

SagarMala project sees one chip down

One of the sources of funding the SagarMala project was the cess to be levied at the rate of Rs 50 per tonne of cargo carried at all ports, which was expected to generate over Rs 2,000 crore a year, based on the throughput of 409 million tonnes recorded at Indian ports during 2002-03. The new shipping minister has shot this down as he felt this would be unfair on the consumers as this increase in the cost would ultimately be passed on to them. The other sources that of budgetary support and private sector participation seem a difficult to bridge the gap. An estimate of Rs 15,000 crore from the government would mean a seven-fold increase over the Tenth Plan, which seems unlikely. Private sector participation the maritime sector has not been something to croon about in the past years. So it remains to be seen how much of the project dream will be realized.

Strike at Chennai Container Terminal

The strike at Chennai Container Terminal has become a case for privatisation of ports in India. This strike has hampered the movement of cargo, saddled the trader with unnecessary congestion charges. The South India Chamber of Commerce and Industry (SICCI), trying to take advantage of the strike, has offered to take over the operations from CCTL till normalcy is restored arguing that the total loss on account of the strike was over Rs 5,000 crore and that CCTL should bear the congestion charges, if imposed by the shipping liners.

Cochin, Tuticorin and Visakhapatnam Ports strike while the strike is on

The stranded cargo at Colombo is being routed through Cochin and Tuticorin ports owing to the strike at Chennai Container Terminal. The cargo is being transported by trains from Bangalore. Visakha Container Terminal Pvt. Ltd (VCTPL), the joint venture company that runs Visakhapatnam port's modern container terminal, is offering concessional rates to those diverting their imports/exports to Visakhapatnam port from Chennai. The Container Corporation of India, too, has agreed to provide special trains to move containers between Visakhapatnam port and all its major inland container depots.

A move from Central Board of Customs and Excise may force Indian liners to sail ships under foreign flag

The proposition of the Central Board of Customs and Excise to impose 5% import duty on such items which are exempted from such duty (which includes shipping vessels), will increase the asset as well as the depreciation costs for the shipping lines. This makes Indian Shipping industry highly uncompetitive and imposition of such duty act as an impediment and mar the spirit of a level playing field. In order to avoid this duty, the shipping companies will look at plying ships under foreign flags that offer better tax structures.

Sethusamudiram project – Vision and Mission for the new Shipping Minister

The 140-year old Sethusamudiram project proposal, which had been in the agenda of the undivided and divided Dravidian parties, corporatisation of major ports, timely completion of the Golden Quadrilateral, renewed thrust on inland waterways and coastal shipping are among the projects which are of top priority for Union minister for shipping, transport and highways, Mr. T.R. Baalu. The project, if implemented, would reduce the distance for ships by 350 nautical miles, to cruise Indian shores. Now the ships from the west coast have to sail around Sri Lanka to reach the eastern ports.

Issues raised over strike at Chennai Container Terminal

The future of shipping from Chennai is at stake owing to the strike at the Chennai Container Terminal. In Mumbai there are three container terminals in the public and private sectors. The northern cargo can be diverted to Gujarat ports in an emergency. But for Chennai trade the options are few, as diversion to Tuticorin would mean an additional cost of Rs 25,000 per container. The call is for developing a container terminal at Ennore to break the monopoly of Chennai Container Terminal Ltd. at Chennai port.

Security an issue in the South Asian Straits

The International Maritime Bureau (IMB), an ocean crime watchdog, has reported a downfall in the maritime crimes reported, as compared to the previous year. The attacks on vessels are the most in politically sensitive areas. The Malacca Straits between Indonesia and Malaysia is seen as one of the world's busiest and strategically most important shipping lanes with nearly 40 per cent of the world's trade and 80 per cent of Japan's crude oil being transported through this narrow waterway. This strait is most vulnerable to pirate attacks, by abducting the crew for ransom or smuggling away the goods. The concerned countries of Indonesia and Malaysia have rejected the offer of US for joint patrol on the grounds that it touches on the question of their national integrity and that the security concern is a matter for the two countries to shoulder and they will not accept any policies or steps that were inconsistent with that reality.

