

Newsletter for the week ended 10 July, 2005

Shipyards filled with orders

The stipulation by International Maritime Organisation (IMO) that all the single hull structure oil tankers should retire and convert into double hull structure by 2007 may usher in renewed interest in the \$250 billion-worth shipbuilding sector. Also, the demand for LNG, CNG and other product carriers is burgeoning — each LNG carrier costing in the \$ 180-280 million range. The other major factor contributing to the shipyards' load the world over is the rising demand from sectors such as naval force, coastguard and customs.

Container freight stations on rise at Vizag port

The increase of cargo off take at Vizag port has enticed many players to set up container freight stations at the port. Gateway East India Private Limited, jointly promoted by Mumbai-based Gateway Distri Park and Viking Ventures Private Limited is setting up a CFS at the port at an investment of about Rs 9 crore, over 20 acres of land. The first phase of operations will be spread over an area of 10 acres. Sravan Shipping Services Private Limited is already operating a private CFS in an area of 40 acres. Concor is also setting up a CFS in the vicinity of the port at an investment of about Rs 10 crore while Central Warehousing Corporation is already operating a CFS at Vizag.

Discount on revenue share for big employers of labour from major ports

The shipping ministry has proposed a rebate in return for labour absorbed by the private operator on the annual revenue share they pay to the government after taking over the terminal operations. The provision is part of the draft guidelines made for private participation in major ports under the jurisdiction of the central government. The proposal is expected to help ports with a large labour force to make the terminals attractive to private players.

Indian companies may get first refusal rights in port bids

According to the draft private sector guidelines circulated by the shipping ministry, if the revenue share quoted by an Indian entity is up to 5 per cent below the highest bid, the company will be allowed to match it. The move was made in order to encourage Indian operators. Companies will also be bound to retain their shareholding pattern for a stipulated period of 5 or 10 years, from the date of signing the concession agreement. The bidding will be on the basis of a share of gross revenue comprising income from operations including loading, unloading and shifting of cargo.

Maritime Commission to help streamline shipping

The Union government was considering setting up a Maritime Commission, on the lines of Federal Maritime Commission in US, authorised for planning and overseeing the ports and coordinating their linkages with railways, roadways, warehouses and storage tanks. The commission would also address the issue of monopolies that have been acquired by certain private parties.

Alang units deny tax evasion charge

The intelligence wing of the defence ministry has recently initiated a probe into 'non transparent' deals involving cash purchases of junk ships in the Rs 5,000-crore ship demolition market. Such deals help the ship breakers evade taxes. Shipbreakers in Alang, however, have denied allegations of any malpractices, claiming their deals are clean. The defence ministry has also

asked the steel and finance ministries to probe into the matter. The steel ministry, in turn, has sought details from Gujarat Maritime Board (GMB), under whose jurisdiction Alang operates.

Replacement of old fleet to cost shippers \$2 billion

In the wake of rising vessel costs and ageing of several vessels, domestic shipping companies need to invest over \$2 billion for the replacement of over 80 ships of 20-year-old by 2009. Huge investment was required as the share of Indian ships in the country's overseas trade has been reducing over the years despite an increase in the total volume of India's overseas trade. The age profile of the Indian fleet serving overseas trade is also alarming as out of total fleet 42 dry bulk cargo vessels and other 42 oil tankers are 20-year plus old with a 15,580,15 dead weight tonne (dwt) and 20,50,124 dwt respectively.

Fishermen's forum opposes ship-breaking along AP coast

The Andhra Pradesh Pollution Control Board has issued orders to Steelex India and Ganesh Container and Syndicate to stop ship-breaking activity at the fishing harbour here. The fishermen were opposed to ship-breaking activity anywhere along the coast from Srikakulam to Nellore, as it would pose grave threat to fish and in turn affect the livelihood of fishermen.

