

Newsletter for week 10<sup>th</sup> May, 2004 to 16<sup>th</sup> May, 2004

### **Coastal Shipping to be explored for cargo movement**

India has a very poor 7% of the total cargo traffic through waterways, which compares poorly to international standards. The major modes of transport of rail and road are comparatively more expensive and also environmentally less friendly. Besides the loss in terms of pilferage and theft is also higher. Coastal shipping is hence being promoted in a major way and TCS, in its report has identified a few ports where coastal shipping can be developed. There is a suggestion for integrating coastal shipping with Inland Water Transport in a few ports.

### **VLCCs under Indian flag increases to four**

With Mercator Lines and GE Shipping acquiring a second-hand VLCC each, the number of VLCCs under the Indian flag has now become four, adding to the existing ones owned by Essar and one already by GE Shipping. The 15-parcels-a-month of crude of IOC and reliance Industries are currently being done mostly through vessels operating under foreign flag. The cost of a 10-year year VLCC ranges between \$35-\$50 million and this cost seems justified by the indications of the need for transportation of crude. Besides the oil companies have the economies of scale by transporting through VLCCs.

### **Vizag port to add new berths**

With the additional three new berths, Vizag port will be able to increase its capacity by 30-35 lakh tonnes. The port expects to handle around 500 lakh tones by 2005-06. The new berths, built at a cost of Rs 35 crores, will be operational by August 2004. Two of these berths are allotted to Gammon India, which invested around Rs 100 crores. The port boasts of highest berth productivity among the major ports at 11,712 tonnes per berth per day (2003-04).

### **Cyclonic depression forces to suspend operations on the west coast**

The port officials at Mundra, Kandla, Mumbai and Hazira have suspended mid-sea operations and have taken extra precautions, owing to the cyclonic depression at south of Veraval in the Arabian Sea. The meteorological department had warned of very heavy rains accompanied with winds during the week. In order to avoid the situation encountered during the 1998 cyclone, the various authorities have taken the necessary precautionary steps to protect human lives and also save ships and cargo from damage.

### **China Shipping Container Lines may postpone IPO**

The US economic data suggesting a rise in interest rates, the high oil prices and the surging Chinese economy, which may be put on tight reins to slow control the momentum do not exactly favor an IPO, which is why China Shipping Container Lines Ltd. is contemplating postponing their roadshows for their IPO of \$2 billion. The company is hopeful of better market conditions after a week or two.

### **Vizag port seeks to be included in the feeder service to Chittagong**

SCI has been asked to extend its mainline service to UK and European continent to cover Vizag port, by the users and the port authorities. A feeder service connecting Visakhapatnam and Chittagong and Yangong (Myanmar) will greatly help in reducing the cost of exporting aluminium and steel, which are currently being routed through Singapore. Also the imports of pulses for Nagpur from Yangong can be routed through Visakhapatnam. This service can help in the export of jute goods from Bangladesh to Europe.

### **GE Shipping to increase its exposure in dry bulk sector**

GE Shipping plans to increase its exposure in dry bulk segment from its present level of 5% of its total fleet. Currently, only 25% of its shipping income comes from dry bulk and the company plans to increase this share to maintain a good balance between the tanker and dry bulk. The company is in the process of adding 2 handymax carriers to its present fleet. The high freight rates and the expected continued demand of industrial raw materials like iron ore and steel from China have prompted the company to take this action.

### **US paranoia about security will affect trade of developing countries**

US is expanding its border area with a view to minimizing the possibility of terrorism. Besides the call for having US inspectors in foreign ports, intelligence from outside the shipping community, advance knowledge of container contents, better passive screening technologies and 'smarter' cargo containers — all to reduce the risk of terrorism. But this will only add to the costs of the exporters to the US.

