

## **Newsletter for the week ended December 11, 2005**

### **London brokerage in Indian shipping**

The 125-year-old London-based SSY (Simpson, Spence and Young Ltd) ship-broking group, which has operations in over 10 countries, is preparing to enter the Indian market. SSY recently opened its Beijing office for contracting of new-building ships and dry cargo chartering. SSY handles about 250 sale/purchase of ships annually through its global network, apart from contracting some 4,000 charters for various shipping companies. SSY recently expanded its geographical reach, and also entered new sectors such as charter of container ships and gas and chemical carriers. SSY will also be tying up with Indian ship-owners, exporters and importers to give them the latest market reports, including availability of ships and cargoes, and help them book their cargoes or ships.

### **Paradip port starts handling Class A petroleum products**

A consignment of 9,000 tonnes of motor spirit brought by Indian Oil Corporation from Haldia was unloaded at the Paradip port's oil jetty and then was transported by pipeline from the jetty to IOC's tankage located nearby. The port was so far handling only limited quantities of Class B products, namely, high-speed diesel and superior kerosene oil. An estimated 30,000-40,000 tonnes of class A petroleum products might be handled till March 31, 2006. The throughput of Class B products at the port has so far has been around 500,000 tonnes with the target for the year being fixed at a little less than 900,000 tonnes. The throughput of the oil jetty might be around 1.5 million tonnes in 2005-06.

### **Dubai's DP World to buy P&O for \$5.50 bn**

Dubai's DP World is to buy P&O, the UK container ports and ferries group, for £3.19 (\$5.4974) billion, after which, DP World, the container terminal operator owned by Dubai's ports and freezones authority, will be nearly as big as the world's third biggest container terminal operator, Denmark's APM Terminals. The price offered for P&O at about 440p a share. The deal will bring to an end the independent existence of a company that was founded in 1837. DP World plans to issue a \$2.8 billion bond that is partly convertible into shares in DP World in the event of an IPO within the next three years. The bond will not pay regular interest, in order to comply with Islamic law, but will pay the investors after two years, when the bond matures. At the time of an IPO, the bonds would be redeemed using a combination of cash, for about 70 per cent, and shares in DP World for the remaining 30 per cent.

### **Kochi port plans better services for cruise vessels**

The cruise vessel MV Europa arrived from Agathi in Lakshadweep is the fourth cruise vessel to call at Kochi during the current tourist season. To cash in on the growing international tourist influx to Kerala, the port authorities intend to improve its services and develop the infrastructure so as to suit the requirements of increased cruise traffic and passengers. The port could also act as crew change over port. The port proposes to set up an exclusive passenger terminal of at an estimated cost of Rs 55-60 crore, jointly with the State Government and the Union Government.

### **Kochi port receives largest dry bulk parcel**

Kochi port has received the largest-ever dry bulk parcel of 50,000 tonnes of rock phosphate on m.v. Tera, which arrived from the Casablanca port in Morocco surpassing the previous record of largest dry bulk vessel of 44,600 tonnes that arrived here in January 2003. The port recently succeeded in achieving a record productivity per gang of 1,250.88 tonnes while discharging zinc concentrate between September 29 and October 2.

### **JNPT's fourth terminal**

The Rs 4,500 crore box terminal, with a quay length of 2,000 metres is to be built in two phases. The first phase will see the development of a 1,000-metre quay length by 2009 at an investment of Rs 2,000 crore; the remaining portion, in a continuum, will be developed by 2012 at Rs 2,500 crore. The liquid terminal set up as a joint venture between Bharat Petroleum and IOC would have to be relocated, as the 300 metres of this terminal would form part of the 1000 metre proposed new terminal. If the new terminal would have to be built after the 300 metres, then the cost involved would be very high. But even the relocation of the liquid terminal would be a Herculean task.

### **Bengal in search of shipyard plot**

The shipping ministry had proposed two shipyards in the country through Indian Port Association, one each in the east and west coast. The state government with Kolkata Port Trust is looking for 150 acres that will be required for proposed shipyard. The required water draft would be 12 metres. The land was likely to be identified within next one month.

