

## **Newsletter for the week ended April 10, 2005**

### **IOC can charter ships to import oil**

The center has allowed IOC to charter ships to import oil, instead of earlier mechanism of routing it through Transchart. This is however, available only to IOC and not other oil companies like Hindustan Petroleum Corporation Ltd (HPCL), Bharat Petroleum Corporation Ltd (BPCL) and Mangalore Refineries and Petrochemicals Ltd (MRPL), who will continue to depend on Transchart for meeting their chartering requirements.

### **Budgetary support for ports may be pruned**

The shipping ministry may not get its demand for budgetary support for development of ports. The Department of Economic Affairs (DEA) has dissected the draft National Maritime Development Policy (NMDP). In case of funding the approach channels of the major ports in India at the cost of Rs 22,000 crore, the DEA has suggested that such activities have to be funded through internal accruals, as private ports also have to dredge themselves. The government support should come through the viability gap funding with the involvement of the private parties. The DEA has also asked for explanation for the budgetary support of more than half of Rs 10,000 crore expenditure on the Inland Water Transport and shipbuilding and ship repair. It is of the opinion that ship-building and repairs is a commercial activity. The proposal for developing minor ports with 33 per cent central equity was not required when private parties and state governments were already active in this area. The viability gap funding scheme could also be used for making minor ports projects-viable.

### **Income from sale of ships outside the purview of tonnage tax claim**

Shipping companies will not be able to claim tonnage tax on revenues from selling ships, according to a notification by the government. Under the erstwhile section 33 AC of the Income Tax, shipping companies could claim benefits, if the sale proceeds were utilised for acquisition within a year. The notification, effective from April 1, has specified that the fees for maritime consultancy, maritime education, and handling of cargo and ship management will be considered as income from shipping activities, which will be subjected to tonnage tax. On income from other sources, shipping companies will have to pay tax at the applicable corporate tax rate.

### **IMO's ruling takes effect**

By April 5, 2005, ships built before 1977 to be scrapped. About 100 ships across the world fall under this category. The ship-breaking yards are likely to get busy. This will also lead to a reduction in the available capacity. The ships that will have to be scrapped account for 5.5 million dead weight tonnes (dwt) of a total capacity of 322 million dwt. This may also lead to an increase in rerolling steel. The shipowners, in order to take full advantage of the high freight rate market, did not lead their vessels to the scrap yard till the last moment. Bangladesh, India, China and Pakistan, which have the biggest ship breaking yards in the world, are likely to benefit from this.

### **The riverfront project at Sabarmati to be ready by 2007**

The riverfront project at Sabarmati aims at beautifying the riverbank and give a facelift to the city by taking up the embankments on both sides of the Sabarmati river along the entire 20 km stretch from Narmada Canal to Vasna barrage. The project envisages three new bridges on the river, hotels, gardens on the western and eastern flanks of the river, shopping arcades, heritage parks, a retail street, extensions of the existing Tilak and B J Park on either sides of the river, commercial developments and public utilities on the banks of Sabarmati. As part of the project, Sabarmati will be rejuvenated by Narmada waters.

### **Crude oil handling slumps at Kandla**

Kandla Port Trust, has witnessed a significant reduction in handling crude oil at its oil jetty at Vadinar in Jamnagar district. This is against Mundra reporting over 10 per cent growth in 2004-05. Further, Essar Oil is developing an oil jetty close to the Vadinar jetty. Closure of IOC's two major refineries at Koyli in Vadodara and Panipath in Uttar Pradesh has led to the shortfall in meeting its target set by the Shipping Ministry.

### **Concor's handling of cargo less than previous year**

Concor handled 1.7 million TEUs during 2004-05, which is less than half of the 4 million twenty-foot equivalent units (TEU) container cargo received by the 12 major ports in India during the same period. For 2005-06, it has set an unambitious target of 2 million TEUs, which is slightly less than that handled by Jawahar Lal Nehru Port Trust. This brings out a crucial gap between the available capacity and the cargo traffic generated. Concor plans to add 3,000 more wagons in three years, and has invited global tenders for the same. This has also brought to forth the need for more players in developing the infrastructure in terms of rakes and building of railway lines.

### **Sethusamudram project gets environmental clearance**

The Shipping Ministry will place the project report at the center as the project received environmental clearance. 2 per cent of the project cost, amounting to Rs 50-60 crore would be earmarked to offset the problems that would be encountered by the fishing community on account of the project.

