Newsletter (1st Feb, 2004 – 7th Feb, 2004)

Tonnage tax – Should we cheer already?

Indian shipping companies may have to choose between the existing section 33AC and the new tonnage tax. Under the 33AC, shipping companies are given tax exemption if they invest twice the value of their net worth and reserves in a fund for acquisition of new ships. This was good for bigger companies, but nothing to croon about for companies with smaller reserves. The tonnage tax, which will be on the notional income at a fixed rate, on the basis of the net registered tonnage of a shipping company, will help the small companies to add more ships to their fleet. But if the option to choose between the two tax structures is not available, then the companies may end up paying more tax, atleast in the initial years. The shipping companies will have to fall in line for or against the tonnage tax regime within a year with a 10-year lock in period, and is to be paid irrespective of whether the company makes profit or losses.

Kandla port box terminal project comes out of the box

Kandla Port Trust has floated fresh tenders inviting technical and financial bids to activate the much-delayed Rs 200 crore box terminal project. The hinterland of more than 1 million sq km and the granaries of Punjab and Haryana have tempted the Kandla port authorities to revive the project. The selected bidder is expected to commission full fledged container handling operations at berth 12 (which is expected to be ready for use by the end of October 2005), with atleast two new rail mounted quay cranes, within 24 months of the signing of lease agreement. The terms of the project will have to be attractive enough for the investors, owing to the Mundra Port having commenced container operations, Pipavav port proposing to set up a container terminal and the new proposed international container terminal at JNPT.

Kochi port authorities have short listed seven bidders

Dubai Port International, UAE, Maersk A/S, Denmark, P&O Ports Pvt. Ltd., Mumbai, International Container Terminal Services Inc, Manila, PSA India Pte Ltd., Singapore, Adani Exports, Ahmedabad and Larsen & Toubro Ltd., Chennai have qualified for further bidding for the proposed international container transhipment terminal project of the Kochi port after the evaluation of the request for qualifications.

Colombo Port to increase capacity through expansion

The Sri Lanka Export Development Board has proposed a $4 bn. expansion project at Colombo Port by increasing the number of berths from 13 to 25 which will increase the capacity from 3 million TEUs p.a. to 8 million TEUs p.a. This expansion programme will get back the port's cargo that it lost to Dubai, Singapore and Malaysian ports. Indian businesses such as BPCL, the Tata group and Ceat are looking at Sri Lanka to set up an export base for their group.

Kolkatta Port Trust looking for other avenues to offset the likely loss of business from IOC

IOC's decision to lay a 350-km-long crude pipeline between Paradip port and Haldia dock would mean a severe loss to Kolkatta Port, which was hopeful of handling large

crude carriers throughout the year at Sandheads. The port was prepared to offer substantial reduction in rates in terms of wharfage and vessel-related charges to promote floating storage operations. It also offered tandem mooring operation as an alternative means of transportation. But the Shipping Secretary is in favour of the pipeline as it represents the future technology. He suggested that the port should market for attracting other types of cargoes.

Kolkatta Port to be the hub for Inland Waterways Transport system

The Kolkatta Port authorities are anxious that Kolkatta Dock System may lose its position as a major port as the government is laying more stress on developing the inland waterways and is seeing to develop Kolkatta Dock System as a hub for that. A committee has been formed to check the feasibility of giving Haldia Dock complex the autonomy.

Kolkatta Port Trust on clean up drive to help devotees in cleaning up their souls

As a part of Rs 1.25 crore project undertaken by Kolkatta Port Trust, renovation and widening of the river ghats on the banks of Hooghly river in Kolkatta and Howrah. The erosion of the Hooghly river near the Dakshineswar Temple deflected the current in an undesired direction jeopardizing the river traffic system. The port trust authorities saw the need to take up immediate steps to correct the entire stretch of 250 meters which was affecting the river stability as well as the status of the bars/passengers leading to the Kolkatta Dock System.

