

Newsletter (29th Feb, 2004 – 6th Mar, 2004)

Cruise tourism made attractive

There is a recommendation to introduce single-entry visas for cruise tourists as against a visa for each place of visit and an exemption for foreign cruise vessels from cabotage laws for a period of five years. The need also exists for providing intransit bonds to facilitate transfer of luggage between air and sea ports. The government plans to develop world class cruise terminals at the ports of Indian cruise circuit comprising Mumbai, Goa, New Mangalore, Cochin and Tuticorin.

Regulations for terminal handling charges called for

A grievance cell, as an interim measure, has been created under the shipping ministry, to address the grievances of exporters with respect to the high terminal handling charges comprising transportation charges, wharfage, port labour, customs and other miscellaneous items charged by freight forwarders, shipping agents and consolidators. A proper regulatory body is to be formed, which will also look into the amount charged for issuing bills of landing, for which there are no guidelines at present.

Inland Waterways Transport expands its usage

Food Corporation of India has decided to transport foodgrains from one state to another using Inland Water Transport system. The bumper crop of paddy in Bihar is to be transported to West Bengal for milling, loading paddy at various points on the way.

Concessional tariff for coastal shipping activities

In order to encourage a cost effective and environment friendly coastal shipping in India, the shipping ministry approached TAMP to reduce the tariff on cargo by about 40% for coastal movement. As it had already reduced the tariff on shipping by 30%, TAMP was not too keen to reduce the tariff on coastal shipping. The aim of the shipping ministry is to increase the share of coastal shipping from the present level of 7% of total domestic cargo.

TCS report for port infrastructure development

Commissioned by the DGS, TCS has prepared a report analyzing the factors that have stymied the growth of coastal shipping in the country. The report outlines the long and short-term strategic and policy measures required to develop coastal shipping. The ports of Gopalpur, Cuddalore, Vizhinjam, Azhikal, Malpe, Karwar, Ratnagiri, Dharamtar and Magdalla have been identified for developing basic infrastructure including capital dredging, breakwater, berths, back-up areas and wharves to boost coastal shipping.

After Dahej, it may be Mangalore instead of Kochi for Petronet

Petronet has asked a commitment of 70% of the gas from local consumers from the Kerala Govt. Two potential gas consumers, Siasin Energy and NTPC pulled out their initial commitments for sourcing gas from Petronet leaving the LNG distributor with no major consumer. Siasin Energy shelved its plan for setting up a 1200 MW gas-fired power station and NTPC preferred to set up its own LNG terminal for captive consumption.

Tuticorin port to be developed as a South Asian hub

The services of two international consultants have been engaged to prepare a feasibility report of developing Tuticorin as an Asian hub. The approaches were divergent as one report states that the port could overtake the revenue of Singapore port by 2020 with an investment of Rs 7800 crore, while the other suggests an investment of Rs 3000 crore which could generate more revenue, as traffic to Colombo port could be diverted to Tuticorin. Tuticorin port is an all-weather port, close to international sea route and has an expanse of land, which could be used for developing an SEZ.

Congestion at JNPT delays exports

Jubilation for textile exporters was short-lived as, though they saw a rise in the export orders, they had to face considerable delays owing to the congestion at JNPT. A delay in shipment causes loss of reputation for the exporters as overseas clients place emphasis on timely shipments.

Nine companies to submit price bids for Vallarpadam project

The licence agreement for the 2000-crore international container transshipment terminal at Vallarpadam was cleared and price bids are invited from nine companies. The port authorities are holding simultaneous talks with the labour unions trying to pacify their apprehensions about the privatization. Build-Operate-Transfer model is to be used for the project and the center is to assist in form of viability gap funding.

MRPL crude charter contract bride for many woovers

The 6 million tonne crude charter contract for MRPL would be for a period of one year starting April with 500,000 tonnes being shipped every month. The parties interested are SCI, Essar Shipping, Mercator Lines, G.E. Shipping and Varun Shipping. The current contract of shipping crude from the Gulf coast mostly Iran and Saudi Arabia to Mangalore at 95,000 million tones per parcel and 4-6 parcels per month, which will expire this fiscal year-end.

Ship acquisitions going on at a dangerous pace

Shooting prices of vessels has not hindered acquisition of ships by companies, who still seem to find it viable to expand their fleet on the back of high freight rates. There is a grave danger of over-capacity and this may lead to crash in freight rates. G.E. Shipping, Varun Shipping, Shahi Shipping, SCI are few of the shipping companies who have made additions to their fleets.