Privatisation of Concor reiterated

The Shipping Secretary, Mr D. T. Joseph, has reiterated that Container Corporation of India Ltd (Concor) should be privatised to ensure survival of shipping and ports sectors. He opined that the shipping and ports sectors were facing difficulties, given the monopoly enjoyed by the railway PSU over container haulage operations to and from the ports. As a part of privatization, he suggested Concor should be split region-wise into several smaller entities, and each should be operated as independent cost and profit centres and should be allowed to utilise the company's railway assets on the basis of hours. Though container shipping lines and private port operators are keen on investing funds in the business of running container trains on a particular route, they fear being penalised by Concor while depending on its services to carry containers to other parts of the country.

Regulations for terminal handling charges and container detention charges mooted

According to the Shipping secretary a regulation for the terminal handling charges and container detention charges levied by the shipping lines is necessary. But the private operators think otherwise as they feel it is an intrusion into the internal working of the shipping lines. These charges are merely a cost recovery for these companies and there is no margin involved in these charges. Regulation of such expenses will only lead to a possible strain in the liner-user relationship.

Adani group expands to Karnataka

The Adani group of Gujarat plans to develop the jetty at Belekeri in Karnataka for exporting iron ore, mainly to China. By doing this, it has overcome the problem of congestion it was facing at Mormugoa. With the current FOB prices of iron ore ruling in the \$22-25 per tonne range, the company is set to close out 2004-05 with a turnover of around \$35 million from this product. At 300 km, Belekeri is equidistant from the Hospet-Bellari iron ore fields as the Mormugoa port. The Group has a five-year lease on Belekeri, and has already shipped out three vessels having parcel size of 50,000 tonnes each.

Shasun Chemicals & Drugs restricts itself to urgent export orders

Owing to the strike at Chennai Container Terminal, Shasun Chemicals and Drugs has restricted itself to meeting only urgent export orders. The company brings bulk drugs from its factories in Pondicherry and Cuddalore to Chennai port in order to catch the feeder vessel to Colombo. In Colombo, the bulk drugs are put aboard a mother vessel headed to other destinations. Now, on account of the strike, the goods are sent to Tuticorin in order to catch a vessel bound for Colombo, which places an additional cost of Rs 13,500 per container for the company.

Strike at CCTL makes the government sit up

The government has realized the need for a policy framework to solve the problems raised on account of workers problem at the major ports. The concession and license agreement does not offer any solutions on account of the government in case of strike at private terminals at major ports. On one side the terminal operator felt that the workers demand were unreasonable and that it had approached the Regional Labour Commissioner and the High Court to resolve the matter. On the other side, the traders were making noises about losing their credibility in the international markets as their exports were severely hampered.

Kolkata Dock System hopes for sugar imports

On account of the droughts in the sugarcane producing states of Maharashtra and Karnataka, the earlier government had planned to import sugar from Brazil to meet the shortfall in demand of sugar. But the new government is of the view that the shortfall can be met by increasing the production in Uttar Pradesh. This has dashed the hopes of Kolkata Dock System, which was looking forward to get the imports routed through it. It had earlier handled sugar import in 1999-2000. Another avenue of income is the maize exports the demand for which is high in Thailand and Korea.

A new player in the Shipbuilding and repair industry

Lots Shipping Ltd, a Kochi-based company operating in the field of inland water transport in Kerala, is diversifying into shipbuilding and repair activities by setting a Rs 3-crore shipbuilding yard in Kochi to build vessels up to 2,200 DWT. It has acquired more than one acre of land in Edakochi to set up the yard, which would have the facilities for drydocking and repairing of all kind of vessels such as barges, tugs, ferry boats, supply vessels and patrol boats. The yard will be operational within six months. Machinery and equipment will ensure the latest and modern methods employed so as to meet the stringent requirements of classification agencies such as the Indian Register of Shipping and Bureau Veritas.

Indian companies can take FCCB route for issuing Singapore Depository Receipts

The Singapore Stock Exchange has allowed Indian firms to convert their Foreign Currency Convertible Bonds into Singapore Depository Receipts if they wish to list their stock in the Exchange. This makes it attractive for Qualified Institutional Buyers who would prefer to convert their holdings into SDRs rather than equity shares.

Newsletter for the week June 07, 2004 to June 13th, 2004

ISPS code implemented ahead of time

Major ports of India have adhered to the ISPS code set by the International Maritime Organisation well ahead in time of the deadline of July 01, 2004. The ISPS code specifies issues related to security all over the world. Ships that are not certified for this code will be denied entry at US ports. Long-term passes will be issued to the vessels that frequent the port and the minute details of issuing short-term passes are being worked out. Security verification and audit had been conducted for all the major ports and 50% of the other non-major ports will be able to meet the deadline. Ship Security Plan (SSP) for about 80 per cent of the 225 ships including foreign-bound 175 ships have been completed.