Ennore Port to evolve to a multi-cargo port

At a cost of Rs 6 crore, Ennore Port, along with MMTC Ltd. is proposing to put up a temporary iron ore handling facility. During the current year it has plans to expand its activities to handle coal, liquid cargo, container-cum-multipurpose cargo and capital dredging. The port has received security clearance for setting up a mechanised and automated 20 million tones coal handling capacity. MMTC will share the cost by putting up and operating the facility which will include a stock yard, conveyor system and a barge-loading jetty for 3000 tonnes barges, which will carry the ore to mother ships.

Chinese feeder service expands operations in India

FAR Shipping lines has added a feeder service from Vishakhapatnam to Colombo to its existing services from Haldia and Chennai Ports. By adding a 3rd vessel to its existing capacity of 2 vessels, the company can capture the market for the west bound cargo. This is assumed to be on account of the continuous activity at Vizag port, with handling of a variety of items such as aluminium ingots, ferro chrome wood pulp and silico-manganese, with a good export potential of soya, tobacco, waste paper and engineering items.

Vizhinjam project to be show-cased at Kaula Lumpur

The Department of Ports, Kerala is planning to attract prospective investors at the international maritime meet in Kaula Lumpur to be held from Feb 24th to 26th. As a part of the investors' meet, a visit to the site of the project has been organised. The invitation of

EOIs had a good response, with enquiries pouring in from companies in Italy, Malta and Canada, besides leading Indian companies.

Proposal for SEZ at Tuticorin Port tabled at State level

Tuticorin Port Trust ahs penned down factors such as proximity to the port, climate and location as advantages for locating industries in agro and food processing, logistics, heavy engineering and mineral ore handling in the proposed Special Economic Zone. The investment requirement is to the tune of Rs 730 crore for common facilities and general infrastructure such as cold storage, packaging units and processing facilities. The shipping ministry has given in-principal approval to use over 350 acres of the port trust land for the SEZ.

Bailout proposal for Seaman's Provident Fund to be pushed through before the Lok Sabha dissolves

The Seaman's Provident Fund had lost close to Rs 100 crore, when the bidders failed to deliver the government securities, for which the amount was given to them. A one-time grant of Rs 93 crores has been requested from the government to make good the loss incurred by SPF. This will help the fund to restore its credibility and run smoothly.

Newsletter (8th Feb, 2004 – 14th Feb, 2004)

Tonnage tax issue remains an enigma

The bill introduced in the parliament for tonnage tax specifies that in lieu of grant of tonnage tax, shipping companies will have to train fresh graduates of various maritime institutes in the country. According to the DG Shipping, Mr. G.S. Shane, since the shipping companies are likely to benefit substantially on account of tonnage tax, a part of the benefit can be passed to the other members of the industry.

Grant to allow IOC to make its own shipping arrangements may come with conditions

The efforts of the Shipping Ministry to not allow IOC to make its own shipping arrangements have gone in vain. In order to step up its objection, it is now insisting that IOC should give preference to Indian flag vessels and should charter the vessels on FOB basis only as the fear is that once IOC gains the freedom to charter vessels on its own, it may start importing crude on C&F basis.

Indian Maritime industry trying to woo foreign investors

The Indo-American Chamber of Commerce, along with the Ministry of Shipping is planning to organise a summit in Mumbai in June 2004 in order to interact with the regulatory bodies of the US, including the Federal Maritime Commission. The idea behind having such an interaction is to attract various investors and venture capitalists and investment bankers to study various investment avenues.

Seafarers not yet under favourable tide

The wage negotiations for the seafarers have further been delayed, on account of union rivalry. INSA has decided to establish a majority status of the two unions through a secret ballot and it can negotiate the wage terms only with the established majority union. This decision was taken after initial effort of INSA to try and negotiate the wages amicably failed. INSA has offered two options – one was for the two unions to form a joint committee for participating in wage negotiation and the other was to have separate dialogues between the different categories of ratings, such as home trade and offshore divisions.

Vizhinjam project gathers interest from PSA

A team of officials from Port Authority of Singapore conveyed its desire to invest in Vizhinjam project. They believed that the geographical and locational attributes made Vizhinjam the ideal choice for setting up on international deep-sea container terminal. PSA will be represented at the investors meet to be held on Feb 28 at Thiruvananthapuram after holding discussions with shipping transport agencies.