Snaking line of trucks at Chinese ports

The growing trade (imports and exports) are keeping Chinese ports busy with long queues of trucks, at times, managing 12000 trucks a day. Rates on Asia's trans-Pacific route went up by 35% over the 2nd quarter of 2002, on account of the demand over-riding the supply of ships.

German logistics major Rethmann & Hyderabad-based Seaways Group to form SPV

The \$2.6 billion Rethmann Group and Seaways Group of Hyderabad are joining hands to form an SPV, which will focus on providing logistics solutions to companies in India, initially and then expand to other parts of the world. Rethmann's strength lies in operating container terminals and hinterland transport systems. The SPV will also be setting up R&D facility for animal bio-tech, followed by an export unit.

Cochin Steamers Agents Association wants a representation in the board of trustees of Kochi port

As the board of Kochi port is to be re-constituted, the 72-member Cochin Steamer Agents Association has requested the Union Shipping Ministry to consider its representation as they are actively involved in the daily activities of the port. Most of the shipping companies, whose vessels embark on the port are the members of the Association.

JNPT seems incapacitated to handle the growing volumes of trade

Exporters have been facing frequent 'shut-outs' from the scheduled vessels at JNPT. Increase of cargo volumes by more than 30% annually has outstripped the supply of basic infrastructure. The turbid movement of import containers between the port terminals to the various inland container terminals has added to the delay and hence the congestion.

Newsletter (14th March, 2004 – 20th March, 2004)

India for a separate offshore policy

India is likely to join Britain, Norway and the US by forming a separate offshore policy. The need was felt as the vast potential of 28 billion metric tonnes of hydrocarbon needs to be exploited, against the current exploitation of only 6 billion metric tonnes. The policy is likely to cover activities within India's territorial waters and the exclusive economic zone, like exploration and other support activities such as pipe laying, cable laying and mining. The policy will address the issues of whether preferential treatment is to be given to Indian companies, in terms of tax concessions or subsidies, also consider the uniform application of international standards to operations in the exclusive economic zone. The proposed policy will establish a single act against the prevailing set of various acts which govern the offshore sector.

Concor trying to test foreign waters

Concor India has bid for the inland container depot at Birgunj in Nepal. Funded by the World Bank, this depot is estimated to be able to handle 40,000 containers in a year. A broad gauge line has been laid from Raxaul (Nepal-Bihar border) to Birgunj, extending the already existing rail service from Kolkata to Raxaul. This direct entry into Nepal, will eliminate the customs problems and also reduce the transportation costs by about 40%.

Private shipping players asked to chip in for maritime training

In order to enhance the quality and the quantity of trained manpower in the maritime industry, the government has impressed upon the private shipping companies to provide a slot in the board of maritime training institutes, which is currently being offered only by the state-owned SCI. The shipping ministry wants to scrap the training fee charged to the cadets and instead ask the companies to pay them a stipend. The government is also likely to permit premier private institutes to conduct certain specialised courses, which are conducted only by the government institutes.

Row over direct chartering by IOC continues

The petroleum ministry is seeking an approval to amend the existing policy on chartering of ships for imports by PSUs. The policy makes it mandatory for all government departments and companies to make shipping arrangements through Transchart. The finance ministry and the Planning Commission are in favour of the move but want assurance of adequate cargo support to the Indian shipping industry from the petroleum ministry. Based on IOC's experience, other oil PSUs will be allowed to conduct their own chartering. The finance ministry has insisted that this should be at the back of IOC not incurring additional costs, on account of this change.

Service of Indian shipyards offered to Gulf Co-operation Committee

On the back of the locational advantage, Indian Government has offered to the various Gulf countries the services of maintaining and upgrading their naval fleets at a very

reasonable cost compared to European rates. An offer was also made to Iran to upgrade its fleet of Kilo-class diesel submarines procured from Russia.

High number of detentions of Indian ships tarnish India Shining image

The DG Shipping is taking stern actions against the ship owners for detention at foreign ports on account of deficiencies. India has already been blacklisted in the Paris MOU on Port State Control. Many Indian ships have been also targeted by the Tokyo MOU. This reflects badly on the state flag and hence has called for stringent measures to reduce such incidents.

Ageing crude and product tankers banned

The DG (Shipping) had decided to ban all crude and product tankers (both foreign and Indian flag) that are more than 25 years of age from entering Indian waters from April 1, 2004. All crude and product tankers above 20 years which do not have the mandatory Condition Assessment Programme 2 (CAP 2) rating for hull, machinery and cargo equipment either from a full member of the International Association of Classification Society (IACS) or the Indian Register of Shipping (IRS) will also be banned from entering Indian shores. By focusing on the tankers irrespective of the cargo it is carrying, the ban becomes applicable even for cargo like edible oil and water.

