million TEU target set for 2003-04, JNPT has set ambitious targets for itself of achieving 100 million tonnes (including 7.3 million TEUs of container traffic) by 2019-20. However, if the port has to achieve these targets, it needs to address the problem of the low depth and width of the existing channel, which is not adequate to handle deep-draught vessels that a hub port needs to service. As a part of its expansion plans, the port envisages the development of a third container terminal (Rs 900 crore), a $4^{th}$ container terminal (Rs 1550 crore), a fifth container terminal (Rs 1500 crore) by 2020 and a marine chemical terminal (Rs 3000 crore) by 2016, besides other projects to improve rail and road connectivity.

**Different revenue share basis for Kochi terminal**

For the purpose of calculating the revenue share for Kochi Port, the gross operating revenue will be taken at the concessional rates offered by Dubai Port Authorities, deviating from the normal base of the rates laid by TAMP. This base of calculation will encourage the operator to charge attractive rates and hence entice shippers to move their cargo through this port. This might also wean away traffic from Colombo port. The concessional rates, however, have to be decided in concurrence with the port authorities.

**Tanker age norms not clear**

Despite clarifying through three memorandums since the original issue of guidelines, there seem be a lot of questions being asked on the tanker age norms. The guidelines regarding chartering of foreign flag oil tankers had stipulated certain minimum criteria to be adhered to by the charterers and oil terminal operators while in-chartering of foreign flag tankers was issued on July 11, 2003, which was amended to effect "crude oil and product tankers on international voyages to and from any Indian port". This was further clarified on November 21, 2003 as to apply to foreign flag vessels as well as Indian flag vessels when on international voyages. Again on December 31, 2003, there was a further specification about the guideline being applicable to all tankers, irrespective of the commodity being carried. In such a case, since the cost of using a younger vessel is much higher, the cost of transporting edible oils, fatty acids, ballast water, etc. will all shoot up.

**Kochi port for time bound implementation of the project**

The port authorities are keen on completing not only the container terminal project on time, but also the other projects linked with the transshipment terminal such as SEZ, bunkering terminal, single buoy mooring, construction of cruise terminal, etc, which are envisaged to be completed in the next ten years. How far this is achieved remains to be seen, considering the non-satisfied trade unions.

**Dubai Ports Authority looks for an Indian partner**

As per the terms of the agreement with Kochi Port, Dubai Port Authority can bring in any Indian player, without diluting its stake to less than 51%. This will help DPA to have an idea of the local operations and the laws of the land, where it has little experience. It has a small presence in form of an SPV holding 26% stake at Vishakhapatnam port in alliance with United Liner Agencies of India Pvt. Ltd.

**MRPL contributes 61% of the cargo throughput of New Mangalore Port**

During 2002-03, the New Mangalore Port handled 10.17 million tonnes of POL crude and 6.24 million tones of POL products for MRPL. The contribution of MRPL might further increase by 5 million tones on account of the proposed LNG terminal by the company. The port has other keen prospective users like Mangalore Chemicals and Fertilizers (MCF) Ltd. and Nagarjuna Power Corporation Ltd.

**New Mangalore Port gets Central assistance**

New Mangalore Port is the first port to get assistance from the Union Ministry of Commerce under Assistance to State for Infrastructure Development for Exports to develop certain export promotion activities in the region. The assistance is to the extent of Rs 4.17 crore under the Central-sponsored scheme and Rs 0.7 crore under the State-sponsored scheme. The assistance will help in broad-gauge conversion between Mangalore and Bangalore, conversion of the road between Pumpwell Circle in Mangalore and Suratkal to a four-lane one and for the opening of a Plant Quarantine Office in Mangalore, with a view of promoting agricultural produce.

**Juicy Bits**

- A documentary on Queen Mary 2, not only the first, but also the largest, widest, tallest, longest and the most expensive transatlantic ship, will be aired on April 16 by Discovery.
- Evergreen Marine Corporation, a major container operator, has floated a subsidiary, Evergreen India Pvt Ltd (EGI), to take charge of the Indian operations, which was earlier being done through Greenways Shipping Agencies, who was acting as an agent throughout India since 1986.
- Vishakhapatnam port has maintained its number one position in the country for the fourth consecutive year by handling 47.74 million tonnes during 2003-2004, the highest throughput ever handled by an Indian port. The exports were at 21.4 million tonnes and the imports at 19.31 million tonnes during the year. The iron ore handling complex of the port set up a record by handling 10.65 million tonnes.