Shipping Ministry appeals to DG Shipping for changes in CoA guidelines

In its communiqué to the DG Shipping, the Shipping Ministry (represented by a section of domestic shipping) expressed that the requirement of 1/3rd Indian tonnage was necessary for a ship owner to be entitled to exercise the right of first refusal. But when

the lowest bidder in an Indian ship owner, there is no need to insist on Indian tonnage being owned. The lowest bid has to be accepted as it is, if it is from an Indian ship owner, irrespective of whether he own Indian tonnage or not. The apprehension here is that, if this condition is insisted upon, then unreasonable demand may be made by the Indian ship owners offering vessels for deployment to the successful bidder.

DG Shipping relaxes in-chartering norms

Charterers are now allowed to in-charter foreign flag vessels even if the cargo is not lined up. It has decided to remove the protective blanket and open up the industry for the foreign players, as it is felt that such an action would create a healthy competitive environment for the charterers. At present, in-chartering of foreign vessels is not allowed if the charterer is unable to show the cargo lined up for deploying the vessel.

The International North-South corridor in Iran being marketed to the exporters to the CIS region

The International North-South corridor was signed between India, Iran and the Russian Federation in September 2000 for movement of passengers and goods. Despite substantial cost savings, the low traffic volume from the CIS region has resulted in an efficient use of the route. The route is well-lined with good infrastructure and the cargo to Moscow from Mumbai will reach easily 5-7 days earlier than the current route though the Caspian Sea.

Charterers realize folly, which resulted in unnecessary costs and delays

In-chartering of foreign flags by domestic entities does not require any permission from DG Shipping since 1963. However, if any remittance had to be made in foreign exchange, FERA necessitated a certification from DG Shipping for the competitiveness and reasonableness of the freight/hire charges paid to foreign ship owners to check the possibility of over remittance. After the dilution of FERA to FEMA, this requirement was removed. But charterers failed to take note of this and continued to seek approval from DG Shipping, which not only caused delays but also money.

Lack of clarity on the status of the new dredging policy creates a dilemma for the prospective investors of DCI IPO

The new dredging policy which has been the most talked about in the maritime industry, has yet to be made official and has so far been only a topic for media party. Even the policy heard so far, has failed to tickle any of the players (private/public, domestic/foreign) as it has neither benefited DCI in terms of committed business nor the ports through low dredging costs. Besides, the new dredging policy has included minor private ports, which irked the foreign dredging companies. The IPO issue of DCI to be floated during February-end has attracted enough attention, but the prospective investors are not in a position to make a sound investment decision on the same.

Traffic conjestion forces P&O Ports to close gates for export containers until further notice

More than 3500 import containers are awaiting evacuation out of Nhava Sheva International Container Terminal (NSCIT). The pendency of import containers at JNPT

and NSCIT is causing conjestion of export containers at the ICD levels. The conjestion of 2000 export containers at Tughlahabad has made the shippers anxious that the conjestion may not be cleared for a week.

Extension of interim rates for Chennai Box Terminal

The validity of the interim rates passed by TAMP was till Jan 31, 200, or till a final order was passed or a tariff revision proposal filed by Chennai Container Terminal Ltd., whichever is earlier. The CCTL proposal on comprehensive review of its tariff is under consultation process, the disposal of which is likely to take some more time and hence TAMP has decided to extend the validity till March 31, 2004, or effective date of implementation of the revised scale of rates, whichever is earlier.

Kochi port assures the trade union of fair terms for privatization

The trade unions at Kochi port had threatened an indefinite strike opposing privatization. The port Chairman, Dr. Jacob Thomas had to assure them that several conditions were incorporated to protect the port's interests as well as making it investor-friendly prior to the development of the international container transshipment terminal project. Having put the threshold level at 4 TEUs, a review will be conducted at the end of 6 years to assess whether the volume was on the growth path failing which, the port can exercise the option of terminating the contract. The Cochin Port Labour Union is anxious that RGCT was built on a lot of sacrifices, which might go in vain if it is removed from the existing organizational set up.

Implementation of ISPS Code commenced on Indian Ships and Ports

The International Maritime Organisation (IMO) had formulated the ISPS Code in light of increasing threat to ocean going vessels in the form of mutiny, pilferage and thefts, illegal migrants and stowaways, piracy and armed robbery against ships, illicit drugs, smuggling and terrorism. For implementation of the code, shipping companies have not only to go through a long winding procedure, but also incur heavy expenditure.