Visakhapatnam port tries leasing out its slipway and dry docking facilities again

Visakhapatnam port had tried leasing out its slipway and dry docking facilities at the fishing harbour last year. But the exercise proved futile, as the response was poor. Only three firms evinced interest in taking the slipway and dry-dock facility on lease. The port had then agreed to lease out the facility to a Chennai-based company, which was the highest bidder, but the company failed to cough up the requisite amount. The dry dock and slipway can be used mainly for repairs of mechanised fishing boats, fishing trawlers and small-sized cargo vessels.

TAMP clears ad hoc rates of Mumbai port for container transportation charges

TAMP has cleared an ad-hoc ceiling rate of Rs 565 per loaded container and Rs 460 per empty container for handling/removal of containers from ship side to container yard and vice versa for 20-foot containers and a ceiling rate of Rs 847.50 per loaded container and Rs 690 per empty container for 40-foot containers set by Mumbai port trust. These rates are with effect from May 15 for a period of three months. In order to provide a comprehensive service to customers and levy of box rates, Mumbai Port Trust has now taken over the transportation of containers between the ship side and container yard and vice versa from May 15, which was being carried out by vessel agents or container operators by engaging their own contractors. The Port Trust is also working out a composite box rate in respect of containers. As the ad-hoc rates proposed by the Port Trust are substantially lower than the earlier rates, the cost of handling containers at Mumbai port will come down drastically.

Kolkata-Colombo freight rates to rise

Escalating operation costs like bunker prices have forced the feeder operators, like Bengal Tiger Line, Orient Express Lines and Sea Consortium, to increase freight rates on Kolkata/Haldia-Colombo route. A fuel additional will be implemented to recover the additional costs and it shall be applicable to all inbound and outbound SOC containers (shipper-owned containers) containers (empty or loaded). The freight will be hiked from the present \$310 per TEU (20-foot equivalent unit) to \$380 per TEU on the Kolkata-Colombo sector and to \$360 per TEU on the Haldia-Colombo sector. The corresponding rates for the empties will be \$175/TEU and \$150/TEU respectively.

Jaisu Shipping bags dredging contract at Kochi

The annual contract for maintenance dredging for 2004-05 at Kochi port has been awarded to Jaisu Shipping Company for an amount of Rs 27 crore. The company will be deploying trailer suction hopper dredger to maintain depth of 12.8 metre in the channel and depths varying from 12.3 metres to 9.75 metres in the inner channels and berths. By adopting an innovative scheme of draft-based contract from the year 2000-01 onwards, the port has successfully reduced dredging expenditure from the Rs 35.80 crore in the year 2000-01 to Rs 27 crore for the year

2004-05. The method of pricing has been changed from unit rate for the quantity of silt removed to lump sum amount for maintenance of specified draught in the channel throughout the contract period. This has resulted in competitive bidding and consistent reduction of dredging cost over the past five years.

Kochi port again charges for handling ICD containers

TAMP has approved the re-introduction of handling charges for ICD containers at Kochi port. Rs 500 will be charged for empty containers and Rs 800 for loaded containers for 20-foot containers and Rs 750 and Rs 1,200 respectively for 40-foot containers. This charge was not included in its proposal for general revision of Scale of Rates as the Container Corporation of India (Concor) had proposed to transport the ICD containers from its rail terminal by road utilising its own vehicle in which it was required to pay only one lift-off charge on the respective box at the container terminal. But, as the proposal of Concor could not be implemented the port had to re-introduce the charges.

Marina project at Kochi cleared by center

The Rs 24 crore marina project at the Bolghaty islands in Kochi, on five acres of land with all facilities for international cruise liners and yachts that are passing by Kochi has been cleared by the central government, with the centre's contribution at Rs 4 crores. The potential for the project stems from the fact that there are several luxury yachts on route from Gulf region to destinations in the Far East, which call at Kochi, despite the poor berthing facilities. Currently, there is no intermediate berthing facilities for them, once they leave Dubai until they reach their destinations in the Far East. The facilities of berthing of more than 50 vessels of varying specifications, refueling, assembling of tourists on board and replenishing of the stores of visiting yachts will be provided.