Move to launch barge movement of containers between Kolkata Dock System (KDS) and Narayangunge port in Bangladesh

Container Corporation of India (Concor) has signed an MoU with an Indian private firm that will offer barges and take care of the wide gamut of operations relating to shipments at the KDS end. Another MoU is believed to have been signed with a Bangladeshi firm that will provide handling and other equipment. Narayangunge port, a riverine port located near Dhaka, is complete with barge jetties and warehouses. Initially, two barges, each of the capacity of 1,500-tonne, will be operated. Depending on the type of cargo to be transported, about 55 to 60 containers can be moved by each barge. The plan is to have two sailings each month each direction. The average turnaround time is estimated at 15 days or so.

Bid to attract more cargo to New Mangalore port

In order to attract more container cargo to New Mangalore Port, the Central Warehousing Corporation (CWC) has offered certain concessions to importers and exporters for utilising the services of container freight station (CFS) in the port premises. The concessions include reduction in charges for container handling. The decisions included reduction in container tariff by Rs 400 a container and extension of paper lining facility at a minimum cost of Rs 600 a TEU (twenty-foot equivalent unit).

Consolidation in logistics business

Indian logistics service providers are picking up stake or forming joint venture with foreign companies to widen their supply chain management solutions. Seaways Rhenus, a 50:50 joint venture between Hyderabad-based Seaways Shipping and German logistics major Rhenus, announced a strategic tie-up with Azkar Logistics of Spain. Mumbai-based Allcargo Movers has announced picking up of 34 per cent stake in Antwerp-headquarters ECU Hold NV, engaged in NVOCC (Non-Vessel Owning Cargo carrier) operations. Through this strategic joint venture, Allcargo will have greater access to the distribution network of ECU Hold.

Juicy Bits

- CONCOR has decided to run weekly common user services between Tughlakabad inland container depot (ICD) and Visakhapatnam port till the end of August 2005
- Sri Lanka warned that it may resort to legal action against India over its Sethusamudram canal project in the event of failure to resolve environmental and livelihood issues raised by it bilaterally

Newsletter for the week ended 17 July, 2005

Paradip loses POSCO

The South Korean steel company, Pohang Steel Company (Posco) has decided to develop a new port, 6 kilometres from Paradip, at a cost of about \$200 million, instead of using Paradip port. Low cargo handling capacity of Paradip port has led to this decision. The government of Orissa agreed to provide all necessary infrastructure and logistic support required for setting up of minor port by the company. Paradip Port has a capacity to handle about 15,000 metric tonnes while the South Korean steelmaker was scouting for a port capable of handling more than 20,000 metric tonnes.

Shortage of dredgers forces DCI to scout for partners

Dredging Corporation of India is already working on about 16 per cent of the Sethusamudram channel's dredging work on a nomination basis. It is planning to form a joint venture with a foreign dredging company to bid for more work. Of the estimated 82.3 million cubic metres of dredging work at the proposed Sethusamudram project, the government has allotted 13.5 million cubic metres of work to DCI on a nomination basis. DCI has deployed one of its trailer suction dredgers of 4,500 hopper capacity built by IHC Holland for the dredging work at Sethusamudram channel in E-3 and E-4 stretch, with an estimated quantity of 13.5 million cubic metres. DCI is unable to take advantage of the enormity of dredging market available in on account of shortage of dredging fleet.

Mumbai port's terminal project

Eleven companies including Larsen & Toubro, P&O Ports, AP Moller, Dubai Ports International (DPI), Evergreen Marine Corporation, Adani Exports (AEL), Hutchison Ports Holdings, ABG Heavy Industries, United Liner Agencies (ULA), Mitsui OSK Lines and Gammon India (GIL) have been shortlisted for Mumbai Port Trust's (MBPT) Rs 1,190 crore offshore container terminal project. The port will invite requests for proposal (RFP) from them soon. ULA has tied up with HHLA Container Terminal GmbH while Gammon India has formed a consortium with Dragados SPL Italy and Gammon Infrastructure Projects will bid for this project. ABG has also made tie-up arrangements with Infrastructure Leasing and Finance Services. The port has forwarded the application to the shipping ministry for security clearance for the companies bidding for the project. The shipping ministry will take up the clearance formalities with ministry of defence soon.