### **Chennai port congestion problem to be addressed**

The centre plans to start projects that would ease the congestion at the Chennai port and help it deal with increased cargo movement. An elevated expressway between the port's gate and one of the city's exit routes is to be built at a cost of Rs 750 crore. Vehicles that use the expressway would have to pay a toll. The new terminal at the port will be completed in 10 months and will have a capacity to handle 6.15 lakh twenty-foot equivalent units (TEU) of cargo a year.

### **Exporters sore over lack of good shipping links for the ports of South India**

Coimbatore has emerged as a major export hub with the annual exports from the region estimated to be around Rs 7,000 crore-Rs 10,000 crore and the Coimbatore region is being promoted as an outsourcing hub for industries. But since the mother vessels do not call on any of the South Indian ports, the exporters have to transport their goods to Singapore or Colombo ports for onward shipment of the cargo to destinations in Europe or the US. This has led to higher transportation cost, and longer shipment time.

### **Juicy Bits**

- Port traffic grew by 11.3 per cent to 383.77 million tonnes during 2004-05 against 344.7 million tonnes in the previous year. Traffic handled by these ports had increased 9.9 per cent during 2003-04.
- During the year (upto February 2005), the New Mangalore Port handled a record 30.67 million tonnes as against 23.59 million tonnes handled during the corresponding period of last year, registering a growth rate of 29.59 per cent over last year which is the highest among the major ports.

## **Newsletter for the week ended April 17, 2005**

### **Center encouraging Indian ship building industry**

The 29 per cent growth rate in the global ship building industry has prompted the Union Shipping Ministry to encourage setting up of two new international size shipyards as well as expansion and modernisation of existing shipyards to trigger the growth of the shipbuilding industry under the new maritime policy regime, by inviting private investment and foreign direct investment. Cochin Shipyard Limited is exploring possibilities for creation of a greenfield international class modern shipyard at Vallarpadam, which could compare with any other shipyards in the world.

### **Time for Hindustan Shipyard to be back in black?**

Hindustan Shipyard Limited (HSL) is expecting new orders worth more than Rs 1,000 crore in 2005-06. HSL has already signed a contract with Chennai-based Goodearth Maritime Limited for the construction of six 53,000 DWT (dead weight tonnage) bulk carriers, worth Rs 675 crore. The company is expecting another ship-building order worth Rs 400 crore by the end of March 2006.

### **Ship building industry at its high**

The phasing out of the old vessels and the rise in the number of companies going in for new vessels and also with new companies entering the shipping fray, all these spell euphoria for the ship building industry. The demand- supply gap provides an ample opportunity, which is evident from the full order books of the shipyards. As the European shipyards are more expensive, global players are looking at Asian shipyards to add to their fleet.

### **Visakha Terminal reports great performance**

The number of vessels handled at Visakha Container Terminal more than doubled in 2004-05 over their previous year. There was a noteworthy increase in traffic considered "local" to Vizag, which has essentially resulted from increased awareness amongst export-import merchants in VCTPL's immediate hinterland, encouraging them to divert their cargo from other ports. Movement of Commodities like Tobacco, Paperboard, Wastepaper, Minerals, Steel through the terminal have increased. Volumes of traditional commodities like ingots and seafood have also increased. VCTPL also has the privilege of supporting major Power & Aluminum Smelter projects in Orissa, Jharkhand & Chattisgarh, with their packaged imports.

### **IDFC to invest in Gujarat Pipavav Port Ltd.**

IDFC's private equity arm India Development Fund (IDF), plans to invest around Rs 100 crore in Gujarat Pipavav Port Ltd (GPPL) as part of its partnership with Danish shipping major AP Moller-Maersk group for acquiring a controlling interest in the private sector port.

### **Iron ore export through Haldia saw a rise**

Iron ore export through Haldia port has increased by 43.26% during 2004-05 over the previous fiscal, despite Indian steel-makers' demand to curb ore export. Iron ore export grew from previous fiscal's 3.75 million tonne (mt) to 5.37 mt. KoPT is looking at setting up an additional berth. Eastern states like Orissa and Jharkhand have huge iron ore reserves and a considerable part of the mined iron ore is exported through Haldia port in West Bengal and Paradip in Orissa.

### **Crude vessel prices remain firm**

Prices of crude carriers have not changed despite the softening of the charter rates in the crude carrier segment. The current drop in the crude freight rates are however seen as

temporary and may again see a spurt on account of increased movement of crude and crude products.

### **India's containerization to improve**

Containerisation, world over, has increased and if India wants to be in the global maritime map, then severe actions are needed to prop up the necessary infrastructure and the environment to grab a substantial part of the global pie. With its strategic geographical position, India should be holding a better part of the global containerization trade. But perennial problems of congestion at the major ports act as deterrents for the global shipping lines to touch Indian ports. Improvement is needed not only in the connectivity part, but also in the port infrastructure, and the port logistics.