Hindustan Shipyard will finally be able to complete long pending orders

Owing to financial difficulties, Hindustan Shipyards Ltd. could not complete its long pending order of 700 passenger ships and other small vessels. The earlier assistance received from various financial institutions were utilized to pay wages. The Union Shipping Ministry has directed Visakhapatnam Dock Labour Board (VDLB), a subsidiary of the Visakhapatnam Port Trust (VPT) to issue inter corporate deposit of Rs 20 crores to the company and also ordered the company to utilize these funds only towards completing the orders. The Board has released Rs 10 crores at 6.5% and would release the balance as and when required.

Tonnage tax – here it is and then not

The maritime sector had with great difficulty convinced the earlier government about the need to have the tonnage tax regime in line with the international standards. The earlier government had almost approved it, when the elections were announced and now the industry has to undergo the task of again starting from scratch. Similar is the status for SagarMala project, which will be looked into again by the new ministry.

JNPT box terminal faced with further delays

Three Public Interest Litigations (PILs) have been filed against JNPT-Maersk deal for the new box terminal. Two PILs are against JNPT and the shipping ministry which include, one by Bhushan Patil, JNPT trustee and leader of Nhava Sheva Karmachari Sanghatana, who insists that the port should itself take on the development of the third terminal in the economic interest of the country, without leaving it to a third party. The other is by Tarun Tripathi, a chartered accountant from Navi Mumbai who claims that JNPT is at loss due to the revenue sharing arrangement, which has

been worked out. The third PIL is against the government of India, the defence ministry, the home ministry, among others, leaving aside JNPT and shipping ministry. This is filed by Arun Pal Singh Behl from Nagpur raising security concerns which were earlier raised by union minister for agriculture Sharad Pawar and Vishnu Bhagwat during the pre-election campaign. The matter gains significance, as the shipping ministry has to award the contract before June 26, 2004 or else go for a fresh round of bidding, which of course can be extended through mutual consent.

Marine hull insurance not to have any special discounts

Insurance Regulatory and Development Authority has specified that there would be no special discount for corporate agencies and brokers in lieu of commission and brokerage for marine hull insurance policies in shipping sector from July 1, 2004. The corporate agents would be eligible for 10% of the final premium and direct brokers would get 12.5% on marine hull insurance, excluding service tax. The owner's discount would be limited to 10% as per marine hull tariff instead of 15% towards discount to owners and commission to agents. Marine hull insurance covers any loss or damage to ships, tankers, bulk carriers, smaller vessels, fishing boats and sailing vessels and owners or bankers of ships and vessels could seek insurance and covers loss or damage to the property due to fire or explosion, stranding, sinking, overturning or derailment.

Multi-modal Transportation of Goods Act 1993 to see a lot of amendments

The corporate sector is keen on using the multi-modal transportation systems both for movement of their raw material as well as finished goods by outsourcing their logistics requirements to third party service providers. However, a lot of changes have to be made to the Act to remove the impediments involved during the movement of goods. The restrictions placed on exports need to be removed and the Act needs to be made applicable to imports. Many intermediaries thrive in the absence of legal responsibility or liability by fleecing consignees/importers by way of various kinds of charges, particularly documentation charges. Another proposed amendment seeks to make it mandatory for a person, after being registered to carry on business of carriage of goods by sea or multi-modal transportation, to quote his registration number on every Bill of Lading or multi-modal transport document.

Chennai port backlog to be cleared in a week's time after the fortnight-long strike

The fortnight-long strike by non-management staff at Chennai port was finally called off and normal operations have resumed. However it will take a week before the backlog of 8,000 boxes is cleared. Workers and the management of Chennai Container Terminal Ltd (CCTL) reached an agreement before a regional labour commissioner. The management agreed to revoke the suspension of three workers and wanted an independent inquiry against Mr Nageswaran, following an appeal by the Shipping Minister, Mr T.R. Baalu, to the management to reinstate the suspended workers to restore normal working at the terminal.

International legal framework on multimodal transport

The United Nations Conference on Trade and Development (Unctad) conducted a study on the feasibility of establishing a new legal international instrument on multimodal transport in view of the steady growth of multimodal transportation and the emergence of an increasingly complex and fragmented legal framework at the international level. The study indicated that the present system was not cost effective and that a new international instrument to govern the liability arising from the multimodal transport was definitely needed.