Kolkatta Port Trust aggressive in maintaining its numero uno position

Apart from augmenting its support facilities at Kolkatta and Haldia, KoPT is planning to strengthen its port operations in new locations like Sagar Island and Sandheads. A 6-crore virtual jetty at Sagar will be commissioned by February-end. A dock complex and a container terminal will be set up. Expecting increased trade with China, the port has expressed its willingness to reduce the rates, having done so for its dry docks.

Juicy Bits

- Mercator Lines has finalised its preferential allotment issue subject to its shareholders' approval.

- Paradip Port handled a record volume of more than 26.47 tonnes in January 2004. Its average daily throughput was best on 29th January, 2004 at 1.45 lakh tonnes, the attributing commodities being thermal coal, iron ore and coding coal.

- KoPT has handled the highest growth between April 2003-January 2004, both in absolute volume (4.39 mt) terms and percentage terms (17.72%). The contributing commodities are crude, vegetable oil, logs, iron ore, LPG, coking coal and containers.

Newsletter (15th Feb, 2004 – 21st Feb, 2004)

Indian Shipping sector can look at a new area of business – LNG transportation

The first shipment of LNG from Qatar at Petronet LNG Ltd's re-gassification plant at Dahej has added a new arena of business for Indian port and shipping sector. This has triggered plans for further LNG terminals at Kochi, Pipavav, Jamnagar, Ennore, Kakinada and Paradip. This project at Dahej is seen as a model for the proposed projects. Petronet has invested around Rs 2900 crore for setting up the terminal which has elaborate jetty facilities taking into account the heavy safety factor that is essential.

East coast ports to match tariffs with that of Colombo

In order to attract the mainline vessels that depend on Colombo port as a transshipment hub for its exports and imports, the Govt. has decided to cut the vessel-related charges at the East coast ports of Chennai, Tuticorin and Kochi by 75-80% to match that of Colombo port. The reduction, however is for the mainline container vessels and not container feeder vessels. The major ports already have the flexibility to charge reduced rates and providing higher rebates than the one prescribed by TAMP.

Indian Seafarers to be showcased

The Shipping Ministry is planning various ways to market Indian Seafarers and to promote India as an ideal maritime hub for the Asia-Pacific region. Stalls will be set up at the International fair in Posidonia, Greece and Nor Shipping, Norway. Roadshows are proposed in countries with large fleets. Delegations from such countries will be invited to have a glimpse at the Indian training infrastructure and capabilities of Indian seafarers. A website for the Indian seafarers will be launched in April. The ministry plans presentation CDs promoting Indian Maritime industry. For these the ministry expects the maritime states to contribute and also promote maritime education and training through their public relations department.

Dry-docking facility at Alibaug, Maharashtra by Shahi Shipping

Shahi Shipping has planned an investment of Rs 200 crore over 3 phases for its dry dock spread over 35 acres at Alibaug in Maharashtra. The first phase costing Rs 10 crores with a capacity of 3-4 vessels per month of 4000 DWT is expected to be commissioned by January 2005. The second phase will create facility for dry docking offshore supply vessels and the 3rd phase will see vessels upto 50,000 DWT. According to the CMD, Mr. S.K. Shahi, the payback period is 3 years. At present the vessels plying on Indian coast have to dry dock either at Colombo or Dubai. In India, Goa and Mumbai Port Trust offer dry docking facilities.

Indian shipping companies keenly expanding fleet

The booming freight market has enticed the Indian shipowners to add vessels to their fleet. From 6.20 million GRT as on 1st January 2003, the Indian tonnage has expanded to 6.62 million GRT on 1st January 2004. According to the statistics of INSA, as on 1st July 2003, about 33% of the Indian fleet operating in overseas trade (totaling 1.87 million GRT) comprised dry bulk carriers and 40% were crude carriers. However, with an average age of the fleet at 16.5 years, over 60% of the fleet needs to be replaced in the

next five years. The Planning Commission's working Group has recommended acquisition of 156 ships of 3.25 million GRT so as to maintain the strength of the Indian fleet at around 7 million GRT.