### **SKS to have dry docking facilities at Alibaug**

The dearth of dry docking facilities has prompted SKS Ltd. to set up a Rs 200 crore dry docking facilities at Alibaug. Otherwise ships have to depend on Mumbai port and foreign yards to dry dock. The 35-acre dry dock will be set up jointly with a Danish company, the first phase of which is expected to be completed by June 2005. In the first phase, the dry-docking facility will cater to small vessels such as barges, while the second phase could service Offshore Supply Vessels of up to 4,000 dwt and the third phase vessels of 50,000 dwt.

### **Vizhinjam project moves ahead**

The Kerala port department authorities have invited Techno-economic proposals from the 11 parties who have expressed their interest in developing the port. The proposals will be received upto 31 July and till the end of June, meetings will be held to clarify any doubts that need to be cleared regarding the project.

### **Paradip port sets itself a tough target of 25 million tonnes for 2004-05**

Paradip port has to clock 3 million tonnes during the current fiscal to achieve the target it has set itself. The port is expecting to achieve this target through exporting of iron ore (estimated increase of 1 m.t.), coastal movement of thermal coal (estimated increase of 1.5 m.t.) and import of coking coal (estimated increase of 0.8 m.t.). The port expects a rise of 0.4 m.t. in POL traffic owing to the new oil jetties.

### **Shipping agents given warning to stick by safety norms**

After handling a consignment at Mumbai port, a few workers felt giddy, and a few others vomited, and were to be admitted to the hospital. The port authorities have pulled up the shipping agents regarding their role in correctly marking the hazardous goods and instructions about handling them. If the goods need any particular equipment to handle the goods, then the same will have to be provided to the workers. Besides, presence of a responsible officer is called for who has experience in handling such cargo.

### **Concor to set up a freight station at Dadri**

Concor, with a 49% stake, along with Transworld Group of companies is setting up a container freight station at Dadri with 7,000 square metres of covered warehouse and 35,000 square metres of open container yard. The proposed Albatross CFS will provide the latest facilities for handling of EXIM cargo, fully integrated logistics services, giving full value for money to its customers to provide independent customs coverage, and all business centre facilities to customers and associates.

### **Paradip port may not be able to handle IOC cargo**

IOC's insistence on higher capacity tankers may put Paradip port out of favour as the port is not capable of handling high capacity vessels due to draft restrictions. The almost fully commissioned oil jetty can handle LR I crude tankers with capacity of 65,000 dwt. The installation of the single buoy mooring (SBM) near the port to handle large crude carriers and construction of the Paradip-Haldia crude pipeline will make it possible for the port to handle an estimated 12 million tonnes to 13 million tonnes of crude.

### **Increased vigilance by Coast Guard reduces pirate attack incidents**

The positive action taken by the Indian Coast Guard, the Royal Malaysian Police and the Philippine Coastguard in their waters have drastically reduced the number of pirate attacks in these three nations during the first quarter of this year. Vigil in Indian waters and around Pacific Rim has been intensified in the last few months. Moreover, Indian Coast Guard along with its counterparts in Japan, Thailand and Malaysia has been carrying out regular joint exercises in Asian waters and around the Pacific Rim. The law enforcement agencies are also exchanging critical information on vessels operating in Asian-Pacific waters. A large database is now available on vessels operating in the region.

### **Change at the center may not pose any threat to Sagar Mala project**

The new government at the center may decide to go ahead with the Rs 100,000 crore Sagar Mala project, which was initiated by the NDA-led coalition government. So one could really see the inland waterways system develop and the ports being privatized in a major way, thus pushing India further in the international maritime league.

### **Indian companies look at Singapore bourses**

Indian shipping companies like Varun Shipping, SKS and Tolani Shipping are eyeing Singapore market and are planning issuing Singapore Depository Receipts. Under capitalization of shipping stocks on Indian bourses have not made these companies attractive for raising foreign debt. Singapore, however, being a predominantly shipping economy provides an environment, which is more conducive for these companies.