### **Hutchison, Evergreen may get nod to bid for Mumbai Port project**

The Centre is likely to accord security clearance to the Hong Kong-based Hutchison Port Holdings and Taiwan-based Evergreen Marine Corporation to bid for the Rs 1,200 crore offshore container terminal project of the Mumbai Port Trust, which was pending for the two firms, while the other nine bidders had got the go-ahead. The Mumbai Port had shortlisted Larsen & Toubro, Hutchison Port, Evergreen Marine, Mitsui OSK Lines, P&O Ports, United Liner Agencies India, Gammon India, ABG Heavy Industries, Dubai Ports International, AP Moller Finance SA and Adani Exports.

### **ONGC mulls having own fleet of ships**

ONGC has sought proposals from Indian National Shipowners Association (INSA) for its vessels requirement, failing which the oil major will consider having its own fleet of ships. ONGC already owns 31 offshore supply vessels, which are smaller in size and are used for short haul from the port to the oil wells for movement of men and material to the rigs. The market gossip is that the company would be investing in large vessels, including very large crude carriers, Suezmax and Aframax.

### **New Mangalore Port Trust organizes rail infrastructure**

New Mangalore Port expects an increase in the rail-bound cargo with the commissioning of the Hassan-Mangalore rail line. Apart from upgrading the railway lines within its premises to be able to handle the expected higher cargo volumes, the Mangalore port is also providing land on lease to some of its users to lay their own lines from the port to their plants. In this regard, the infrastructure at the yard is being upgraded at the cost of Rs 6 crore and includes five rail lines and three platforms; three of the lines will be used for cargo transportation from and to the port and two as engine escape lines.

## **Newsletter for the week ended December 18, 2005**

### **Cochin port, Dubai company tie up for passenger vessel service**

The Cochin Port Trust and the Dubai-based Marco Shipping Agency have entered into an agreement to commence a regular passenger vessel service between Kochi and Dubai. The service will be beneficial mainly to low-paid Keralites working in the Gulf region. Based on a request from the Non-Resident Keralite Affairs Department (NORKA), the port has decided to extend certain concessions on port-related charges in order to make the service sustainable. The Q-2 Transit Shed in the Mattanchery wharf will be refurbished as a passenger terminal. The facilities required for Customs, immigration, bank, refreshments and communication counters are to be provided at the passenger terminal by Marco Shipping and its agents.

### **Mumbai port plans steep hike in charges**

Mumbai port has proposed a steep hike in various charges, including berth hire charges, pilotage and wharfage, which will make it one of the costliest ports in India for the users. The port has sent the proposal to the Tariff Authority for Major Ports (TAMP) for approval. The port had proposed to hike the berth hire charges by 24.8 per cent from the existing level of \$0.0125 per GRT per hour to \$0.0156, subject to a minimum charge of \$15.625 and pilotage charges by 13.05 per cent. The Mumbai port has claimed that its modernisation of the marine terminal (Jawahar Dweep), involving installation of a loading arm with remote control accessories, had necessitated a rate hike.

### **Problems in loading imported coking coal at Vizag port**

A meeting of the authorities of the Visakhapatnam Port Trust, the Railways and Steel Authority of India Ltd (SAIL) will be held shortly to sort out the problems being faced by SAIL with regard to the loading of imported coking coal at the port. Bhilai Steel Plant, which is totally dependent on the Visakhapatnam port for the imported coking coal, is not getting enough coal because of short-loading. The port authorities complain of non-availability of sufficient wagons, while the Railways complains of poor port facilities. Full rake loading at the Visakhapatnam port is possible only in its coal jetty. The other berths handling imported coal for steel plant do not have full rake loading facility but only split rake facility, which causes detention of rakes.