Maritime security essential, but at what cost?

All vessels plying to and from the US will necessarily require to be compliant with the ISPS code from July onwards. The DG Shipping has identified about 200 ocean-going vessels, 12 major ports, 36 minor ports and 10 shipyards that will have to comply with the code. The onus is on the shipowners and the operators to ensure that the flag administration has the necessary certification and legislation in place. The US Coast Guard does nor intend to inspect the non-US flag vessels. The vessels are expected to have identification numbers permanently marked on their hulls and Continuous Synopsis Records have to be issued by the flag-state so that an on-board record of the ship is available. The overall idea is to track the cargo electronically from the place of start to its destination. In order to enforce a security plan on such a grand scale, will involve a cost of around $ 1 billion in the first year and half a billion per annum thereafter.

TAMP pulls up JNPT and NSICT

JNPT and NSICT have introduced rates on rail flat to track and vice versa activity as a part of the ICD container handling operations at the railway yard of the port sans approval from TAMP. JNPT and NSICT have a mutual agreement to charge Rs 400 for a 20-foot container and Rs 600 for a 40-foot container for ICD boxes handled by them on behalf of each other at their respective railway lines. NSICT's upward revision of the rates by 16% is strongly opposed by JNPT. NSCIT denies having any "mutual agreement" on the rates.

Vessel-related charges at Mumbai Port revised

TAMP has given its approval to Mumbai Port to hike its vessel-related charges by 139% in berth hire for offshore supply vessels, 28% in composite towage and pilotage charges for vessels visiting Indira Dock and the Princess and Victoria Docks, 13% in composite towage and pilotage rates for vessels visiting the Marine Oil Terminal and Pir Pau berths and 18% in the port dues.

Partner jugglery still on at JNPT box terminal project bid

With the withdrawal of CDC Capital partners from the United Liner Agencies Ltd. (ULA)-led consortium, ULA has decided to rope in Hamburg Port Authority as its new equity partner holding 26% stake to bid for developing a new container terminal at JNPT. February 16th has been fixed to seal the final consortium members' list and February 20th for technical corrections. Hamburg Port Authority will help the consortium in meeting the financial criteria.

APL to spread its operations to the West Coast

APL, a global container player, is planning to deploy two 1500-TEU vessels on a weekly basis on Singapore-Colombo-NSICT-Singapore route. This service known as Singapore Subcontinent Express (SSX) will connect APL's global network via its key hub in Singapore. NSICT has seen an increase in traffic owing to the increased imports by the

electronic and automobile companies located on the western and northern hinterland. APL already has its presence on the east coast offering services from Kolkatta/Haldia and from Chennai/Visakhapatnam.

Nagapattinam Port gets a new lease of life

After a fire accident the operations at Nagapattinam Port came to a halt. Chennai Petroleum Corporation developed an oil jetty at the port, which saw a revival of the port. This jetty is used for transshipment of petroleum products. Now, after a gap of 14 years, the port saw an export of about 1500 tonnes of cement to Sri Lanka.

Haldia Port to see an increase in dry bulk cargo with the commission of a new berth

A new berth costing Rs100 crore is built by International Sea Ports Haldia Pvt. Ltd. (ISPHPL) to handle dry bulk cargo, mainly coking coal for SAIL. Its modern handling facilities such as 2 ship unloaders, 2 stacker-reclaimers and automatic cargo loading and conveyor systems will handle more than 3 million tonne traffic annually. As per the 30-year lease agreement between Haldia Dock and ISPHPL, a minimum throughput of 1.9 million tonne p.a. is guaranteed and in the first 5 years, 46.88% of the revenue will be given to the port and 60% of the revenue, thereafter.

Iron ore cargo at Kakinada port to be shared

The deepwater port and the barge owners and port workers at the anchorage port will share the iron ore cargo on 60:40 basis. The ships will be first anchored at the anchorage port for two days and the quantity loaded during the period will form the standard for future shipments. The ships will then be taken to the deepwater port for loading the remaining cargo. The basic bone of contention was whether iron ore should be treated as the traditional cargo reserved for the old port or whether it should be deemed a new cargo generated by the new port.