Newsletter (April 04,2004 to April 10,2004)

**Mumbai Port Trust may do away with the tender process**

As the five short-listed bidders for the Rs 1000 crore off-shore container terminal project failed to submit their financial bids, Mumbai Port Trust was put back at the base level. But the sudden interest of Port Singapore Authority came as a blessing at the right time. The tender process may be done away with and direct talks between the governments may be held to carry the matter further. 0.8 million tonnes under two berths will be built in the first phase and the 2nd phase will see an addition of 0.4 million tonnes under one berth.

**Cruising in Europe booms**

The option of paying in a weaker US dollar and traveling across the European continent with ease, has attracted American tourists in hordes. Cruise liners are offering attractive packages to travel within the European continent, by arranging for sight-seeing, hotel accommodation etc. in each city. Of course, the a tourist will be put to a whirlwind tour, as more number of places will have to be accommodated within limited time.

**Elections delay awarding of contracts**

The model code of conduct bars any minister from awarding any contract that may influence the voters, during election campaigning. Though technically the contract for the port terminal contracts are awarded by the port trust, the contracts will have to be signed by the Union Minister for Shipping. On this account the awardees of the Rs 2,000 crore Kochi terminal project and the Rs 900-crore JNPT terminal project will have to wait till the elections are over to get the signed contract in their hands.

**South-West based ports asked to reduce charges**

In order to compete with Colombo port, and rake in some of its transhipment business, the Indian Shipping Ministry has issued a directive to the ports of Chennai, Kochi and Tuticorin to reduce their port and vessel related charges. Colombo port handles about 1.75 million TEUs on container cargo, which are destined for Indian ports. This leads to a heavy forex outgo, which could have been otherwise earned by Indian ports. This will be applicable to vessels more than 1800 TEUs and are engaged in transshipment beyond the transhipment ports of Dubai, Sri Lanka and Singapore.

**Inland water Transport gets its long-due attention**

The poor road and rail connectivity has prompted Paradip port to look into in developing inland water transport system to transport cargo from hinterland to the port. A study for the feasibility of transporting cargo through inland waterways is being conducted by the Asian Development Bank. The study has identified the East Coast canal for transporting goods like coal, fertilizer, finished products and foodgrains by small barges, by renovating the canal with a minus-two metre draft.

**Indian Shipyards keenly awaiting Gulf Maritime Expo**

Indian Shipyards have shown great interest in participating in the Maritime Expo to be held from April 19th to 21st at Sharjah. This is the second consecutive year that the Expo is being held. This time, the Expo will include additional feature of “on water display”. The Government of India has offered 30% subsidy scheme for private shipyards, which has enhanced the interest in the shipyard sector.

**Global Terminal operators eye India**

The reforms in the port sector development have attracted terminal operators worldwide to set up shops here. Earlier, these multinationals were not too keen in investing in immovable properties in India. But with the current reforms, they are vying with one another to set up terminals and operate them. This has a double-edged advantage for India, as the best port management practices attracted, at internationally competitive prices. The multinationals with their global proficiency in modern ports, can use to local expertise to bring out the highest level of efficiency in their operations.

**Concor not welcomed at the ports**

Concor's planned foray into handling the container terminals at the ports has irked the private port operators. Concor has virtual monopoly over operating rakes to transport container cargo through rail to the ports. Private players have in fact requested to allow for private participation in this area, whereby, more number of rakes can be plied and the cargo at various ports can also be taken care of. But Concor is unmindful of this, and more ambitious to provide end-to-end logistics solutions, by foraying into not just port terminal business, but also into the shipping business.

**Expression of Interest from 11 companies for Vizhinjam terminal**

The Rs 4,500 crore project at Vizhinjam has drawn 11 EOIs, including 3 foreign companies. The first phase will call for completion of five berths at an estimated cost of Rs 1800 crores to be completed by 2008. The submission of technical and financial bids and the final selection is expected to be completed by July-end.

**Separation of Haldia port and Kolkata port mooted**

A committee under the DG Shipping has submitted a report for delinking Haldia port from Kolkata port. If this happens, then Kolkata port will lose its competitiveness. At present, Haldia port is using services of agencies and pilots from Kolkata. Haldia is having the capability to handle larger vessels. So, in order to efficiently use the resources, the best course of action would be to delink Haldia port form Kolkatta port. Moreover, Kolkatta port is burdened with high overheads in terms of excess manpower and old unused assets.