Boards of eight major ports to be re-constituted

As per the Major Port Trusts Act, 1963, the Government will have to re-constitute the Board of Trustees of all the 12 major port trusts every two years. Consequently, the boards of 8 major ports have to be re-constituted- Kandla, Chennai, Kochi, Mumbai, Kolkata, Paradip, Mormugao and Visakhapatnam port trusts are due for re-constitution on April 1, 2004 for a two-year term, till March 31, 2006. The Board of JNPT, Tuticorin, New Mangalore and Haldia Dock were re-constituted on April 1, 2003 for a two-year term till March 31, 2005.

Traditional vessel owners demand a fairplay

Tuticorin-based sailing vessels each crewed by 15 people, have a capacity to carry about 400 tonnes of cargo and transport agriculture produce, construction material and consumer goods to Sri Lanka, the Maldives, the Andaman Islands and various small ports on the west coast. They charge about Rs 600 - Rs 1,000 a tonne of chillies, Rs 500 for potatoes and about Rs 375 for cement, which prices the larger vessels may not be able to quote. Besides, the increase in coastal traffic has assured enough share for both small as well as large players. The small vessel operators, however, are given shabby treatment by the port authorities abroad as well as in India. They have to give way for larger vessels to unload first.

Government puts in a fine print for the revenue sharing terms in case of JNPT

Any rebates or concessions offered by Maersk to its customers, over and above the tariff approved by TAMP, will have to be borne by Maersk and cannot be part of the gross revenue to be calculated for sharing purpose. Revenue share implies the percentage of the annual operating gross revenues, which the private operator has to share with the

port trust/Government as mentioned in the price bid. Maersk has quoted 35.503% of revenue as share for JNPT in the price bid on the basis of the annual gross revenues earned by applying a certain tariff on the traffic volumes handled at the terminal.

Puthu Vypeen makes Vallarpadam project look dull

The sudden view at 800-acre Puthu Vypeen for developing a transshipment container terminal has led to further delay in the Vallarpadam terminal project. As Vallarpadam is connected by bridges with Vypeen on the west and Bolghatty on the east, providing for more than six berths may pose problems. Besides, the additional capacities at Colombo and Salalah may wean away the business from Vallarpadam.

Eastern India Shippers Association plead for downward revision of terminal handling charges

The Association of Shipping Interests in Calcutta (ASIC) had reduced the terminal handling charges by Rs 200 per TEU for containers not handled in Container Parking Yard and by a meagre Rs 25 per TEU for containers handled in yard. The shippers complain that the benefit of the rationalisation in various charges, as announced by Kolkata Port Trust (KoPT) and Calcutta Dock Labour Board from time to time, is not being passed on to the shippers by the shipping lines and their agents. According to ASIC, ocean freight, stevedoring rates, and the terminal handling charges could be negotiated bilaterally between the shippers and shipping lines or their agents.

Mercator Lines bags MRPL contract to ship crude

During fiscal 2004-05, MRPL will be importing about 6 million tones of crude from Kharag Island in Iran. The contract for shipping the crude goes to Mercator for the second year in running amidst stiff competition from SCI, GE Shipping and Essar Shipping. This would involve 4-6 voyages in a month.

Implementation of ISPS code provides more business for the IT industry

The implementation procedure of the ISPS code requires an array of IT security hardware, such as CCTVs, access control and perimeter fencing systems, anti-virus software and intrusion detection software to guard the network infrastructure. There is also the need for security training of the port employees. The port security system will provide good business for the coming year and the ship security system will provide continuous business for the IT industry.

New dry dock soon at Naval Dockyard

The Indian Navy will float a tender to rebuild its dry dock at the Naval Dockyard. The defence ministry has to give clearance to the project. The new dock, which is being built at a cost of Rs 700 crores, will be used for repair and maintenance of the INS Viraat and the Admiral Gorshkov, a Russian aircraft carrier, after its induction into the Indian Navy.