Consolidating iron ore cargo will help reduce costs for exporters

The Chennai Port Trust plans to introduce a system for loading iron ore, whereby every exporter will bring the vessel only at the slot allotted to him on a particular date and has to aggregate the cargo before the vessel comes. Once the ship comes in, the cargo can be loaded and the vessel can sail off without any time lag. This would bring down the demurrage cost drastically. The slot will be based on the previous years' performance, assuming that the exporters will provide a similar throughput this year.

High port charges and poor port facilities irks the oil industry

Shallow continental shelf, requirement of artificial breakwater, high level of port charges (more than 50% higher than that of international ports), high element of port charges in the freight (15-20% of the freight cost), lack of night navigation, inadequate strength of pilots are just a few of the hindrances faced by the oil industry while trying to move crude and petroleum products. This has severely affected the bottomline of the oil companies. With the movement of the crude and petroleum products expected to increase, a more efficient and cost-effective way of handling the cargo is called for.

Juicy Bits

- Conflict over the venue for National Maritime Day on April 5th, 2004 in Mumbai between Y.V.Chavan Hall at Mantralay and JNPT.

- SKS Ship Ltd. has reported a net profit of Rs 2.67 crore (an increase of 87%) and a net sales of Rs 8.45 crore (a rise of 20%) during the 3rd quarter.

Newsletter (22nd Feb, 2004 – 28th Feb, 2004)

Adani Group expanding operations at Mundra

Mundra Port is likely to see frenzied activity with the Adani Group planning an investment of Rs 200 crores for constructing 4 new berths and Rs 7000 crore (spread over 10 years) for developing an SEZ. These will be in addition to the existing 2 container berths and 4 multi-purpose berths. The group hopes to make the SEZ operational by end-2004.

DCI- the much awaited IPO

A price band of Rs 385-400 a share has been fixed for the public for the DCI IPO. The new dredging policy guideline mentioning that all dredging contracts by major ports (except Kolkatta) should be awarded only through the competitive bidding route is mentioned as a “risk factor” in the preliminary sale document of DCI’s IPO issue for the 20% stake of the company. The guideline indeed assumes a great importance as DCI may not continue to enjoy the significantly high market share as it did for so many years (92% market share of the maintenance dredging market in 12 major ports in 2002-03).

DCI frantically identifying avenues to maintain market share

Owing to the new dredging policy guideline, DCI is in a grave danger of losing its number one positioning the dredging industry. In order to avoid slipping into the lower rungs, DCI is actively scourging for various sources that can help in maintaining its level of revenue. It plans to access the necessary skills for capital and international dredging works. By appointing marketing agents in Singapore, Malaysia and Middle East, DCI plans to promote its services in those countries. Investment in additional equipment for capital dredging would enable DCI to pursue international opportunities in the port sector.

National Shipping Board voices its opinion on coastal shipping

The maritime advisory body, national Shipping Board constitutes 22 members – 6 members of parliament, representatives from Ministry of shipping, the Director General of shipping, representatives from INSA, the seafarers’ unions, the officers’ unions and other constituents of the shipping industry. Though not binding, the Board’s recommendations are usually regarded with respect.

Surge in export sector brings in efficiency in capacity utilization for Cochin Shipyard

From less than 50% capacity utilization about four years back, Cochin Shipyard Ltd. (CSL) has achieved 85% capacity utilization during current fiscal year owing to the export orders bagged during the last 2 years. In its orders’ kitty, CSL has an oil tanker for Shipping Corporation of India, a dredger for Chennai Port Trust, nine fire-fighting tugs for the Jeddah Port Authority, Saudi Arabia worth Rs 120 crore and four 30,000 DWT bulk carriers for the Clipper Group of Denmark worth Rs 350 crore. Added to these construction orders, 3 world prominent navies have shown interest in getting their ships repaired at CSL.

Varun Shipping expanding its fleet

Varun Shipping has been able to increase its cash flows from spot chartering nine vessels. With this background the company has decided to acquire second-hand vessels in the LPG and hydrocarbon segment. Vice- Chairman, Mr. Arun Mehta has dismissed