### **Increased demand for crude provides a boost to shipping industry**

Strong GDP growth and increased energy consumption in countries like US, European Union, China, Japan and India, has led to an estimated increase of 2 million barrels per day in the demand for crude. This will lead to increase in the shipping tonnage, which will further increase the freight rates for VLCCs. Though the rates have been sliding over the past few months, the scrapping of older tonnage by International Maritime Organisation guidelines and the order books of major shipyards of the world across the globe being full till 2007, will only lead to further increase in the rates.

### **Kakinada Port may bear the brunt of the new government at the state level**

The Congress party was always critical of the decisions of the Telugu Desam party regarding Kakinada port especially with regards to the privatization of the operations at the new port and the concessions given to the private operator — Kakinada Seaports Ltd., where the company and the state government have been at loggerheads, with the company neither paying the minimum guaranteed amount, nor generating any new cargoes. Besides, the old port has accused the new port for diversifying its traffic. The proposed LNG terminal project also has failed to take off in the past three years.

### **Paradip port may see a rise in rail borne traffic**

The doubling of railway network between Nirgundi-Kendrapara section on the Talcher-Paradip railway network and that between Talcher and Paradip will lead to an increase in the railway capacity at Paradip port. This will enable the port to handle 14 rakes on its account alone against the present 11 rakes. In addition to this the port handles 2 ports for Paradip Phosphates and IOC together. So instead of diversifying the road traffic to rail, the port can hope for increased cargo from the rail routes, thermal coal and iron ore being the main commodities.

### **Kochi port to develop cruise terminal**

At the back of increased influx of international tourist to Kerala and the increased number of arrival of passenger vessels at Kochi port, the port authorities have invited EOIs for consultancy services for developing a cruise terminal of international standards at an estimated cost of Rs 55-60 crores. The project is expected to get its funds from the Tourism Ministry, Kerala Tourism Department, private equity through the Shipping Ministry and from the Japan International Co-operation Agency.

### **SCI disappointed with shopping for bigger vessels**

In order to stick to the service schedules to UK/continent and the US, Shipping Corporation of India wants to increase its fleet with higher capacity vessels of 3000-3500 TEUs, but it has to satisfy itself with lower capacity vessels of 2000-2500 TEUs. This is due to non-availability of higher capacity vessels. The Indian Subcontinent failed to place any mainline vessel in the UK/Continent sector for two consecutive weeks this month, and SCI does not want to see such a repetition for the US sector also. The company has to wait for sometime, before it can go ahead with its plans of upgrading its services to the UK/Continent and the US sectors. But the demand-supply imbalance has led to an increase of charter hire charges, which is proving expensive to the company.

### **Maintenance to cause delay in movement of cargo to and from JNPT**

The conversion of DC traction to AC traction to push up the speed of the trains, may cause diversion of the rakes. Though the work is expected to be completed in 3-4 days the disruption of the rake movement may last for a week. Some trains may be diverted through Surat on the Central Railway Network, which may entail an additional transit time of 18 to 20 hours.

### **SCI enthused by the change in government**

Despite fall in stock prices, the mood at SCI is quite upbeat, as the disinvestment procedure is delayed on account of the change of government at the centre. The PSU was not keen on the disinvestment as it had put a hold on capital expenditure and hence fleet expansion, and that too at a time when the freight market was booming and shipping companies across the globe were expanding their capacities to take advantage of the boom.

### **Multi-modal Transportation of Goods Act of 1993 to get muscles**

The DG Shipping is proposing to make the Multi-modal Transportation of Goods Act stronger by making registration compulsory. This will lead to better quality logistic services, which are lately being outsourced by bigger shipping companies. The new draft policy for MMTG will make it mandatory for transport operators to comply with the provisions in the Act and get themselves registered, failing which they are liable to be punished with a fine that may extend up to the freight income that was earned for that particular contract. Further, in case of non-payment of the fine, the transport operator will be liable for imprisonment that may extend up to six months. Also, no court inferior to that of the Metropolitan Magistrate or a Magistrate of the first class shall try any offence under this Act.