### **New norms for marine insurance schemes**

War risk and marine hull insurance schemes have been freed from the administrative tariff regime, since January 2005 for war risk and April 1, for marine hull. This implies, shipping companies, which were covered by the tariff schemes for several years, have the freedom to bargain premium and insure their fleet with any Indian insurance company - public or private. But the existing terms and conditions for both schemes have been left intact leaving little room for negotiations by the shipping companies.

### **Ennore Port performance**

Ennore Port Ltd is confident of wiping out its accumulated losses this financial year. The high cost loans were prepaid and swapped with loans with lower interest rates, thus achieving a savings of Rs 10 crore, by way of interest cost. There was also an increase in the cargo handled. The financial re-engineering involved front loading of equity in line with actual dates of investment, which resulted in the company reducing loans to the extent of Rs 100 crore and savings on interest during construction. The center may disinvest its stake this financial year. The port has granted licence to a consortium comprising IMC Ltd and L&T Ltd for a 3-mt-per-annum (mtpa) marine liquid terminal at an estimated cost of Rs 200 crore, which is expected to begin operations by 2007.

### **Oil jetty at Paradip port commissioned**

Paradip port's oil jetty was commissioned with the operation of "Suvarna Swarajya", a 35,000-dwt product tanker belonging to the Shipping Corporation of India, on a charter hire to Indian Oil Corporation (IOC). The vessel discharged 4,500 tonnes of superior kerosene oil at the jetty. This jetty is expected to perk up the POL throughput to more than 1.5 mt in the current fiscal (2005-06) from 8.39 lakh tonnes in 2004-05.

### **Juicy Bits**

- The world container terminal business has expanded by more than 10 per cent annually over the past 15 years. Fuelled by the globalisation of the world economy, this rate of growth is set to continue.
- Kolkata Port Trust (KoPT) is second only to Vizag Port, in handling 46.16 million tonnes of cargo during 2004-05, recording 11.87 per cent growth in traffic. KoPT has set a cargo handling target at 50 million tonnes for 2005-06.
- Vizag port handled traffic of 50.15 million tonnes during 2004-05.

## **Newsletter for the week ended April 24, 2005**

### **New Mangalore Port sees bunkering opportunity**

The authorities of New Mangalore Port Trust (NMPT) are contemplating establishing an offshore bunkering facility based on the feasibility study by the National Ship and Design Research Centre, Visakhapatnam. It can be a cost-effective alternative for ships that would otherwise have to go to Colombo or Singapore. The Trust wants to establish an offshore bunkering facility for vessels passing through the international and domestic routes without entering the Port limits.

### **Kandla box terminal project**

The Rs 200-crore container terminal project at Kandla port will soon take off, with the port authorities likely to select the successful bidder out of three - ABG Heavy Industries, Gammon India and Afcons. Kandla port has proposed to realign the container terminal project and to have it constructed and operated on a build-operate-transfer basis on berths no. 11 and 12, which have a combined quay length of 545 m and a draft of 12.5 m. The berth no. 12, which is at present being developed, is expected to be ready for use by October-end. 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 the lease agreement. However, the selected party will have to commence container-handling operations at berth no. 11, which is ready for use, within eight months of the signing of the agreement with an adequate number of RMQCs and mobile harbour cranes.

### **Kolkata port looks at ship-building**

Kolkata Port Trust (KoPT) is planning to tie up Garden Reach & Shipbuilders and Engineers (GRSE) under the Ministry of Defence and Hooghly Dock & Port Engineers (HDPE) under the Ministry of Shipping, to create additional facilities for ship-repairing. KoPT has five dry docks, which undertake the repair of the port's own vessels and also take up jobs for others on a commercial basis. In 2004-05, 13 non-port vessels occupied the dry docks for 453 days as compared to nine vessels for 176 days in 2003-04. The port also plans to develop a ship-building yard at Jellingham closer to the sea.

### **Krishnapatnam port**

The development of port facilities at Krishnapatnam would have its financial closure soon. Though the promoters – KPCL and L&T had signed the agreement for the port development with the state government in the year 1997, the project did not take off due to non-availability of base cargo in the early years among other reasons. In March 2004, the Andhra Pradesh government set a fresh 10-month deadline for the achievement of financial closure and another 30 months for the completion of the project after revising the earlier concession agreement on par with the Gangavarm port. This port is viewed as a potential competitor to the Ennore port in Tamil Nadu.