### **JNPT rail, road linkages partial rollout hopefully by March**

Gateway Terminals India, the joint venture between AP Moller-Maersk Group and Container Corporation of India Ltd, is hoping to roll out part of its 1.3 million TEU (twenty foot equivalent unit) terminal by March 2006. The scheduled commissioning of the Rs 1,050-crore facility is by August 2006. The key to this is however the roll-out of the rail and road linkages to ensure quick and efficient container evacuation. The Rs 60-crore doubling of the rail line between the port and Panvel is to be completed by the middle of next year. The other link road in progress is the SH-54 being built at Rs 130 crore with a May 2007 deadline.

### **JNPT in talks with FIs for investment in channel dredging**

Jawaharlal Nehru Port Trust (JNPT) is close to tying up with banks and financial institutions to raise part of the Rs 800-crore investment for implementation of its channel dredging project. JNPT is keen on hastening implementation of the project, as draft limitations have been keeping bigger vessels out of the port. With the shipping trend increasingly moving towards bigger vessels, especially in the container segment, the port is attaching high priority to the dredging project.

### **New mooring facility at Mundra Port**

Mundra Port has commissioned its first single point mooring (SPM) facility to handle liquid cargo. The SPM facility is installed 9 km inside the sea and offers a draught of 32 metres and will allow tankers of up to 3,50,000 deadweight tonnes to discharge liquid cargo, which will be carried to the shore by a pipeline. The facility is expected to get its first vessel by mid-December and give a major boost to the liquid cargo handled by the port.

### **Cochin Shipyard bags Rs 372-cr ONGC order**

Cochin Shipyard Ltd (CSL) has bagged a major repair order worth Rs 372 crore from ONGC to repair its three mobile offshore drilling units against stiff international competition. The works of these rigs are to be completed by January 31, 2007. With the proposed upgradation, the rigs will be equipped to undertake exploratory drilling operations, including high tech wells such as horizontal and extended reach drilling (ERD) wells also.

### **Lowering of cranes at Kochi port**

The naval authorities at the Southern Naval Command had demanded lowering of the cranes for its smooth aircraft operations even while container ships are anchored in the gantry berth of the port. The Navy had raised objections on the height of the two Gotwald cranes erected in the terminal on the ground that these cranes were affecting the smooth flying path of naval aircraft from the training base of INS Garuda situated near the container terminal. The terminal operator for smooth container handling operations installed the cranes, with 100 tonne capacity each and 50 metres outreach. In emergency requirements, the booms of the cranes are lowered to pave way for a smooth flying operation of naval aircraft. The downtime of the cranes is minimised.

### **Sical to raise funds for iron ore terminal**

South India Corporation (Agencies) Ltd (Sical) will use a combination of rights issue (aggregating up to Rs 175 crore), preferential allotment of equity shares (aggregating up to Rs 95 crore) and preferential allotment of optionally convertible redeemable preference shares to raise funds to retire a part of its debt and to fund equity in a special purpose vehicle that it intends to create to implement an iron ore terminal project at Ennore port. An internal committee has proposed to change the name of the company to Sical Logistics Ltd, as it plans to hive off subsidiaries and become a pure play logistics company.

### **National policy on dredging**

There is an increasing demand for a national policy on dredging in order to attract more Indian companies into the field. Dredging operations along the coastline, both maintenance as well as capital dredging, will exceed Rs 2,500 crore annually. The Sethusamudram canal project will require capital dredging in the region of Rs 2,500 crore spread over a period of two years. Besides, several new projects, which are in the pipeline, account for almost Rs 5,000 crore worth dredging operations. The dredging sector functions in a fragmented manner. There is lack of expertise in assessing the dredging requirements and planning the development of the ports accordingly.

## **Newsletter for the week ended December 25, 2005**

### **P&O buyout gives container industry jitters**

Due to acquisition of P&O, five major container terminals in India - Nhava Sheva International Container Terminal (NSICT) in Mumbai, Chennai Container Terminal (CCT) and Mundra International Container Terminal (MICT) - have come under the control of DP World. This is a matter of concern for Indian container shipping trade as DP World could dominate the export and import trade. DP World has already bagged the Build Operate Transfer (BOT) project for developing International Container Transshipment Terminal (ICTT) at Vallarpadam, Kochi. They are also operating Visaka Container Terminal in association with Mumbai-based JM Baxi at Visakhapatnam Port.