**Kolkata dock's revised charges are in force**

Kolkata dock has reduced its on-board handling charges in respect of empty containers and mechanical handling of bulk cargoes such as fertilizers, rock phosphate, sulphur and pulses. The charges for the empty containers were slashed by an effective 40%. This is expected to lead to increase in the availability of empty containers and thus boost exports. In case of on-board mechanical handling of cargoes, a flat rate has been fixed, as against the earlier variable slabs for different cargoes. The stuffing and destuffing charges have been rationalized into two slabs of number of containers handled below 5 and above 5 as against rates specific in each case based on the number of containers handled.

**Pipavav port plans capacity expansion**

Currently Pipavav port has a very small container terminal, which it has plans to develop further to accommodate the existing three dry cargo berths, which will be upgraded by increasing overall length and width. The draft in the channel and alongside the berth will also be increased to handle new generation super post Panamax container vessels. In order to finance this expansion project, the port authorities have proposed to allow the Denmark-based AP Moller-Maersk A/S

Group to increase its stake from 12.5% to 26% by offering the stake of Sea King. This has been approved by FIPB.

**P&O Ports does some cost-cutting exercise**

P&O Ports has done away with the expensive CEO layer and has instead appointed 3 general managers to look after the production, performance and customer service of each of their respective areas of Mundra port, Cochin port and Chennai port. An Executive Director will be overlooking the performance of the three General Managers, who will be the Chairman and Managing Director of the container terminals run by P&O Ports in South Asia and Middle East comprising Nhava Sheva, Chennai and Mundra in India, Port Qasim in Pakistan and Colombo in Sri Lanka.

**ABG subsidiary invests heavily in container terminals**

Cardinal Logistics Ltd., a subsidiary of ABG Heavy Industries has bagged the contract for developing KoPT at an investment of Rs 40 crores for deployment of two mobile harbour cranes, reach stackers and other equipment at the container terminal at the Kolkata port, which comprises berth numbers 4 and 8. The plan is to have the equipment at the berth within six months. The terminal will be owned, operated and maintained for an initial period of 10 years, which can be extended subsequently. The company is already in the race for the Rs 200-crore Kandla port container terminal project.

**Juicy Bits**

- The death toll from the collision between an oil tanker and an ocean-going cargo ship, which occurred on April 4$^{th}$ on the Yangtse river near Wuhu, east China's Anhui Province has risen to 5.
- Mumbai-based Eeco Company in association with a Belgium group, had expressed interest in establishing a marina in Alappuzha in Kerala.
- New Mangalore Port Trust allowed public to view Indian ships on April 5, to mark National Maritime Day.
- Tuticorin port handled a record cargo throughput of 13.67 million tonnes during 2003-04, an increase of 2.89 per cent over previous year's figure of 13.29 million tonnes.
- KoPT had a total traffic throughput of 41.05 million tonnes compared with 35.8 million tonnes in the previous year (a growth of 15%), ranking third in the country, after Vizag and Kandla ports.

Newsletter (from April 11, 2004 to April 18, 2004)

**Welspun-Gujarat to build captive jetty at Dahej**

Welspun-Gujarat Stahl Rohren Ltd (WGSRL) is building a captive jetty on the unused land owned by Gujarat Maritime Board at Dahej. It was importing steel plates at Mundra port and then transporting by road to its manufacturing unit. By developing this jetty, the company will be able to save substantially on the freight, as the manufacturing unit will be only 4 kms away from the jetty.

**Increase in freight rates strongly opposed by exporters**

With the Rupee appreciation, the exporters had to take a severe blow in their margins as the increase in freight rates added to their woes. The India, Pakistan, Bangladesh, Ceylon Conference (IPBC Conference), comprising 17 major shipping lines, however, is trying to justify the hike as part of a rate restoration. The shipping lines argued that it was 19 years since the last revision took place and that the container business was not a very profitable business.

**Feeder operators at Kolkata increase shipment charges**

The consortium of six feeder lines serving the trade between Calcutta/Haldia and Singapore/Port Klang have decided to increase freight rates for all shipment in the sector. The increase will be by 28% for shipments from and to Kolkata Dock System and by 18.75% for Haldia Dock. The increase in charter hire rates has prompted the lines to take this action.