Juicy Bits

- The bid for supplying gas to the 2,000 MW power plant at Bidadi on the outskirts of Bangalore has tempted Petronet LNG to consider Mangalore to set up its 2nd gassification plant at Mangalore instead of Kochi.
- Vizag port proposes to hike its port dues, pilotage charges, berth-hiring charges under vessel related charges and warfage charges, handling charges, ground rentals under cargo related charges in the range of 5 to 15%, and is awaiting a nod from TAMP.
- Varun Shipping plans its international offer by issuing Singapore Depository Receipts and its domestic offer through a rights issue in the ratio of 1:2
- Vizag port confident of achieving the highest throughput in a financial year this fiscal, overtaking Kandla port.
- Strategic investors and FIIs have been permitted by the Government to increase their holding in Gujarat Pipavav Ports Ltd from 49% to 100% involving foreign direct investments (FDI) worth Rs 456 crore.
- Along with the revenue share of 35.053%, Maersk will also pay JNPT lease rentals at the rate of Rs 24 crore per year, which will increase by 5% every year.

Newsletter (March 21st, 2004 – March 27th, 2004)

SEZ at Kulpi

Bengal Ports Ltd., a consortium led by P&O Ports is in the process of signing the final agreement with the West Bengal Government for building two container terminals and associated facilities at Kulpi, 60 km south of Kolkata, adjacent to a 3000 hectare SEZ, the total project cost of which is Rs 1000 crores (excluding land cost). The developer will have to buy the land for the port and the SEZ separately from the state government. The port will satisfy its capacity requirements from the SEZ itself, as the facilities will be offered at extremely attractive rates. Besides the hinterland will also be connected with the second Hooghly bridge which leads to NH 2 and NH 6.

Wrong traffic forecasts leads to mismatch at ports

The Rs 883 crore port project at Paradip and the Rs 1,059 crore port project at Ennore (Chennai), have faced a severe shortfall of traffic of thermal coal at 9 million tonnes and 8.48 million tonnes respectively for 2002-03 against the planned capacity of 22 million tonnes and 16 million tonnes respectively. Similarly, the Rs 60 crores container port at Kolkatta and the Rs 80 crore one at Mumbai with installed capacities of 0.283 million TEUs and 0.92 million TEUs handled only 0.106 million TEUs and 0.46 million TEUs during 2002-03 respectively. So an exercise of caution is advised while developing the Rs 2000 crore transshipment terminal at Kochi.

Foreign investors at Pipavav port allowed to increase stake, subject to conditions

Foreign financial institutions and strategic investors like A P Moller, PSA Corporation of Singapore, New York Life of the US and AMP of Australia had expressed their desire to increase their equity stake to 100% from the current 49%, by investing further Rs 420 crores at the Gujarat Pipavav port. As the port's promoter owes Rs 60 crore to various state government institutions, the state government has put in a condition that the entire proceeds should be kept in an escrow account which will be jointly operated by the port, foreign investors and the state government and an undertaking to be signed to make the agreement operational.

Essar Shipping takes overseas cover for its crude carrier

Owing to the limited capacity of the domestic insurers, Essar Shipping was forced to tap the overseas insurance market to insure India's first double-bottom very large crude carrier, MT Ashna. Out of Rs 385.5 crore, the four public sector insurers have taken on an average Rs 20 crore each, and the General Insurance Corporation of India, the national reinsurer, has underwritten up to Rs 200 crore, the balance was to be placed in the international market. MT Ashna, built in 1998 by a Korean company, measures 330 metres long and 62.6 metres high, and with this acquisition, Essar Shipping's fleet strength increases to 30 vessels.

Dubai Port Authority to develop the container terminal at Kochi

After nearly two decades of trying to get a private player invest in the international container terminal at Vallarpadam, Kochi, the contract has finally gone to Dubai Port Authority, who had made the highest 33.33 per cent revenue-sharing offer. Nine companies had submitted proposals, but only three of them had reached the stage of final bid and with DPA quoting the highest revenue-share bagged the contract.

Petronet's threat of backing out from Kochi project due to lack of demand proved baseless

According to a study done by GAIL, the demand for LNG in Kochi is twice the planned capacity of Petronet's terminal at Puthuvype, Kochi and this is despite NTPC not looking at this terminal to satisfy its demand. FACT, Kochi Refineries Ltd and BSES, Kochi would together need about 160 lakh tonnes against the proposed capacity of 25 lakh tonnes.

A "Facilitation Cell" to address shippers' woes

The Shipping Ministry has decided to form a "Facilitation Cell" headed by an officer of the rank of a director who will be assisted by two other officers, one each from the port and shipping wings of the Ministry to address the grievances of shippers. The Government support is needed in areas of negotiation for freight rates, to access the research and studies on developments in shipping across the globe and the regulatory framework of operating in various countries.

