

Newsletter (18th Jan, 2004 – 24th Jan, 2004)

Port Trust authorities and unions unanimous in support on Vallarpadam Terminal

Kochi Port Trust authorities, in order to have an unhindered project completion, garnered the support of all the trade unions. The union leaders were apprehensive about private participation, which is a pre-condition for providing the viability gap support. But they have agreed to support the board's decision to go in for joint venture with other port trusts or foreign public port authority.

JNPT's container terminal further delayed

The bidding process for JNPT's container terminal saw the five bidders trying to out-bid one another, almost forcing the board to consider scrapping all the bids. However, the board has decided to give the bidders one month to fulfill all the technical requirements for the project.

Synergizing port development with land development

Killing two birds with a stone, P&O ports is planning to develop a port and a Special Economic Zone (SEZ) simultaneously at Kulpi in West Bengal. This is the second such project after London Gateway. The ports and SEZs have mutual requirement - the ports need the cargoes from SEZs and SEZs need the ports to export/import their cargoes. If the development of both is taken up together, then not only is the synergy created, but the overall development cost also reasonably and felt justified. But the units in the SEZs should have the capacity enough to generate cargo for its port.

Attractive terms for Kochi's international container Transshipment terminal lures 14 bidders

The proposal for developing international container transshipment terminal at Kochi includes a qualification criteria of 0.5 million TEUs throughput experience, a 4 lakh TEUs in 2 years time, shifting from Rajiv Gandhi Containers Terminal to the new terminal site and the option of locating the terminal either at Vallarpadam or at Puthivyppeen. The port and the government had guaranteed to provide essential infrastructure such as national highway/rail connectivity and breakwater commissioning of bridges connecting the important pathways, benefits of SEZs, good dredged channels, attractive valuation of Rajiv Gandhi Container Terminal equipments and the option for the bidder to pay the upfront amount in instalments to Kochi Port Trust.

Maersk cuts down its transit time for Europe-bound traffic

Maersk has launched a feeder service between Chennai and Salalah as against the existing Chennai-Port Tanjung, which is operated by Bengal Tiger Lines. The new route will reduce the transit time by atleast two days, for the Europe bound cargo, by offering faster transit time from the mid-east to the US and increasing mainline middle-east port calls. BTL will now call at Singapore.

Kochi Port not allowed to increase tariff

Kochi port had submitted to The Tariff Authority for Major Ports (TAMP) a request for allowing it to increase the tariff by 25% stating a negative working capital. This was to cover-up the deficit of Rs 47.26 crore incurred during 2000 –01 and to earn a substantial return on investment. However, the financial statement for 2003-04 and 2004-05 shows an average surplus of 2% of then operating income even after considering the working capital as nil. TAMP has in fact suggested reduction of the tariff rates. The rates for coastal vessel, prescribed in rupee terms are at 70% of that of the foreign going vessels which are stated in dollar terms.

Essar Shipping becomes the first Indian company to comply with ISPS code

The ISPS code which will come into effect from July 1, 2004, is a mandatory international security regulation for ships and port facilities. Essar Shipping has completed the verification audit for complying with International Ship and Port Facility Security Code, for two of its ships and the DGS has recommended the issue of full-terms certification.

L&T to be the second manufacturer of submarine in India after Mazgaon Dock

As a sequel to the existing Letter of Intent with Mazgaon Dock for manufacture of six submarines of French/German design, the Government of India has roped in L&T also for the manufacture of further 6 submarines of Russian design. This is expected to translate into a business of approximately Rs 300-400 crores per annum. L&T has already tied up with Royal Dutch/Shell for the use of its dry dock facility at Hazira.

Tonnage tax regime – how far away is it?

Inappropriate policy regime has been mainly responsible for hindering the growth of Indian Maritime industry. With the introduction of tonnage tax, the shipping industry's complaint of the lack of a proper tax policy affecting Indian tonnage would be addressed. According to the Union Shipping Minister, the proposal is in its final stages and the ministry is optimistic that the tonnage tax regime would be a reality in near future. However, the shipping secretary seems to be of the opinion that the industry was not prepared yet for the tonnage tax regime. Among the other policy initiatives the government is considering setting up of a separate fund to finance activities in coastal shipping and IWT sectors.

Bunkering services need upgradation

The annual bunker take-off at Indian ports is at a measly 0.45 million tonnes with the major portion of the tonnage being bunkered at foreign ports. This diversion is not on account of non-availability of bunkering services at Indian ports, but lack of good quality services at internationally competitive rates. This has led to Indian ports losing business and also caused increase in costs to Indian Shipping who have to bunker at various foreign ports. This calls for ports to have designated bunker berths or anchorage with pipeline and barge facilities backed by a lower port tariff and adequate support services for ship supplies, spares and crew change and reduced tax and duty burden on bunkers.

New dredging policy may put DCI thinking on its toes

The new guidelines on dredging contracts stipulate that all the 13 government-owned major ports except Kolkatta will award dredging works only through a competitive bidding process. DCI will not be allowed to exercise the right of first refusal and match the lowest bidder (any foreign or Indian private dredging firm) only if its price bid falls within 10% of the lowest bidder. Dredging work at Kolkatta, will however, continue to be with DCI till the current contract expires in 2007. The policy is likely to be finalized before the public offer of 20% of DCI, which is slated to hit the market by February-end or early March 2004.

Value engineering imperative for making Indian ports competitive

The Chairman of Vishakhapatnam port, Mr. K. Ratna Kishore aims to make Vizag port the preferred port. He emphasized that the ports should have the best equipments, eternal vigilance to prevent accidents in the ports and the skills of the personnel should be constantly upgraded in view of the ever-increasing sophistication in technologies.

NSDRC likely to cross a turnover of Rs 11 crore in the current fiscal

NSDRC is currently working on an order of Andaman & Nicobar Administration of a 500-passenger vessel, which is being constructed at Surat and its software division is engaged in computerizing the Chennai Port Trust. The Andaman and Nicobar Administration has placed several orders in 2003. NSDRC is expecting orders from New Mangalore Port Trust for computerization. Its Director is expecting the Centre's turnover to reach Rs 16 crores by next year and Rs 25 crores by March 2006.

Proposal to extend the maximum lease period to 99 years

The shipping ministry has put in a proposal to extend the maximum concession/lease period from 30 years to 99 years. This is being mooted with the hope of bettering private sector participation in setting up cargo handling facilities at the government-owned major ports. The proposal if approved will be with a prospective effect and not retrospective. Private sector operators would like to have longer concession/lease period to remove the uncertainty and improve the financial viability of BOT projects.

Improved logistics management can help India save Rs 23,000 crores p.a.

According to the President of Asian Council of Logistics Management, with India's GDP at USD 500 bn., even a 1% reduction in the cost of managing the logistics system, will lead to a savings of USD 5 bn. Among the Indian companies surveyed, 40% have logistics costs less than 1%, 17% had 10-20% and 5% have as much as 20%. According to Mr. Ashok Mookherjee, M.D., Lasa India Pvt. Ltd., a good port infrastructure was critical to ensure an efficient supply chain management as well as export competitiveness. A good physical connection between ports and its hinterland has become the need of the hour.