**Indian Dredging market to get a new player**

De Donge Group, a specialist in dredging equipments that can be used to dredge rocks, is forming a joint venture with Abhay Ocean India Pvt Ltd., engaged in marine and offshore construction services. The company plans to foray into rock dredging, which seems to have a great potential. This will be the first Indian-owned dipper dredger to be deployed in dredging activities in India.

**Vessels discouraged to anchor for long at Tuticorin ports**

The Tariff Authority for Major Ports (TAMP) has permitted Tuticorin Port to charge an anchorage fee at 25% of the berth hire charges for stay of vessels in any area inside the harbour basin but without occupying any of the berths/jetties either individually or by means of double banking and 10% of the applicable berth hire charges for stay of vessels in any area outside the harbour basin but within the notified port limits. The anchorage fee will not be levied in case of ships, which are engaged in transshipment operations and for vessels, which are anchored on account of non-availability of berths.

**Maersk yet to celebrate the winning of the JNPT terminal project**

Though technically, Maesrk has won the bid for the Rs 1000 crore terminal project at JNPT, it has to yet have it in writing. Owing to the oncoming elections, the order is now stuck at the center level, as the Shipping Ministry cannot issue any directives as per the moral code of conduct. As though this was not enough, National Congress Party has raised an objection of Maersk (a foreign company) operating near Indian Navy's sensitive defence installations voicing concerns of security.

**A new container Freight Station near Mundra**

P&O Ports has opened the country's largest Container Freight Station near Mundra port with 4,000 square metres of closed area and two hectares of open land, spread over 50 acres of land. The CFS, opened on April 5 and has already evinced interest from a large number of customers.

**Mumbai Port improves its standing to sixth position among the major ports**

Having realized its inability to compete with JNPT in handling container cargo, Mumbai Port has decided to concentrate on handling bulk and break-bulk cargo of agricultural products like rice, wheat and oil cake, and attract new cargoes such as salt and cement. It expects increased volume from car exports by Maruti and other manufacturers.

**Denmark Hydraulic Institute to aid in Hooghly navigability scheme**

In order to improve the navigability of Hooghly river near the Haldia dock, National Institute of Ocean Technology was supposed to have submitted the River Regulatory Scheme, but without any success. There is a lot of capital dredging work to be done and river-training programme needs to be implemented. For this purpose, the institute is seeking help from Denmark hydraulic Institute.

**Half-hearted revival for Rajabagan Dockyard**

The Ministry of Shipping has made several attempts to revive Rajabagan Dockyard since June 2001, when a Rs 140-crore package was approved, for selling off of RBD, together with its workforce, as also of some of the real estates and properties (mostly located in Assam) by December 2002 to yield a total of Rs 63 crore and revival of the river services for which the Ministry would provide the balance Rs 77 crore. But this did not take any shape, and the alternative was to close down the dock, which was also not done. Now the center is trying to call for bids to sell off the dockyard.

**Korean Exim Bank to fund SCI's acquisition**

The Korean Exim Bank will be funding the $130.40 million acquisition of the VLCCs by Shipping Corporation of India to the extent of $104 million. SCI will be repaying the loan semi-annually, over 8 years at a rate of 70 basis points above the one-month Commercial Interest Reference Rate (CIRR) fixed by the Korean Exim Bank on the 15th of every month.

**Ship wreckages cause further wrecks at Mumbai Port**

The wrecked vessels at Mumbai port pose a danger not only to the ships that are anchoring, but also environmentally. Once the ships sink, the owners abandon them, in fear of heavy penalty and also to avoid the cost of salvaging the ship. Eight ships carrying hazardous cargo have sunk in the past six years and all of them have been abandoned by the owners. The wreck continues to lie at the bottom of the ocean.

**SCI to increase crude tonnage by purchasing 2 VLCCs**

SCI had finalised a deal with Hyundai for buying 2 VLCCs of 3,00,000 dwt each at $65.2 million per vessel. In addition, it is planning for 2 more VLCCs to cater to the demand of Reliance and IOC, who prefer large tankers to load upto 2 million tonnes of crude so as to have economies of scale.

**Inland Water Transportation System in India gets global attention**

Asian Development Bank has in principle agreed to provide a loan of $300 million for IWT development in India. This shows the potential that is there for the sector and strengthens the position of Ministry of Shipping in justifying the Sagarmala project. The development of waterways as a means of transportation, will lead to de-conjestion of roads and railways and also provide an environmentally friendly means of transportation. Inland Waterways Authority of India had appointed IFCI as a consultant to study the development of IWT. 27 projects were identified, 15 related to cargo transportation and seven related to setting up of terminals. Of these 27, 6 are for immediate implementation.