Shipping Ministry caps the number of operators and the number of terminals at major ports

The Shipping Ministry has drafted a policy that restricts one private operator to develop and run a maximum of two container terminals in a particular major port. At present there is no uniformity on the policy to be adopted when a port trust bids out more than two container terminals to private operators at major ports. The first private container terminal operator in a particular port will be banned from participating in the tendering process for developing a second container terminal at the same port. But, if the same port trust decides to develop a third container terminal with private investments, then both the first and the second private operator will be allowed to participate in the bidding process. If either of them wins the bid to develop a third container terminal, then the operator which has two terminals under its bag will not be allowed to bid when the port trust goes for a fourth terminal with private funds. But, the operator with one terminal will be allowed to participate.

Newsletter for the week June 14th, 2004 to June 20th, 2004

Special capital dredging rates at Tuticorin port

TAMP has approved a special capital dredging rate of 30% on all the applicable vessel related charges such as berth hire, pilotage fee and port dues to the Port Trust of Tuticorin for ships calling at Berth No.8. This rate is already being levied by the Port Trust since 2000 on ships using the deep draft berths VOC III, VOC IV, Coal Jetty I, Coal Jetty II and the oil jetty to meet the debt servicing cost of the Japanese Yen loan. But this has been extended to berth No. 8 though the deepening of this berth was financed by internal resources and not by the foreign currency loan, on the justification that when ships calling at other deep draft berths pay for the debt servicing cost of capital dredging expenditure, it will give rise to an anomalous position if a similarly placed facility at Berth No.8 is excluded from the scope of the special charge.

The liquid cargo berth project at Ennore may go to IMC-L&T

The Rs 200 crore project at Ennore, to construct a terminal with a capacity of three million tonnes of liquid cargo a year, on a build-operate-transfer basis where the terminal operator would share a percentage of the gross revenues with the port, will take about 18 months to complete from the date of the contract being awarded. This will transform Ennore into a multi-cargo port. The IMC-L&T bid offered higher share of gross revenues than the bid from Adani Ports. IMC is a leading bulk liquid storage terminal service provider with terminals at almost all the major ports in the country with a total storage capacity of 710,000 kilolitres.

Tonnage tax revisited by the new government

The tonnage tax legislation is envisaged as part of the Income Tax Act, 1961 and a new section along with a new schedule has been proposed. The method of calculation of tonnage tax will be based on a notional income schedule per day per net registered tonnage (NRT) of the ship worked out by the Central Board of Direct Taxes (CBDT) at the time of enactment of the Bill. The income of each qualifying ship for the previous year will be computed by multiplying the daily income by the number of days in the previous year. The aggregate of the income of all the qualifying ships operated by the company thus worked out will be the company's tonnage tax income for that previous year on which the prevailing corporate tax rates will be applied to arrive at the tonnage tax levy. The concept of creating a separate reserve account made up of a minimum of 20 per cent of the annual book profits computed as per the Companies Act to be utilised for the sole purpose of acquiring ships within a period of 8 years has been incorporated in the draft bill.

Coastal operators face port charges hike

The port charges and bunkering charges have been hiked for coastal shipping at most of the major ports. The rates are at 70% of that charged for foreign going vessels. The coastal operators have protested the hike arguing that coastal movement of goods is a cleaner way of transportation and should be encouraged by keeping the charges at the minimum. Besides, this hike is at no additional benefit at the major ports. They have suggested to the Ministry of Shipping to remove all the levies on coastal cargo with exception of coal and petroleum products.

Seaman Provident Fund bailment sought

The Shipping Ministry has put forth a request to the Finance Ministry to provide for Rs 92.78 crores as a one-time bailment package for the Seaman Provident Fund, and then amend the Seamen's Provident Fund Act, 1966 to delink the fund from the Government. The fund aims to provide retirement benefits to seamen engaged in the shipping industry and their family members

in the event of death. The SPF members get their own contribution of 12% together with the employers' contribution of 12% and interest thereon.

Major ports to charge security cess

Implementation of the ISPS code involved an investment of around Rs 150 crores for the major ports, and will also involve recurring costs on account of operation of new facilities like water-side scanners, container scanners, security cameras and explosive detection facilities as per the ISPS guidelines. A part of this cost will have to be borne by the port users. This cost carries from port to port and depends on the cargo being carried and the route taken by the ship. The International Maritime Organisation had formulated the security code in the light of the 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.