SICCI to offer maritime arbitration services

SICCI has started to market its services in international maritime mediation. This would be a cheaper mode for Indian disputants, who have to otherwise approach a more established center like Singapore. The chamber has the physical infrastructure to hold arbitration meetings and has on its panel six experts who know both the shipping industry and the maritime law.

Cochin's loss in Salalah's gain

The delay in developing the transshipment container facilities at Cochin has benefited Salalah in Oman, which is being used by mainline vessels moving on London-Sydney route. Had the international container terminal be developed earlier, it would have been ideal for these mainland vessels who would probably save around \$18750 in their operational cost.

Indian Shipping Ministry revisiting Bare-Boat-Charter-cum-Demise (BBCD)

BBCD is a form of shipping finance, introduced in 1991-92 to manage BOP crisis. Under this scheme, a fourth of the total cost of the vessel is made as down payment and the balance is paid in instalments over the next five years out of the revenues earned from operating the ship. During the lease rental period, the ship has to fly the flag of the country from where the acquisition is made. On completion of the lease rentals, the ownership of the vessel is transferred to the entity, which hired the vessel, and the ship

becomes a flag of that country thereafter. In order to plug in the loopholes, the shipping ministry has set up a panel to draft a policy for this method of financing for fleet acquisition.

Bengal Tiger charters a new route

Bengal Tiger Line, a German-managed feeder operator, will deploy two feeder vessels, Tiger Ocean and Colombo jointly with APL, on a weekly basis to service the routes Jebel Ali, Dubai-Salah, Oman and Karachi, Pakistan-Nhava Sheva International Container Terminal, Mumbai. By expanding its area of operations from servicing the trans-shipment hubs of Singapore, Colombo and Port Klang, the company is able to meet its competition in Bay of Bengal, where several new players have emerged.

Request to convert Petrapole Land Custom Station into a port

CAPEXIL, a council of exporters to Bangladesh has been exporting through Petrapole LCS, from where 60% of Indian exports to Bangladesh take place. In the absence of accountability and responsibility, the truck movement has been inefficient and there is severe lack of co-ordination between the various bodies. This has resulted in a negative growth of exports to Bangladesh. With this background, the council has requested the LCS be converted into a port so that there is single management under which the services can be integrated and the activities can take place smoothly.

KoPT has revised its wharfage for inland water transport

As per the new policy, the wharfage at KoPT would be 50% of the present ocean-going wharfage, and for lighterage cargo, it would be 15%. Private jetties will be allowed to operate at a royalty payment of 30% of the ocean-going wharfage (where land belonged to the private owners) and at 20% where land belonged to the port trust, subject to a minimum of Rs 10 per tonne. Additionally, the system of compulsory deployment of port's berthing master/pilot for inland vessels had been dispensed with and fixed schedule of IWT services from Kolkata Dock System/Haldia Dock Complex to Patna was announced.

Proposed ferry service between India and Sri Lanka depends on the peace process

The Tamilnadu Chief Minister had opposed the proposed ferry service between Rameshwaram in TamilNadu and Talaimannar in Sri Lanka, suggesting that it may encourage anti-social activities across the border. She urged for a peace settlement between the Sri Lankan Government and the LTTE as a pre-requisite to start the service. This service, if started, would enhance the bilateral relations between the two countries.

Juicy Bits

- Mercator bags a second contract, this time for charter hire of a vessel for a period of five years, which will be deployed as a storage tanker on Panna Mukta Oil Fields for BG Exploration & Production Pvt Ltd., at an estimated revenue of USD 32 million over five years.
- Singapore-based Executive Ship Management (ESM) set up the state-of-the-art Samudra Institute of Maritime Studies at Mumbai for training only those people who are sailing for them or are going to work for them for the present.
- The Visakhapatnam port, one of the 13 major ports in the country, has created a national record in cargo handling by crossing a figure of 463 lakh tonnes of cargo for the current fiscal and is slated to touch the 475 lakh tonnes mark by March-end.
- G.E. Shipping has added 11 ships, including one very large crude carrier and seven aframax, in the current fiscal at a capital expenditure of Rs 1,047 crores.
- As per UK-based Containerisation International, JNPT features at the 30th position in 2003. In terms of ranking, the order is - HongKong Port (20.1 million TEUs), Singapore port (18.1 million TEUs), China's Shanghai (11.2 million TEUs), China's Shenzhen (10.6 million TEUs), South Korea's Busan (10.3 million TEUs), Kaohsiung in Taiwan (8.8 million TEUs), Los Angeles in the US, Rotterdam in the Netherlands, Hamburg in Germany and Antwerp in Belgium.