**Shipping Ministry to re-look the proposal of Concor handling containers at Paradip**

The effected parties are raising a hue and cry over allowing Concor to handle containers at Paradip port. The fear is that Concor may divert the rakes to Paradip at the expense of other ports. The port authorities are however, mighty thrilled about this as with the help of Concor, its connectivity with the inland container depots.

**Juicy Bits**

Haldia port ranked $4^{th}$ among all major ports in the current fiscal with a throughput of 32.309 million tones (a growth of 13%)

Varun Shipping has priced its rights issue of Rs 10 each at a premium in the range of Rs 8-11 per share

Chennai Port handled 36.71 million tonnes of cargo (a growth of 8.96%) and 5.39 lakh TEUs (a growth of 26.99%) in 2003-04

Hyundai Motors wants to get into a 15-year agreement with Chennai Port with the handling charges on a per car basis, instead of on the value of the car

Newsletter (from 11th April, 2004 to 25th April, 2004)

**Ports may face a downfall in revenues**

Ports will lose to the extent of 3-5% of their total revenues for coastal vessels, which form the pilotage charges if the government decides to go ahead with its proposal for waiving it. Pilotage is the fee charged by the port trusts for guiding the vessel to the shore. The rationale behind this is that with the waiver, the coastal traffic will increase, and thus more than cover up for the losses incurred on account of the waiver.

**Shares of Shipping companies clock 3-digit growth in 2004 over 2003**

The rising freight rates have enhanced the bottom lines of the shipping companies, which reflected in their share prices. Most of the companies have shown a jump in 3-digit figure as of April 2004 over their prices in the previous year. Mercator leads the pack with a whopping 1,180% rise. Strangely, the rates for both, tanker and bulk have moved in the positive direction at the same time, which resulted in the surge of performance of all shipping companies across the board.

**The growth in performance of shipping companies seen sustaining during 2004-05**

Given the scintillating performance of shipping companies during 2003-04, one is skeptical about the sector's continued performance in the following year. A few analysts see it as a temporary surge, which is likely to stagnate soon. However, most are optimistic about further growth in the tonnage and hence in the revenues of the shipping companies. The factors that can be attributed to this are the expanding demand for steel, iron ore and coal from China, owing to the massive infrastructure expansion in the country and perceived growth in demand for coal from Europe and Japan.

**Awarding of JNPT's terminal project to Maersk made an election issue**

Arguing about Maersk being allowed to develop and operate the new box terminal at JNPT, the opposition is using it a weapon to fight the elections, contesting that this would endanger the national security. The approval from the Shipping Ministry is pending on account of the ongoing elections. The port authorities have approached the election commission for the approval and this is seen as violating the code of conduct for elections by the opposition. In the worst case scenario, however, the awarding of the contract on paper will be delayed.

**The fleet expansion spree by Indian shipping companies to be led by Mercator lines this fiscal**

Mercator Lines has announced its plans of adding one million DWT (dead weight tonnage) to its fleet during 2004-05. The company has bagged the MRPL contract for the second time in a row and is confident for increasing its volume of business. Mercator Lines had increased its tonnage from 92,389 DWT as on April 1, 2003 to 4,61,657 DWT on March 31, 2004, indicating a rise of an incredible 400%.

**Exporters have to struggle harder for catching up with the economic boom of the country**

Strengthening of the rupee against the dollar, rising freight rates have forced the exporters to be more prudent in their businesses in terms of pricing and delivery. To further add to their woes, there has been shortage of boxes. The stupendous growth of exports from China has seen the shift of empty boxes to wards China from Europe and US.

## Rates across the shipping sector rise

Effective April 1, 2004, the rates for various services in the shipping industry have risen, which has shown a positive impact for the shipping companies, at the cost of the exporters. The ocean freight rates have been hiked by $150 per TEU to Europe, and by $50 per TEU to Far East from April 1. An increase to the US is expected from May 1, 2004. Container feeder operators, Bengal Tiger Line, Sea Consortium, Orient Express Line and Sea Services, who ply vessels between Chennai and Colombo are increasing freight charges for loaded containers by $150 per TEU and by $75 per TEU for empty containers passing through Colombo port for transshipment to Europe from May 1, 2004.