### **Efforts for reviving rice bran exports from Kakinada**

The Solvent Extractors' Association of India (SEAI) is keen on reviving rice bran exports from the Kakinada anchorage port. The association will support local traders for that purpose. Until the nineties, the anchorage port depended mostly on exports of rice bran and other solvent extractions such as soya, but, in recent years, rice bran exports from the port had dwindled, and have now come to a halt. Kakinada has risen to the third place in the import of edible oils, after Kandla, Mumbai and JNPT. A delegation of the SEAI visited edible oil refineries and other facilities at the Kakinada port and expressed satisfaction.

### **Member lines announce revision in currency, bunker adjustment rates**

Member lines in the India, Pakistan, Bangladesh and Ceylon Conference (IPBCC) have announced a revision in the currency adjustment factor (CAF) and bunker adjustment factor (BAF) rates. The CAF, a charge expressed as a percentage of a base rate and applied to compensate ocean carriers of currency fluctuations, of +5.15 per cent will be effective from January 1 to 31. The IPBCC's 18-member lines also advised their customers that as a result of the reduced bunker costs available to carriers operating in the region, the BAF, which is used to compensate steamship lines for fluctuating fuel costs, surcharge will be reduced with effect from January 1. For an FCL (full container load) cargo, the rate will be \$165 a TEU (twenty foot equivalent unit) and for an LCL (less than container load), it will be 16.5 W/M (weight measure viz 1,000 kilogramme).

### **Haldia, Paradip post record coking coal dispatches in November**

During November, both Haldia and Paradip made record dispatches — Haldia 4.44 lakh tonnes (129 rakes) and Paradip 1.73 lakh tonnes (52 rakes). Visakhapatnam dispatched 3.52 lakh tonnes (105 rakes). Thus, a total of 286 rakes, the highest so far, of imported coal were dispatched from the three ports together. Haldia was programmed to handle 132 rakes but could not as Bokaro Steel Plant clamped restriction on the arrival of coking coal rakes because of its own operational constraints. At Visakhapatnam port, the shortfall was of 15 rakes — 105 rakes dispatched against the programme of 120 rakes. The shortfall is attributed to the operational constraints at the port level. Bhilai Steel Plant is entirely dependent on Visakhapatnam for importing coking coal. The shortfall in loading at the port, therefore, was made up by increased dispatches from Paradip.

### **Campaign to safeguard seafarers' rights**

The Flag of Convenience (FoC) action week was organised by the London-based International Transport Workers' Federation (ITF) to focus on safeguarding the rights of seafarers in developing countries to improve their living and working conditions, to secure better wages and obtain international health and safety standards for crews of FoC vessels. The necessity of

imposing strict measures on FoC ship-owners to adhere to minimum international labour standards was reiterated.

### **Paradip port eyes record rail-borne traffic**

The Paradip Port Trust (PPT) hopes to achieve a significant jump in rail-borne traffic in the current fiscal — an estimated 22 million tonnes compared with 17.9 mt in 2004-05. This is because of two factors, namely, good support from the Railways in the allotment of rakes and rationalisation of operations within the port, on account of careful planning. In November, PPT loaded 209 rakes, the highest ever, with the bulk comprising imported coal — coking coal for steel plants (121 rakes), non-coking power-grade coal for power houses (80) and coke (8).

### **SCI all set to acquire 14 vessels for Rs 2,600 crore**

The proposed fleet acquisition of SCI includes 6 LR-1 Product Tankers of 60,000 dead weight tonne (DWT) each, 2 Cellular Container Vessels of 4,300 twenty foot equivalent units (TEU) each and 6 Handymax Bulk Carriers of 55,000 DWT each. SCI has already floated tenders for 2 Capesize Bulk Carriers, which is now awaiting CCEA approval. SCI had signed a contract with Korean shipyard Daewoo Shipbuilding & Marine Engineering (DSME) for acquiring two very large crude carriers (VLCCs) with a capacity of 3,00,000 DWT at a total cost of Rs 1,136.08 crore. The vessels, according to the expansion plan, would be delivered to the company by March 2015.