Tonnage tax regime has its conditions

The draft proposal on tonnage tax has recommended that shipping companies opting for a tonnage tax set aside 20% of their profits towards ship acquisition. The companies would have the choice to either subject themselves to the tonnage tax regime or the normal corporate tax. Tonnage tax should be applicable only on income from shipping operations and not on other income streams from real estate, etc. The companies opting for tonnage tax will also have certain training commitments. The draft contains various options on which the commitment could be based. The rate has been so worked out that the ultimate burden would not be more than 1-2 per cent of the income.

Environmental clearance sought for Sethu Samudram project

Tuticorin Port Trust (TPT), the nodal agency for the implementation of the Sethu Samudram project, has submitted an application to the Tamil Nadu Pollution Control Board (TNPCB) for environmental clearance of the Rs 2,000 crore project which will be 56 kms long, 300 metres wide having a draught of 12 metres. The project is expected to be completed in phases of three to four years.

JNPT makes its move

JNPT has filed 42 caveats against any further public interest litigations (PILs) filed over the awarding of the third container terminal to Maersk Concor consortium as a safe guard mechanism to see that no adverse order is issued against JNPT by filing more PILs. These caveats have been filed against industry associations, including MANSAA (Mumbai and Nhava-Sheva Agents Association), Bombay Customs Agents Association, Western India Shippers Association, among others, to deter them from filing PILs.

New Mangalore Port struggles to attract container traffic

Though container traffic of nearly 70,000 TEUs (twenty-foot equivalent units) is generated in Karnataka, the port handled only 6,927 TEUs during 2003-04 due to lack of proper rail connectivity with the hinterland. Apart from the Konkan railway route along the coast, the NMPT does not have rail connectivity with the rest of the State. Most of the container cargo from Bangalore go to Chennai due to the good rail link between the two cities. The cargo generated in and around Hubli gets diverted to Goa port because of the proximity. High freight rates have also acted as a deterrent for container traffic. The Kochi port has successfully attracted some Bangalore cargo as the freight charges are less there compared to Mangalore port.

Concor may lose its monopoly

The growth of container trade has surpassed the availability of wagons to transport the containers from and to the ports, currently handled by Concor. Concor has made a fresh induction of only five rakes in the last six months despite assurances of two to three rakes a month. The evacuation of container cargo to and from North India, which contributes close to 30% of the containerised Exim traffic moving from gateway ports, is dependent on rail connectivity, which is handled only by Concor. The need is to invite additional players in this area not only to enhance capacity but also to reduce costs and improve efficiency for the benefit of trade.

US Coast Guard may conduct inspection for ISPS code implementation

Director General, Shipping of India may invite US Coast Guard to inspect the ports and vessels on implementation of the ISPS code following the steps of Singapore port. This will definitely put up the image of Indian ports in the global limelight. This is however as a proposal yet to be presented. Meanwhile, though most of the ports have implemented the code, the practical procedural aspects have yet to be worked out between the ports and the users.

Kerala Shipping and Inland Navigation Corporation to charter newer areas

The state-owned Kerala Shipping and Inland Navigation Corporation (KSINC) plans to expand to newer areas of boat maintenance, tourist boat operations and bulk cargo transportation through waterways. It has taken up repair of the Thanneermukkom Lock Gate and works on the national waterways. Sagar Rani, the double-decked tourist boat of KSINC, will be ready for service by next month. A training institute is planned with the help of the State Youth Welfare Board to impart training to youths in driving heavy-duty boats and barges. Junkar services to Fort Kochi and Mattanchery would be introduced soon. All the wooden boats would be converted into steel boats in a phased manner since they are much safer and technologically advanced. The State Government is awaiting the clearance of the Union Government for starting shipping services to the UAE, Colombo and Mumbai.

Rajiv Gandhi box terminal privatization opposed

The Water Transport Workers Federation of India has opposed the privatization of the Rajiv Gandhi Container Terminal of the Kochi port, which generates an annual operating surplus of Rs 25 crore. According to the President of the Federation, with the additional investment of not more than Rs 150 crores, the port would be able to handle medium size mainline container vessels that would substantially increase the levels of profitability to reach Rs 100 crores per annum. The protest is on the grounds that while the licensee (Dubai Port International) did not give any guarantee with regard to investment, the port commits an investment of Rs 932 crore for improving supporting infrastructure such as deepening of the channel and for providing rail and road connectivity. Moreover, the agreement provides an escape route for the licensee to abandon its commitment to build a transshipment terminal at Vallarpadam or at Puthuvypeen and to prolong the period of concession beyond 10 years.