### **Paradip port makes changes in iron ore storage procedures**

Paradip Port had earmarked 55 plots, each with an average size of 3,000 sq metres, for storage of iron ore by private exporters to facilitate their shipments and accordingly the allotments were made. The mineral converged at the plots either by rail or road for loading into ships manually. But about 15 plots lay idle, as the lessees could not execute the export orders for various reasons. A new set of exporters having firm export orders in hand and confident of executing them properly approached the authorities for plots. The port allowed tie-up arrangement between these new set of confident exporters having no plots and those with plots allotted but unable to use them for the stipulated purpose. As per the arrangement, the idle plots could be used by the new set of exporters for storing their mineral. However, the tie-up arrangement showed up a new set of problems. A section of the lessees used it as a money-making avenue. The port authorities have introduced some safeguards to prevent the alleged irregularities. First, each tie-up arrangement has to have a specific approval from the

authorities concerned in the port. Second, each such arrangement will be for a maximum of six months and any request for extension will not be entertained. Third, the Railways has been told to accept indents for movement of iron ore to the port for such tie-up party only on receipt of specific requests in this regard from the port authorities.

### **Marine officers' retirement age may be raised to meet the supply-demand gap**

Though the retirement age of marine officers is 60 years, shipping lines are currently allowed to retain officers on a selective basis up to 65 years with permission from the Mercantile Marine Department. This age is being examined by the DGS to extend it upto 70 years. Encouraged by the booming freight rates, domestic shipping companies have gone into an acquisition spree, which suddenly widened the supply-demand gap of the marine engineers. Around 800-1000 marine officers in various categories is the estimated requirement.

### **Concor relocates ICD operations at Irugur complex**

Concor has operationalised its new terminal complex at Irugur by relocating its inland container depot (ICD) from the Railway Goods Shed yard in the city. The ICD is well-equipped with a 20,000-sq ft warehouse for storing export/import cargo, paved container trailer parking, administrative building, customs inspection area, separate halls to house shippers, custom house agents besides link roads and canteen facility for users, and is situated on the L&T bypass road, offering easy access to the nearby National Highways 47 and 67. The new facilities that may be made available shortly for the exporting/importing community using the Concor facility at Irugur include an exclusive outfit of the plant and a quarantine department from the Union Ministry of Agriculture that will ensure safety certification of the sensitive import of plant/animal materials after due inspection, a facility till now available only at gateway ports.

### **Kerala Govt. reviews progress of port-based economic zone**

The Fast Track Project Department of the State Government has held a meeting to review the progress of establishing the port-based economic zone (PBEZ) and other projects relating to National Highway and rail connectivity to international container transshipment terminal at Vallarpadam. The finalised survey plan of the area belonging to the port to be notified as PBEZ was also handed over to the Port Chairman, which will facilitate the Ministry of Commerce and Industry to notify the area as PBEZ, from which date all entrepreneurs establishing their units in that area would get the concessions available in PBEZ. The various aspects of land acquisition and action to be taken to implement the road and rail connectivity projects in a time-bound manner were also discussed and milestones were fixed.

### **Haldia may lose tea traffic to Kolkata Dock System**

Amingaon (Guwahati) inland container depot's (ICD) tea traffic may be routed through Kolkata Dock System (KDS) in preference to Haldia from the forthcoming tea shipment season due to begin in May/June. This would reduce the railway freight cost substantially. Concor now loads into the freight the cost of moving the empties between Haldia and Kolkata which amount to about Rs 4,000 per TEU. But the draft at KDS is much lower than that at Haldia.

## **Newsletter for the week ended May 1, 2005**

### **ABG top bidder for Kandla project**

The consortium of ABG Heavy Industry and Voltri Terminals of Italy has emerged as the most competitive bidder by quoting a revenue share of 48.997 per cent. This is the highest ever quoted revenue share for a Build Operate and Transfer (BOT) contract for ports. Kandla port has proposed to hand over berth number 11 and 12, with a capacity of 4.5 million twenty foot equivalent units (TEUs) and a depth of 12.5 metres. The combined length of the two berths is 545 metres. The government will invest Rs 110 crore in the terminal and the private operator will chip in with another Rs 155 crore

### **Coastal corridor to boost industrial activity in Andhra Pradesh**

Andhra Pradesh chief minister plans to exploit the gas finds in the east coast by linking it with the industrial towns in the coastal districts. This would also attract the foreign direct investment (FDI) into the state. The integrated industrial development plan, called the Coastal Corridor, aims to cover six coastal districts - Srikakulam, Vijayanagaram, Visakhapatnam, East Godavari, West Godavari and Nellore - in two phases. The port-based 'special economic zone' in Kakinada spreading over 350 acres to house value addition industries is already on the pipeline besides developing a four-lane coastal road linking Chennai on one side and Kolkata on the other. Under the plan, the government will develop ports, airports, roads, rail network and communications.