### **Haldia sees some concern over fall in throughput**

Tata Steel undertook only one shipment of 11,000 tonnes through Haldia dock in 2004-05. The company had taken three plots two within the dock and one outside, and each measuring about 3,000 sq metres on lease for storing iron ore prior to shipments. One of them has already been returned. Traditionally, thermal coal has been a major item of traffic of the dock, but now, even thermal coal traffic is dwindling as the major user TamilNadu Electricity Board has replaced thermal coal with hydel power.

### **Alang shipyard to commission solid waste disposal facility**

Alang ship breaking yard, one of the world's biggest, near Bhavnagar in Gujarat is all set to commission its first solid waste disposal facility. Gujarat Ship Recycling Association and Gujarat Maritime Board (GMB) have hired the services of GEPIL, which is currently running a similar project in South Gujarat. The facility is being created out of Rs 100 crore fund collected by GMB in 1994. The fund was raised mainly to support the additional facility for the Alang yard. GMB has invested nearly Rs 4 crore this year to create the facility for disposal of hazardous wastes.

### **More ships flag out of India**

Despite the introduction of tonnage tax, which is beneficial to ship companies, more ships have been flagged out of India recently. One of the reasons for Indian ships taking foreign flag was the high wage costs. Income-Tax authorities were not willing to accept the proof furnished by the companies that their employees had spent the requisite time overseas to get tax breaks. As a result, shipping companies had to pay the taxes themselves.

## **Newsletter for the week ended January 1, 2006**

### **Industrialists in Surat for their own port**

The Southern Gujarat Chamber of Commerce & Industry (SGCCI), the apex body representing the trade and industry of the region, has called for developing a seaport in Surat. Surat used to be a major port on the western coast of the country in the past and could play a very important role in further development of industries in Surat. A seaport would get large volumes of captive cargo from corporates as well as trade and industry in the Surat region. It would be able to get cargo from landlocked states like Rajasthan and Madhya Pradesh. The seaport in Surat would also reduce the dependence on Mumbai port for exports. This would also reduce the transportation costs and hence benefit the local industries.

### **Concor monopoly to end**

The railway ministry will shortly bring out a policy paper being prepared in tandem with the Planning Commission for facilitating private participation in container traffic movement, which would underline the terms and conditions for inclusion of private players in ferrying of containers by rail. Last year, the railway ministry had allowed Pipavav Rail Corporation Ltd (PRCL) to transport containers by rail, ending Concor's monopoly in the field. Subsequently, there had been talks at various levels to include more private players in the sector.

### **SBI Caps syndicates biggest port loan**

SBI Capital Markets has arranged Rs 1,170 crore (the largest loan syndication in the country for a merchant greenfield port financing on non-recourse basis) of 14-year loans at a fine pricing of 8.75 per cent for Gangavaram Port Ltd, a special purpose company promoted for developing and operating the port in Visakhapatnam region. This deal involves 13 banks led by State bank of India (SBI). Other banks include Punjab National Bank, Canara Bank, IDBI Bank, Central Bank of India, Union Bank of India and State Bank associates. The financing of the port project infuses much required impetus to the development of ports in the country, especially the eastern coast which is recognised as the gateway for increasing trade with China and Asean region. Gangavaram port will be developed in three phases over the next 15-20 years with a cargo handling capacity of over 100 MTPA.

### **Centre clears Bengal's deep sea port plan**

The center has cleared the proposal put forward by Kolkata Port Trust (KoPT) and the state government to build a deep sea transshipment facility and jetty south of Sagar Island. The maximum draft of 10 metres at Sagar was not enough for a deep-draft port and an appointed consultant would be asked to identify a location with at least 12-13 metre draft. The consultant would carry out a cost benefit analysis of various locations around Sagar Island. The state government was open to the construction of a a bridge from deep sea facility to the mainland for cargo handling.