### **Berth no. 12 at Haldia Dock gets a new crane**

TM International Logistics Ltd. has acquired a new harbour crane for its operations at Haldia Dock. This crane has the capacity of lifting 104 tonnes directly from an ocean-going vessel. It is capable of making 30 container moves and discharging 600 tonnes of bulk cargo per hour. Unloading of exports and imports of all types of cargoes will be quicker.

### **Gujarat Maritime Board invites EOIs for 5 ports**

The Gujarat Maritime Board (GMB) has invited EOIs for developing five ports in the state on a build own, operate and transfer (BOOT) basis. The ports of Vansi Borsi, Mithivirdi, Simar, Maroli and Bedi have been identified as greenfield sites to be developed through private sector participation. The technical feasibility studies for all the ports have been completed. In case of Bedi port, which is considered to be one of the most potential ports in the country, GMB wants to

hold back its stake. Simar port has been identified as a power port that can be used for handling liquefied natural gas. The port has attractive locational advantage and good tide and water condition of sea.

### **Kolkata Port Trust board formation delayed**

The new trustee board for KoPT was due to be formed on April 1, 2004. But the general elections have postponed the process, as it requires the permission from the Ministry of shipping in case of members who come in as "other interest group" which are said to be political appointments. The board comprises the chairman of KoPT, two deputy chairmen, commerce and industry secretary of the state government, commissioner of customs (port), representative of the Coast Guard, Indian Oil Corporation (as the biggest port user), Mercantile Marine Department, Haldia Development Authority, Central Inland Water Transport Corporation (CIWTC), South Eastern Railway, two workers' unions, several chambers of commerce, shipping industry bodies and other interest groups (OIG).

### **Kolkata Port Trust aims at number two slot**

By setting a target of 47 million tones of cargo for the current fiscal, KoPT aims to get into the number two slot among all major ports in the country from its current position at number three. During 2003-04, Vishakhapatnam handled 47 MMT and Kandla port handled 41.5 MMT, while KoPT handled 41.1 MMT. Vishakhapatnam and Kandla ports will handle an estimated cargo of 49 MMT and 43 MMT respectively in 2004-05. Volumes during 2003-04 for KoPT were mainly from POL, foodgrains, iron ore, met coke and finished steel items and containers. KoPT, however has a cause to worry if IOC conducts its lighterage operations in deep sea areas on the back of the proposed crude pipeline from Paradip to Haldia.

### **Juicy Bits**

- Shreyas Shipping has reported a 583% rise in net profit at Rs 7.30 crore for fiscal ended March 31, 2004, compared to Rs 1.06 crore posted in the previous financial year. Total income increased to Rs 83.82 crore (Rs 69.05 crore in 2002-03).
- Essar Shipping on reported a 122.9% rise in 2003-04 net profit at Rs 155.28 crore as against Rs 69.64 crore posted in 2002-03. Total income grew to Rs 737.89 crore as compared to Rs 506.72 crore in 2002-03.
- The Kolkata Port Trust (KoPT) has opened a single window facility for fast and efficient discharge of services at Subhas Bhawan of Kolkata Dock System (KDS) where all the traffic, marine, mechanical and finance wings would be brought under one roof.
- Tonnage tax may not see the light of the day yet under the new government.
- The Kanara Chamber of Commerce and Industry (KCCI) has urged the district administration to ban activities related to fish drying in the Old Mangalore Port area during August-December owing to the housefly menace faced by the people of Mangalore.
- The Indian Coast Guard Ship (CGS) Vijaya was awarded the first National Maritime Search and Rescue Award 2003 instituted by Essar Shipping Ltd. for saving the lives of 13 crewmembers on board M.V. Nand Kawas, which was hit by a cyclonic storm off Machilipatnam coast in Andhra Pradesh in December 2003.