Three new national waterways

The government has started the process of declaration of three new national waterways of Kakinada-Pondicherry canal integrated with Godavari and Krishna rivers, the Barak river and east coast canal integrated with Brahmani river. The first of these proposed national waterways passes through Andhra Pradesh and Tamil Nadu. The second one is entirely in Assam but is connected with Haldia and Kolkata ports through the waterways in Bangladesh. The third one is in Orissa and West Bengal.

India tries to alleviate fears of Sri Lankans

The shipping ministry has affirmed that all concerns relating to the effects of Sethusamudram project had been effectively settled between Sri Lanka and India. The project had been approved after going through all the pros and cons related to the environmental issues and long-term repercussions. As the project involves dredging and setting up of other facilities through an eco-sensitive zone, the ministry has constituted a monitoring committee to assess the impact of environment and suitably advise the project authorities. So the accusation by the Sri Lankan foreign minister seemed quite baseless.

Changes at the DGS

The government has approved the creation of two posts in the Directorate General of Shipping. It also approved the upgradation of two posts of senior DDG to the post of joint director general and

deputy chief ship surveyor to the post of chief ship surveyor, with the objective of strengthening the Indian Mercantile Marine Administration (IMMA) with the aim of effectively meeting the national and international obligations through a strong technical set-up. The government also cleared the proposal to exempt war-disabled pensioners from the payment of contribution for ex-servicemen contributory health scheme (ECHS).

ICD at Ajni

The Inland Container Depot (ICD) of Container Corporation of India (Concor) at Ajni handled 5000 TEUs (twenty feet equivalent units) of containers in June 2005. Imports amounted to 2784 TEUs during the month comprising mostly of heavy and light melting scrap, polyester compounds, waste paper, and teak while exports comprised steel, de-oiled cakes and rice. The growth in import cargo is expected from the import of scrap as the government has now lifted restrictions on such imports. Export container growth is expected from rice exports as the commodity is being exported to newer destinations in the Far East and Sri Lanka.

JNPT's fourth terminal

A recent diagnostic study on JNPT revealed the port's vulnerability to become a victim of congestion. The report had correctly identified the genesis of congestion as the problems in rail movement of containers. Mumbai and Nhava Sheva Shipping Agents Association (MANSA) is of the opinion that the management of port infrastructure such as navigational approaches and land use policies needed competencies in public governance. On the other hand, the management of the port superstructure, including berths, handling equipment and inland connectivity, needed competencies in corporate governance.

Kolkata Dock for ship-breaking

Kolkata Port Trust, is keen that ship-breaking activity develops within the Kolkata Dock System (KDS). This announcement comes at a time when the number of vessels being offered for demolition is on decline. Besides, environmentalists have been strongly protesting against various ship-breaking yards, raising concerns on the safety measures being adopted by the yards. KoPT seems to have considered the 2000 oil tankers, which have been identified for demolition, which can add to the revenue of the port.

Numaligarh Refinery evacuating petro products through barges by river route

Vivada, the local barge operator, transported the consignment of 1,450 tonnes of diesel by barge from Silghat (100 km from the refinery) on the bank of the Brhamaputra River to Budge Budge. Right now, only one barge is in operation while the other is undergoing repairs. Once the two vessels start operation on regular basis, it should be possible to offer two sailings a month totalling 3,000 tonnes. Numaligarh wants to evacuate by barges a much large volume, as much as 10,000 tonnes a month on an average or an estimated 1.2 lakh tonnes a year.