### **Adani plans toll-based LNG terminal**

The Adani group has decided to set up the country's first toll-based LNG receiving and regasification terminal at the Adani Special Economic Zone at the Munda port in Kutch district. The terminal would be the first of its kind in India where the Adani group will not tie up for the supply with any LNG supplier but will create the facility which will be offered to the consumers on fixed charges. The LNG terminal is proposed to be set up in the SEZ and would cost Adani group over Rs 1500 crore. Gujarat State Petroleum Corporation (GSPC) is working on a pipeline network in the Saurashtra region with the nearest connectivity available at Morbi city, which would help in evacuating the natural gas from the port directly to the customers.

## **Concor plans JV for common rail services at JN Port**

Container Corporation of India Ltd (Concor) is planning to team up with Jawaharlal Nehru Port Trust (JNPT), Danish shipping major Maersk India, and UK-based P&O Ports for setting up a common rail operating entity at JN Port, Navi Mumbai. According to Rajeev Sinha, general manager, Concor, the idea is to have a single rail operator for three container terminal operators at JN Port for handling inland container depot (ICD) traffic. At present, Concor is operating mixed cargo train service to JN Port for the port's own container terminal and Nhava Sheva International Container Terminal run by P&O Ports, which is time consuming.

## **Azhikkal port**

Azhikkal holds out immense potential for development as a major port, being located in the Malabar region of North Kerala, at the entrance of the Valapattanam river in Kannur district. Connected with multiple rail lines, a road network and inland waterways, Azhikkal will be able to offer a competitive edge by keeping the inland transportation costs lower. Moreover, the geographical location of Azhikkal will stimulate industrial development in the backward region and easily emerge as an effective competitor to New Mangalore port, which is situated just 160 km north of Azhikkal.

## **Kakinada port**

The Andhra Pradesh Government has been slow in chalking out the port's development plans. There is a proposal to set up a port-based special economic zone (SEZ) including an oil refinery with the assistance of ONGC. The two projects will have a crucial bearing on the development of the deepwater port, which, at the moment, has three berths and is being managed by a private consortium, as well as the old anchorage port on which nearly 10,000 fishermen depend for their livelihood. If these two projects are to be located in the vicinity of the port, a lot of fertile farmland, under the Pithapuram branch canal (Godavari canal), will have to go and the farmers are protesting against the projects.

## **Kolkata port to study jetty construction plan**

The Kolkata Port Trust (KoPT) is undertaking feasibility study on the jetties proposed to be constructed on the bank of the Hooghly river at Diamond Harbour, about 50 km from here. The study will cover detailed action plan including land survey, traffic survey and environmental impact. The proposed jetties will be multipurpose types of the capacity of 1.5 million tonnes per annum each. It will have large backup areas, an estimated 100 acres or so, for which KoPT may be required to approach the West Bengal Government for land. The cargoes to be handled at the proposed jetties will include imports such as timber, pulses and peas, and thermal coal and exports such as iron ore and foodgrains. Diamond Harbour is well connected by road and rail.

## **HongKong Ship management company opens office in Vizag**

Fleet Management Ltd, a Hong Kong-based company offering ship management services to ship owners, including provision of manpower, has opened its office in Visakhapatnam. The company employs over 5,000 seafarers, of whom 90 per cent are Indians. The company is employing over 50 seafarers from Vizag.

## **Protests against sending French ship to Alang**

The workers of the international NGO Greenpeace, along with organisations such as Corporate Accountability Desk and Centre for Indian Trade Unions urged the French authorities not to scrap the decommissioned French warship Clemenceau in shipbreaking yards in India. The ship has not submitted its form 7, issued by the exporting country that lists an inventory of the toxic material in the ship. If the Indian Government allows the ship to be broken, it would be in violation of the Basel norms as well as the Supreme Court's directive and Environment Ministry rules.