Newsletter for the week May 24<sup>th</sup>, 2004 to May 30<sup>th</sup>, 2004

### **Ahoy Seamen!**

Owing to sudden growth in domestic ports, terminals and shipping sectors, the need for quality seamen has become the call for the day. The country has seen a mushrooming of ship agencies, manning companies, freight stations, logistics service providers, non-vessel owning common carriers (NVOCCs) and port operators, which are providing better onshore employment opportunities. This has attracted the youth to seek a career at sea, which has led to the problem of plenty at the level of ratings. In order to deal with this, the Shipping Directorate has restricted the approvals for rating courses for two years. Moreover, the period of the general rating course has been increased from four to six months, which has reduced the capacity by a third.

### **JNPT box terminal facing fresh hurdles**

Even before it could get started Maersk-Concor is facing new hurdles further delaying the tender-awarding process. Three public interest litigations have been filed against JNPT for the new terminal project. One is by a trade union leader who is also on the board of JNPT, that the new terminal should be developed with the internal resources of the port rather than using private investments. The second litigation PIL relates to the monopoly of Concor over inland movement of containers. The third refers to national security issues as mentioned by Mr. Pawar in his election speech.

### **SCI breathes easy over disinvestment**

SCI had ambitious plans to the extent of USD 1 billion for major fleet acquisitions. But the disinvestments procedure initiated by the government had put a stop to further capital expenditure. But with requests, the erstwhile government lifted this ban and SCI could manage to take advantage of the freight boom. But now, the new Shipping and Surface Transport Minister has clearly indicated that there would be not disinvestments, which has cleared the decks for the company.

### **Cochin Port surpasses the target set for it by the union ministry**

By clocking a traffic of 135.72 lakh tonnes during 2003-04, Cochin Port has reached an all-time high of cargo-handling, thereby surpassing the target set by the Union Ministry. The operating surplus has increased by 12.65%. The innovative scheme of draft-based dredging introduced four years ago has tremendously helped the port in reducing the expenditure. The feather on the cap for 2003-04 is however, the ISO 9001-2000 certification that the port received, covering comprehensively all the facilities and supporting services at port. As part of future plans, the port aims to complete the dream project of the islands, viz., GIDA bridges (three) connecting the mainland from Ernakulam with the islands in the backwaters and also achieve a very good offer for setting up of international container transshipment terminal at Kochi under BOT scheme.

### **Comfortable revenue position at JNPT favours reduction in vessel related charges**

The Tariff Authority for Major Ports (TAMP) has on its own reduced the vessel related charges at JNPT by 10%. It has warned that if the proposal for further reduction is not submitted by the port by July 31, 2004, then it will be again forced to reduce the charges on its own initiative. This decision was based on the comfortable revenue position of the port and also the high traffic of 1 million TEUs handled by the port during 2003-04.

### **Kerala to see new steel boats for passenger movement**

Kerala Shipping and Inland Navigation Corporation Ltd (KSINC) will be delivering a fleet of steel passenger-boats built for the State Water Transport Department. It has carried out the trial run of the first boat in the backwaters after necessary inspections by the Deputy Conservator of the Kochi Port. The boat will be handed over to the SWTD with canal and port licences. The contract for building and supplying of 11 steel boats is at a cost of Rs 36.5 lakh each to SWTD. The 100-passenger capacity steel boats are of 20-metre length, five metres width and about 1.5 metres depth. Each boat is fitted with hydraulic gearbox and hydraulic steering for better maneuverability and easier control.

### **Willingdon Island not issuing import licences**

Importers at Kochi have to route their cargos covered under the Plant Quarantine (Regulation of Import into India) Order 2004 through other ports because the Plant Quarantine Office in Willingdon Island is not issuing permits for importing such items. Such restrictions do not exist in the ports of Tuticorin and Chennai, and thus these importers lose their competitive edge.

### **The tariff hike sought by Chennai Port not sanctioned**

The Tariff Authority for Major Ports (TAMP) has not sanctioned the hike proposed by Chennai port for the various rates at the port ranging from 25% to 150%. This decision was based on the fact that there is an average net surplus (estimated) of 0.1% of the operating income for the years 2004 and 2005 based on the interim tariff increase of 17 per cent allowed earlier. The authority has urged the port to continue the present tariff structure for further two years.