Juicy Bits

- Seabridge Maritime Agencies (Pvt) Ltd, a subsidiary of the Parekh Group, has been appointed new Indian agent of the German shipping line, Hamburg Sud Seabridge has taken over from GAC India (Pvt) Ltd.
- Bangladesh is keen to have a new deep-sea port and has accordingly identified three sites - Sonadia Island, Cox's Bazar and Akram Point
- KoPT handled 11.66 million tonne (mt) of cargo, an increase of 30.26%, or 2.71 mt, over the corresponding period previous fiscal. It was much higher than the national average growth rate of 16.26% in the first quarter.

Newsletter for the week ended July 24, 2005

Maritime Infrastructure Development Plan

A total of 228 projects with a total investment of Rs 60,339 crore have been identified in major ports for implementation under the National Maritime Development Programme (NDMP) in two phases over a period of 10 years through public private partnership. Rs 11,445.75 crore would be through budgetary support, Rs 5,078.63 crore through ports' internal resources and Rs 39,238.50 crore from the private sector. The investment plan includes the requirement of funds for rail and road connectivity, for which a total investment has been envisaged at Rs 4,575.65 crore. Out of this amount, Rs 1,898.75 crore would be sourced through ministry of railways and Rs 1,072.40 crore from department of road transport & highways while Rs 1,604.50 crore would come through a joint venture with ports, national highway authority of India (NHAI) or respective state governments. According to the Shipping Ministry overall capacity of 917.59 million tonnes is required to meet the projected traffic of 705.84 million tonnes for 2013-14. Public investments would be primarily for common user infrastructure facilities in the ports like deepening and maintenance of port channels, construction of breakwaters, internal circulation systems of cargo within the ports, and rail and road connectivity from ports to the hinterland. Private investments would be in the areas where operations are primarily commercial in nature such as construction, management and operation of berths and terminals.

Container Vessels

2006 and 2007 will see enhanced deliveries of container vessels, which will increase the total capacity by 3.9 million TEUs, or around 55 per cent of the present world container fleet of around 7.3 million TEUs. A lot of the new capacity will be in big ships, with around 30 per cent of orders for vessels of 8,000 TEUs and above. Operationally, a mega ship can cause congestion. A new 8000-TEU vessel will probably disgorge about 6,000 TEUs on the quay-line of a hub port as compared to 2,000 TEUs by a 5,000-TEU capacity vessel, which means a longer stay at the berth. The new generation mega ships will need ports with deeper draughts. This will limit the number of ports they can call at. Transshipment will increase and, with it, the repositioning of the empties.

Marine insurance

Marine hull insurance was detariffed in April 2005. This saw a huge amount of private insurers venturing into this arena and also the marine hull insurance rates slashed by over 50%. The shipping companies made substantial savings on the premia. Due to the large size of risks as many vessels had sums insured of over Rs 100 crore, the premium rate, terms and conditions of marine hull were driven by the reinsurers, as in the case of the aviation industry. In a bid to pick up new corporate business, many insurance companies quoted rates much lower than the international levels. This has back-fired on many insurers, who now have to shell out the premium from their own pockets while reinsuring or go back to the client to renegotiate the deal.

SCI's vessel acquisition stalled

The public investment board (PIB) has objected to a proposal by the SCI for the acquisition of two Rs 500 crore-capsize bulk carriers due to lack of bids from ship building companies. This is despite sitting on more than Rs 2,000-crore of reserves. SCI may instead charter-in vessels for meeting its requirements. The company would try to place orders when it would find bidders at a price close to \$65 million proposed at present. The lack of response was due to overbooking in the industry, both in India and abroad. Moreover, prices were spiralling up due to huge demand and rising steel prices.