### **ONGC mulls investing in very large crude carrier**

ONGC is contemplating buying a very large crude carrier (VLCC), and is conducting a feasibility study on the cost effectiveness of such an investment. The vessel would be used to bring oil into the country from its overseas locations or sell it to other countries. Currently, the company hires vessels for product transportation and supply. It has around 20 supply vessels. A new VLCC with a capacity of 200,000-300,000 dead weight tonnage would cost around \$120 million, which the company expects to recover in two-three years.

### **Port development too slow**

Despite provision of an outlay of Rs 4,531.29 crore under the Tenth Plan for development and improvement of major ports, Indian ports have not developed enough to be comparable with those in China and East Asia. This came in form of the Union Minister for shipping, when he admitted that the Indian port sector had a lot more of catching up to do compared to its counterparts in other nearby countries. The minister had charted out a detailed plan for development of ports, which included the entire range from deepening of channels to facilitate berthing of large size vessels, construction of new berths, upgradation/expansion of existing berths, modernisation of cargo handling equipment through fresh procurement as also upgradation/ replacement of existing equipment. Besides, improvement in storage capacities and upgradation of internal circulation systems would also be taken up as part of ports development plans.

### **Seaways to launch service to Bangladesh**

Seaways Shipping Ltd, a global container transportation provider, has decided to launch a dedicated feeder service with 10 days fixed schedule linking the ports of Visakhapatnam, Kolkata and Chittagong in the North Bay of Bengal. This will soon make transporting cargo from Indian cities to Chittagong in Bangladesh faster, cheaper and easy, and open up greater business opportunities to export/import companies. This will also give an impetus to transshipment cargoes into Kolkata/ Chittagong through mother vessels calling directly from North Chinese ports.

### **Freight market takes a break**

The international freight market especially in the tanker segment has taken a dip following the International Energy Agency making a downward revision in demand forecast. The Chinese demand growth also slowed to 5.4 per cent in the first two months of 2005 from the breakneck 21 per cent growth recorded a year ago. But the shipping companies are undeterred as they expect Chinese charterers to keep the tanker freight market buoyant.

### **DCI roped in to suggest suitable site for ship-breaking units**

In the event of environmentalists raising issues regarding the ship-breaking units at Kakinada, the state government has asked Dredging Corporation of India to suggest a suitable site for setting up ship-breaking units. Currently two sites are under consideration, one at Kakinada and the other at Odalarevu.

### **Wider regulations in Indian port sector**

TAMP may be given parallel powers of a civil court. According to Mr A. Balasubramanian, Senior Vice-President, Infrastructure Development and Finance Corporation, there is a need to review rigid tariff regulation and check anti-competitive forces. According to the TAMP Chairman, Mr A.L. Bongirwar, the regulatory body for the sector should have "clear, unambiguous objectives." He added the objectives should come in the form of an Act and that the regulator should be given powers to ensure its implementation.

### **Environmentalists urge studies before proceeding with Sethusamudram project**

The Bombay Natural History Society (BNHS) has urged the Shipping Ministry to carry out detailed studies done by the Geological Survey of India (GSI) before initiating further proceedings on the proposed Sethusamudram project. BNHS pointed out that the project would cause massive migration of fish, mammals and other fauna into deeper gulf regions, reduction in the fishing area and heavy pollution due to ballasts of water from passing ships. The Government should also carry out studies of the ecosystems of the proposed onshore/near shore dumping grounds for dredged materials and a detailed estimation of the dredging costs in consultation with a professional dredging company like the Dredging Corporation of India.

### **EEPC calls for Vizag port upgradation**

The Engineering Export Promotion Council (EEPC) has called for upgradation of ports to make them handle mother vessels. Exporters will be spending money at Visakhapatnam Port to get products board onto the feeder vessels and then at Colombo or Singapore to transfer the products onto the mother vessels. This involves both additional expenditure and consumption of time. EEPC is chalking out a three-year rolling plan in association with the State Government.

### **Juicy Bits**

- The Kochi port has handled an all-time high annual traffic of 140.95 lakh tonnes during 2004-05, surpassing the previous year's traffic of 135.70 lakh tonnes. It also handled an all-time record of container traffic of 1.85 lakh TEUs during the year.
- Montenegro, India to collaborate in maritime sector including development of ports, shipyards and technological progress.
- APM Terminals (APMT), part of the A.P. Moller-Maersk Group, is now the single largest shareholder with complete management of Gujarat Pipavav Port Limited (GPPL). IDF will join the board of GPPL.