## KoPT defers the revision of rates

In order to cash in on the booming traffic volume, Kolkata Port Trust has asked for extension for continuing its present tariff structure, which was due for revision in March 2003. This also includes the special levy of 10% of the applicable charges payable by the port users. The port has assured that it shall submit the revision of the rates by September 2004, as it is quite confident about surge in the traffic volume and hence its revenues. The port has however, effected rate reduction in many areas such as berth hire, pilotage, dry dock charges, wharfage/handling charges, introduced concessional charges to Andaman-bound cargo vessels and inland vessels.

## Plea for liberalising war-risk cover

Currently, Indian ship owners have to insure their war-risk with the Government through the scheme of War-Risk Insurance on Marine Hulls (1976), which is administered by the public sector insurance companies. The premium collected is credited to the Government and the claims, if any, is paid by the Central Government. The scheme excludes many risk areas that are normally covered under similar schemes available globally and also suffers from very low financial limit of coverage. The call is for allowing the ship owners to choose their own insurance company, either overseas, or any other private insurance company, operating in India. This would bring them in line with other international shipping lines.

## Rules on wreck removal made stringent

As per the rules drafted for wreck removal, ships entering the major ports will have to produce a valid wreck removal cover from a member of the international group of Protection & Indemnity (P&I) Club or fixed premium facility approved earlier, failing which they will be barred form entering the waters. Wreck removal cover is a third party liability and an almost unlimited cover provided by a P&I Club, which covers legal liability. The domestic laws are not adequate to fix a legal liability on the ship owner for removal of wreck. The wreck removal convention drafted by the IMO provides for some kind of a mechanism for financial security, which will improve the situation. Currently, P&I insurance is not provided in India. The Government approves such insurance to be placed overseas with any one of the 13 P&I Clubs on a case-to-case basis.

## Minor Ports show renewed interest on account of SagarMala

Many of the minor and intermediate ports across the country are non-operational. SagarMala's proposed plans have rekindled investment interest in these ports. Seven minor ports in Kerala, Azhikkal, Beypore, Ponnani, Kodungallur, Alappuzha, Thankassery and Vizhinjam have been identified for development in the first phase through private participation. At present the ports of Azhikkal, Beypore and Vizhinjam handle a little cargo while a few others get occasional calls of cruise vessels. According to Capt P. Jai Prakash, Director of Ports, Kerala Government, most of the 17 minor ports of Kerala have fallen to disuse since they have been unable to catch up on to the improved cargo handling methods.

**Elections brings in hope for old Kakinada port**

In a bid to win voters' trust, the parties to the elections are making promises to the 10,000 fishermen, who form the workforce at the port. This port is mainly dependent on agricultural cargo and has the capacity to handle 2.5 million tonnes of cargo per annum. During the nineties, when the new deep-water port with 3 berths was developed, the old port replaced the age-old wooden boats with steel barges and concerted efforts were made to improve the functioning of the port by reducing pilferages. The traditional cargo like fertilisers, rice bran, soyabean, wheat and rice was to be reserved for the old port. The port authorities now allege that these cargoes were being diverted to the new port, thus resulting in a decline in their revenue. Telugu Desam party had privatized the new port, which saw a number of disputes as to what constituted traditional cargo, and resulted in cargo sharing by the two ports.

**Ports take help from IIT for studying soil conditions**

The Geo Technical Division of the IIT, Chennai has recommended in its report that the proposed container transhipment terminal site at Kochi is required to be raised to a minimum elevation of above 3.5 metres so that construction work can be carried out independent of tidal variations. The report suggested that the various challenges be examined deeply before laying the foundations. There are possibilities of deep seated slope failure at the edge of the filled area unless proper strengthening measures are adopted, all structures sensitive to settlement such as rail beam for container handling crane has to be supported on pile foundation and that the pile foundation will have additional load due to negative drag force which will considerably reduce the effective capacity of piles.

**Different freight rate structures proposed for Haldia and Kolkata irks port authorities**

The Calcutta Feeder Operators (Calfo), a consortium of six feeder lines operating between Kolkata/Haldia and Singapore/Port Klang has decided to hike freight rates by $75 per TEU on all shipments to and from Haldia and by $125 per TEU to and from Kolkata Dock System (KDS) from May 15, 2004. Mr. M.A. Bhaskarachar, Deputy Chairman of Kolkata Port Trust in charge of the KDS, felt this differentiation was unwarranted and would go against the interest of the users of Kolkata Dock System. The consortium, however, argues that if different rate structures can be used by the ports, the same can be justified in case of freight rates.