Sethusamudram canal to be opened for traffic by 2008

Sethusamudram Corporation Ltd, the special purpose vehicle (SPV) floated for the implementation of the project, has charted out a time frame for the execution of the project. The first leg of dredging work started on July 2, 2005. The contract for dredging 13.57 km of the Palk Strait area has been awarded to Dredging Corporation of India (DCI) on a nomination basis. The DCI vessels would be dredging about 13.55 million cubic metres in this segment within a period

of two years. The SPV has floated global tenders for the remaining three legs of the project measuring 35 km in Adam's bridge area and 40.68 km in Palk Strait region. Tenders have been invited from dredging firms on July 9. The tender process for this major portion of the project involving a total of 69 million cubic metres of dredging work will be completed on August 31 and the work in these segments is scheduled to begin in November.

Tuna port to be upgraded

Tuna Port, which is under the control of Kandla Port Trust (KPT), will be developed as a multi-purpose Satellite Port in Gujarat. KPT will commence the project in March 2006 and it will be completed in next 14 months. This will be the second port, after the Vadinar Port, to be developed by KPT in Gujarat. The proposal is awaiting the Central Government's approval. Initially two jetties will be constructed and will be utilised by IFFCO, which is coming up with a Phosphoric Acid plant near the port. Kandla Port has plans to construct eight jetties at the port site and has estimated that nearly two crore tonnes of goods will be transported through this port. Kandla Port Trust has earmarked Rs 323 crores for this project.

Dhamra port project

The Rs 1,500-crore plus project at Dhamra developed by L&T and Tata Steel as a 50:50 joint venture is set to achieve financial closure before the year-end. Technical specifications for the project are being finalised and once that is done, the cost and financing pattern will be known. The port will have an initial annual capacity to handle 15 million tonnes. A 60-km-long rail network linking Dhamra port with the railways network at Bhadrak located on the East Coast Railway would be part of the project.

Star Ship plans feeder service between Nhava Sheva, Singapore

Star Ship International Malaysia, a Malaysian shipping company, proposes to launch a feeder service between Nhava Sheva International Container Terminal (NSICT) of Jawaharlal Nehru port and Singapore through a 1,000-TEU capacity vessel. The vessel will travel from NSICT-Colombo-Port Klang and Singapore-NSICT, to be completed in not less than 15-16 days. Parekh Shipping may be involved for the agency operation. The types of cargo to be moved out of NSICT might include textiles, yarn, chemicals, steel products and agricultural items.

Beyepore port development

The Ports Department and the Kozhikode-based Parisons group are expected to sign the 30 years concession agreement for the development of the Beyepore port on a build-operate-transfer basis. A special purpose vehicle (SPV) with equity participation of the Government, is likely to be formed for implementing the project. The Government's revenue will be fixed after arriving at the potential traffic at the port. The first phase of development at Rs 35 crore will involve increasing the length of the existing berth and deepening the draft.

Government may allow import of tuna long-liners

In order to promote deep-sea fishing the central government may allow import of tuna long liners. Ministry of Agriculture has proposed allowing of conversion of the existing travelers into tuna liners at 50 per cent subsidy. The main objective was to increase the fishing exports from India. A committee was set up to finalise guidelines on tuna fishing, which said that they would allow entry of 150 to 200 big vessels and introduce intermediary fishing vessels. The intermediary vessels could be built by the Indian shipyards including Vizag-based Hindustan Shipyard Ltd (HSL) with insulated fish hold at a cost of Rs 50 lakh to 80 lakh. Conversion of existing large vessels into long-liners would need an investment of Rs 25 lakh to 30 lakh, while a new vessel would cost around Rs 4.5 crore.

Newsletter for the week ended 31 July, 2005

JNPT and NHAI together for road project

The National Highways Authority of India (NHAI) alongwith Jawaharlal Nehru Port Trust (JNPT) and City and Industrial Development Corporation are widening state highway- 54 for ensuring port connectivity at a cost of Rs 140 crore. The project would involve four-laning of SH-54 and Aamra Marg from 6.40 kms to 14.55 km and construction of a six-lane major bridge across Panvel creek under phase II of NHDP. The work is expected to be completed by May 2007. The phase II of the project has been taken up in view of traffic requirement, even though the stretches of road being covered under this phase are not national highways.