The contract for handling containers at Paradip port to be through open bidding

The Shipping Ministry has reversed its earlier decision allowing Concor to handle containers at Paradip Port on a departmental basis and has suggested that the contract be awarded on the basis of open competitive bidding, following the protests by private terminal operators. Their argument is that Concor may divert its rakes to other more profitable areas. The port trust is however not too keen on tendering process and prefers that Concor handles the container movement as it would derive immense benefits by awarding the deal to Concor, including

connecting the port to different inland container depots (ICDs) to augment its container traffic from the existing level of around 400 twenty-foot equivalent units.

Newsletter for the week 21st June, 2004 to 27th June, 2004

Iron ore movement sluggish

On account of sudden slowdown in the demand for iron ore from China, the exports from India have dwindled and the price internationally crashed. As this was eating into the exporters' margins, the freight rates charged by the truckers at Rs 1300 to 1400 per tonne for movement of iron ore from Barbil to Paradip, seemed suddenly high. The truckers were however, not keen on heeding to the exporters' plea to reduce the freight charges to around Rs 700/800 per tonne. The terms may settle down to around Rs 1,000 per tonne.

Reconstitution of boards of major ports still pending

The Government is yet to fully reconstitute the board of trustees of eight major port trusts of Kandla, Chennai, Kochi, Mumbai, Kolkata, Paradip, Mormugao and Visakhapatnam owing to the elections and the change of government at the center as the nomination of trustees representing the politically sensitive category of other interests could be done only after a new Government assumed office. The Shipping Ministry has only nominated the official trustees by designation or department such as Customs Commissioner, Area Manager Railways, Indian Oil Corporation, etc., without mentioning the place.

Tuticorin port brings about 65% reduction in marine related charges

The port dues, pilotage fee and berth hire charges at Tuticorin port have been reduced by 65% for the mainline container vessels with effect from July 1, 2004. This reduction will make the port more cost competitive *vis-à-vis* other international seaports such as the Colombo port in Sri Lanka and enhance transshipment through Tuticorin. Vessels touching destinations beyond Singapore/Port Klang on the East and Suez Canal/Cape Town on the West with capacity of more than 1800 TEUs will benefit from the lower marine charges. A 10% reduction in the basic marine charge as a trade incentive will be offered to the vessels other than the mainline vessels calling the Tuticorin port.

IOC's increased crude import to be through Haldia

IOC is likely to import an estimated 11.5-12 mt of crude through Haldia dock during 2004-05. In 2003-04, the crude import was around 10.4 mt. The total cargo throughput in the dock so far in current fiscal was at 6.7 mt, an improvement of 5-6% over the same period of the last year, and attributed it entirely to the rise in crude traffic. The target for total traffic is set at 33.9 mt for the current fiscal for Haldia dock compared to the actual throughput of 32.3 mt in 2003-04. 1 mt out of 1.6 mt is estimated to be on account of crude.

Adani Group bids for terminals at Ennore port

Riding on the success at Mundra port, the Adani group plans to submit its final bid for the two terminals of iron ore and coal at Ennore port. The project cost is estimated between Rs 300 crores to Rs 600 crores. If the back-up facility handling is also included, an additional investment of Rs 100-200 crore will be required. Ennore Port had invited expressions of interest from private companies to develop a multi-purpose berth-cum-container terminal to handle containers, cars, unit loads, heavy lifts and other similar items of cargo under a 30-year long build-operate-transfer licence. The IMC Group-Larsen & Toubro (L&T) combine is expected to bag the mandate to develop a liquid cargo terminal at the port.

Kakinada port eats into Vizag port's business

The Vizag port lost significant part of its transshipment cargo to Kakinada Deep Water Port, crude being the main. As a step to attract more transshipment cargo, the port plans to offer concessions in handling charges. The concessions offered by Kakinada port has lured IOC to shift its cargo to this port two years back. The Kakinada port handled around 16 lakh tonnes of crude transshipment in 2002-03 and it has increased its crude shipment handling volume to about 31 lakh tonnes in 2003-04. While, the Vizag port handled 95 lakh tonnes of crude transshipment in 2001-02, which dropped to 71 lakh tonnes in 2002-03 and 70 lakh tonnes in 2003-04.