### **Foreign marine officers sought**

The maritime administration is considering a proposal to allow employment of foreign crew from Sri Lanka and Bangladesh on Indian ships as a temporary measure to tide over acute manpower shortage in the wake of an expansion of national tonnage. Moreover, high income tax rates have forced seafarers to take up jobs in other countries. However, currently, foreign seafarers are not allowed to work on Indian ships and the Continuous Discharge Certificate (CDC), the document essential for seafarers to take up the on-board job, is issued only to Indian nationals. Indian CDC rules have to be amended to allow recruitment of foreign nationals, which can be done by a Gazette notification.

### **Dispute between trade union and Chennai Container Terminal affects trade**

The Confederation of Indian Industry has approached Chennai Port Trust to resolve the dispute between the trade union and Chennai Container Terminal Ltd., as the imports at the port have been severely affected. Moreover, such disputes have always resulted in the importers bearing the congestion surcharge. The terminal handles about 1,400 TEUs of containers a day consisting of garments, food products, chemicals and auto components.

### **Rate hike by IPBCC**

Exporters from Mumbai, Mundra, Kandla and Karachi to the UK, North Continent, Scandinavian, Baltic and Mediterranean ports, have to face an increase of \$150 per twenty-foot equivalent units (TEUs) and \$300 for forty-foot equivalent units (FEUs). For imports from the UK, North Continent, Scandinavian and Baltic ports to India, Pakistan, Bangladesh and Sri Lanka, the rate increase is \$100 per TEU and \$150 per FEU. The increased rate will be valid up to September 30, 2004.

### **Chennai Container Terminal refuses to bow to the workers union**

CCTL plans to recruit new operators to handle quay cranes, rubber-tyred gantry cranes and checkers in order to keep the work going at the terminal. The striking workers are blocking the movement of trucks into and out of the terminal. The company has brought in operators from Nhava Sheva and Mundra container terminals, to carry out container movements. CCTL has asked container freight stations (CFS) to withhold despatch of export boxes for a few days to prevent build up of traffic queues of trailers and provide relief to the truckers.

### **Chennai Container Terminal faces congestion**

Besides the ongoing strike of the workers, the surge in imports has led to further congestion at the terminal. The terminal handled 27,149 TEUs (twenty-foot equivalent units) in April 2004 as compared to 15,664 TEUs in December 2003. The imports include automobile components, raw materials and finished products from China. The dwell time has increased from 4.3 days to 5.83 days. The industry is in general unhappy with the way in which the operator is handling the terminal.

### **Services by Concor between Tughlakabad and Vizag**

Concor will be soon introducing regular weekly services between its Tughlakabad Inland Container Depot (ICD) and Visakhapatnam port's container terminal to facilitate transportation of exports from North India to Far Eastern destinations on a trial basis for two months. With mainline vessels calling at the port, there will be no dearth of traffic in the opposite direction, i.e. imports from Far East to North India. The worker-trouble at Chennai port and the restriction clamped on the movement of container trains between Tughlakabad ICD and Jawaharlal Nehru port in view of the electrical maintenance work being undertaken on the route will definitely see the traffic diverted to the new route.

### **Three-tier slab proposed for vessel-related charges**

The Shipping Ministry has accepted the recommendations of the Expert Committee to introduce a three-tier slab structure for levying vessel-related charges on ships calling at major ports depending on the over-all length of the ship or on its Gross Registered Tonnage (GRT). In case of charges relating to port dues and berth hire, there will be a single slab. But for pilotage-in and pilotage-out shifting, the Committee had recommended three slabs — up to 30,000 GRT, from 30,001 to 60,000 GRT and above 60,000 GRT. A 20% reduction in the vessel-related charges on the rate of the first slab has been recommended for the second slab while a reduction of 30% on the rate of the first slab could be effected for the third slab on the incremental GRT.