Shippers meet

Shippers from India and Pakistan see Indo-Pak trade zoom to \$6 billion from the current level of \$2.5 billion if freight rates between India and Karachi are brought down to about \$100 per container. According to Ramu S Deora, chairman of FICCI Trade Facilitation Forum and chairman of All India Shippers Council, bringing down the freight rate to about \$100 per container along with upgradation of transport and shipping infrastructure and streamlining of documentation and procedures would pave the way for substantially raising the level India-Pakistan trade.

Concor to set up new terminals in five states

Concor, at present, has 55 terminals all over the country, and the addition of five new terminals will boost its operations further. The new terminals are coming up at Mandideep (MP), Sivanasi (Punjab), Mirzapur (UP), Gurgaon and Dhapad (Haryana). Concor has planned to invest Rs 270.8 crore for acquiring 1,315 wagons to be inducted from September this year. It will also be setting up five new container terminals in Punjab, Madhya Pradesh, Uttar Pradesh and Haryana. Concor had acquired 1760 high speed flat wagons at a cost of Rs 300 crore between April 2004 and June 2005, while orders for the additional 1315 wagons, to be acquired by September this year, had been placed earlier this year. For the current fiscal, it has put up a tender for acquiring 450 wagons. They will also place another order for acquiring 270 wagons in near future.

INSA board meet to discuss chartering norms

INSA will be meeting on August 4 to discuss the existing ship chartering policy, especially the deployment of governing vessels to carry LNG to India. The meeting will probably highlight two issues. One is the recent Memorandum of Agreement (MOA) between Mercator Shipping Lines and Klaveness Shipping of Norway to operate nine Panamax vessels belonging to the latter on a time charter with the option of buying some of these vessels later. The second issue is the recent move by the Ministries of Commerce and Petroleum & Natural Gas to water down the existing LNG vessel chartering norms to give more freedom to foreign vessels to bring LNG to India.

Kochi port cargo traffic down in Q1

The total cargo handled through the port stood at 26.65 lakh tonnes during the period between April and June this year against 34.30 lakh tonnes in the corresponding period last year, showing a decline of nearly a million tonnes. The port authorities attributed the reasons for the decline in cargo traffic is due to lower import of crude following the shut down of plants at Kochi Refineries Ltd (KRL) for annual maintenance and upgradation. Consequently, the arrival of crude vessels to the port had also come down to 21 in the first quarter against 37 in the corresponding period last year.

Cochin Port Trust plans fish-landing centre

With the establishment of the International Container Transshipment Terminal at Vallarpadam, the fishermen community has raised the apprehension that there would be hindrance in carrying out fishing operations in the locality. To allay their fears, the port trust authorities have promised to prepare a project report for development of a model fish-landing centre for traditional fishermen at the Vallarpadam shoreline or at another suitable location within three months.

HSL revival package

The revival and restructuring package for the ailing Hindustan Shipyard Ltd (HSL) (approximately Rs 750-800 crore) has been considered by the Union Cabinet once and been sent back for further improvement. The Union Shipping Minister stated that the State Government should waive the principal amount of Rs 49 crore due by the HSL as commercial tax (sales tax). Four 30,000 DWT carriers would be built by the yard for Goodearth Maritime. The first vessel would be delivered by June 2006. Thereafter, the three vessels would be delivered at intervals of six months each. The vessels would be built to international standards.

Juicy Bits

- Liner services around the world are likely to be hit pending P&O Nedlloyd takeover by AP-Moller Maersk. P&O Nedlloyd has started withdrawing from several conferences.
- The European Shippers Council has complained that shipping lines and airlines are overcharging their customers by imposing fuel surcharges that are much higher than warranted by the oil price rises.
- The Ministry of Shipping is believed to be keen to widen the scope of private sector participation in port projects by liberalising the rules for investments in dredging for deepening and maintenance of main navigation channels to enhance draughts in various ports.