India, one of the two countries to comply with ISPS code by deadline

India and Singapore will be the only two of the 86 signatory countries that will be able to comply with the International Maritime Organisation's (IMO) International Ship and Port Facilities Security (ISPS) code by its July 1, 2004 deadline. The operation of making 215 ships, 12 major ports and 36 minor ports ISPS compliant was at a cost around Rs 20 crore. 90% of compliance has taken place and rest of the procedures would be completed by the deadline.

Cruise traffic expected to rise by 14% in five years

Cruise traffic is projected to go up to 16 million passengers worldwide by 2009, from 14 million in 2004. The cruise fleet globally, which was at 182 vessels in 1990 and 304 in the year 2000, is projected to reach around 311 vessels by 2006 worldwide. According to Seatrade publisher and managing director Christopher Hayman, Indian Ocean cruises could be an effective solution for winter deployment of ships operating in northern Europe, like the Caribbean Islands. Cruise tourism is expected to be a major opportunity for India with the development of cruise terminals at five ports on the west and east coasts of the country.

GE Shipping adds another VLCC to its shopping cart

Another VLCC might be an addition to GE Shipping's existing ones at \$24 million and \$38 million. The company is willing to wait for a fall in the prices (currently a 10-year old single hull VLCC is at \$45 million) and after considering the oil tanker freight rates, the company will go ahead with the purchase. The current demand for oil will be sustained and hence the freight rates for tankers are expected to remain firm.

Major expansion plans at Kochi port

Various port development schemes envisaged under the Integrated Development Plan include terminal and service facilities like an international container transshipment terminal (ICTT), a bunkering terminal, a ship-repair yard, a cruise terminal, single buoy mooring (SBM) for Kochi Refineries, an LNG re-gasification terminal, and a port-based special economic zone (SEZ) and support infrastructure like National highway and rail link to the ICTT, main channel and basin dredging, and breakwaters. For locating all these port facilities in this region, the water area needs to be protected from waves by constructing suitable breakwaters so as to form a tranquil harbour basin for safe berthing of ships, and efficient cargo handling. The proposed harbour basin at an estimated cost of Rs 200 crore will provide along the channel a frontage of about 3 km for locating the various port facilities.

Kochi port raised free period to exporters to 7 days

Kochi Port has agreed to raise the free period for loaded containers meant for exports from five to seven days following the request from shippers that as sailing to certain destinations like Gulf are available only once in a week and looking to the nature of cargo to be consolidated and documentation involved in import of raw cashew, the need is justified.

L&T not qualified for Kandla port project

Kandla port has proposed to realign the container terminal project and have it constructed and operated on BOT (build-operate-transfer) basis on berth no 11 and 12 (expected to be ready for use by October 2005), which have a combined quay length of 545 m and a draft of 12.5 m alongside the berths. The selected bidder will be required to commission full-fledged container handling operations at berth no 12, with at least two new rail mounted quay cranes (RMQCs), within 24 months of the signing of lease agreement. L&T could not fulfill the condition of forming an SPV, either on its own or with one of its subsidiaries, having a controlling stake in the SPV, for which its bid was rejected.

Ship repair industry outside the purview of service tax

The Finance Ministry has proposed to shift the ship repair industry to outside the domain of the service tax, which was brought under the net from July 1, 2003. This had made the already withering industry more uncompetitive in the global scenario. The small margins existing in the industry meant cut-throat prices worldwide and as the burden of the service tax cannot be passed on to another entity, the Indian shipyard industry had become unattractive.

SAIL may shift part of its coal movement to Haldia

The sudden hike in the import of coking coal by SAIL at Paradip port has put pressure in the rakes movement, resulting in piling up of the cargo at the port. SAIL plans to shift the additional import to Haldia, so as to ease the congestion at Paradip and taking advantage of the proximity of the dock to its plant. But the hindrance of poor navigability prevents vessels fill full capacity to call at the dock. Meanwhile, the railways are not motivated to provide wagons for bringing out the coal from Paradip port, as it has to send in empties into the port.

Quality calls in at fishing harbours

As the importing countries get increasingly stringent about the hygiene factor, fishing harbours have to be more quality conscious. The Director of the Central Institute of Fisheries Technology has also stressed a need for a Ministry for fishing to set the necessary regulatory policies and to oversee the adherence to the quality standards.