

Newsletter for the week ended 12 June, 2005

Lighterage port at Gopalpur

Rail India Technical and Economic Services (RITES), consultants for finalisation of the bid process will be submitting its views including the bankability of the project. Gopalpur is seen as a fair weather lighterage port, which will be operational only from October to March each year and is handling cargo such as fertilisers, foodgrains and minerals, earning on average around Rs 3 crore annually. The parties include BHP-Billiton and Malaysia's Integrax Burhart who intend to develop the port on their own, while L&T, IL&FS and Orissa Stevedores Ltd plan to form a consortium with one or two partners. The plan to set commercial operations year-round at an all weather port in Gopalpur would provide further export opportunities to entrepreneurs of the State.

SCI to transport IOC crude

SCI has emerged as the successful bidder to transport an estimated nine million tonnes of crude annually from West Asia to both east and west coast ports of India. SCI will deploy two of its VLCCs (very large crude carriers). By virtue of the time charter contract signed with IOC earlier, the shipping line deploys two of its crude carriers for transportation of crude to Haldia to meet the requirements of both Haldia refinery and Bongaigaon refinery of IOC.

Wartsila to introduce new range of ship equipment

Wartsila Corporation plans to introduce a new range of standardised ship power, engines and propulsion systems in the country in two packages, Wartsila Propac, involving engines with propulsion systems, and Wartsila Auxpac, involving ship power systems, in 2007-08. The company recently concluded a joint venture agreement with Shanghai Marine Diesel Engine Research Institute, a subsidiary of China Shipbuilding Industry Corporation, to set up the unit for manufacturing of Wartsila marine auxiliary engines. The Wartsila Auxpac package will include a comprehensive range of medium and high-speed generating sets to suit a general cargo vessel, container ships, product tankers and VLCCs.

Kochi Port to get gantry cranes

Rajiv Gandhi Container Terminal at Kochi Port will be equipped with additional cranes and they will be fully operational by the end of June 2005. Four Rubber Tyred Gantry cranes (RTGs) and two ships to shore cranes have already arrived at the port as part of developing the facilities at the port. The average turn around time at present is 48 hours and it can be reduced to 24 hours, when the new cranes become operational. Two new Gottwad Mobile Harbour Cranes had already arrived at the terminal and the tendering process has been initiated for 12 yard tractors and trailers which will further improve the productivity of the terminal.

NMPT asks for better rail, road infrastructure

THE New Mangalore Port Trust (NMPT) has asked the Karnataka Government to strengthen the rail and road infrastructure leading to the port from hinterland areas. Most of the cargo from ICD in Bangalore is now going to other major ports, instead of going to NMPT. NMPT had contributed Rs 10 crore for the completion of a railway line between Hassan and Mangalore.

Container Security Initiative compliance for safe ports, secure boxes

Container Security Initiative (CSI) compliance adopted by ports can enhance the commercial attractiveness of the ports. Primarily a US Government initiative to cope up with maritime security threats, CSI involves screening of containers at foreign ports by the US Customs officials before they are shipped to the US. The Centre has already approved CSI for the Nhava Sheva International Container Terminal Ltd in Mumbai though the modalities are yet to be finalised. If a

port is not CSI compliant, exports have to be re-routed through other CSI-compliant ports. This causes delays and even disruptions due to congestion in these ports.

20-year plan for development of 12 ports

The shipping ministry is drawing up a 20-year perspective plan for the development of 12 major ports. It has directed the Indian Ports Association (IPA) to collect inputs for the plan on the basis of which, the ministry would prepare a plan document, which is to be readied by February 2006. The work for this plan has begun simultaneously with designing of a model concession agreement to lay down regulatory framework for public-private partnership in the port sector.

Handling of hazardous cargoes at JNPT

JNPT has decided to allow handling of hazardous chemicals such as ethyl alcohol and methyl alcohol at its liquid cargo jetty, thus inviting the ire of the Maharashtra Pollution Control Board (MPCB) and the Maharashtra Coastal Zone Management Authority (MCZMA). The JNPT's claim is that denatured ethyl alcohol does not come under the category of hazardous cargo under the IMDG Code of International Maritime Organisation.

Shipowners excited over exemption of service tax

The Government has issued a notification exempting services from payment of tax in relation to handling of ships in a port outside India, handling of storage of goods carried in a ship in a port outside India or any other services related to the handling of ships or goods carried in a ship. The notification shall come into force from June 16. Earlier, if an Indian ship dry-docked at a foreign port, the shipowner had to pay service tax in India.

Road movement of iron ore to Paradip hit

Movement of iron ore by road from Barbil mines to Paradip port for exports has virtually come to a halt due to differences between the shippers and the road transport operators over the freight rate. The shippers feel that the freight should not exceed Rs 1,000 a tonne in view of the drop in the F.O.B. price of ore to less than \$40 a tonne from the earlier \$70/80. However, transport operators are not prepared to accept it and insist on Rs 1,600 a tonne, the rate they charged during the boom period. Bulk of ore for exports through Paradip arrive at the port by road — an estimated 60 per cent of the total throughput of about nine mt (in 2004-05). The suspension of road movement has brought down the ore throughput.

Newsletter for the week ended 19 June, 2005

Ship breaking yard at Alang

Following a recent International Maritime Board (IMB) decision, 100 ships built before 1977, have been identified for scrapping. But none of them is likely to come to India owing to high customs duty. The Customs duty is zero per cent in China, five per cent in Pakistan and Bangladesh, and between eight and ten per cent in India. Strict government procedures and rigid environmental norms also pose as barriers for the ships to come to Indian ship-breaking yard.

South Korea's plans to expand ship-building

South Korean shipbuilders are setting up manufacturing units in China to meet booming orders for new -vessels. This will also help in cutting production costs as strong steel prices and the won's appreciation have squeezed the margins at the back of increased competition from China. Samsung Heavy Industries, the world's third-largest shipbuilder has a block assembly plant in Ningbo and plans to double annual capacity there to 120,000 tonnes by the end of this year, and then to 200,000 tonnes by the end of 2006. It is also planning a second plant, in Shandong province, for block assembly, the first parts-producing phase of the shipbuilding process.

New Mangalore Port seeks dry dock facility

New Mangalore Port plans to set up a Rs 125-crore dry dock facility to offer repair services for ocean-going vessels and other craft in the proposed coastal special economic zone with private sector participation. The proposed facility can repair 33 ships in a year. The port proposes to fill 75 per cent of the capacity in the first year, as currently there is no modern ship repair facility near New Mangalore Port. The site close to Mazagaon Dockyard Ltd within the port premises has been favoured as it has a float repair berth on the northern waterfront. At present, all vessels go to either Kochi or Goa for repairs. Besides saving transit time for these vessels, the dry dock at Mangalore port, which is close to the international sea route, will also attract foreign vessels for repairs.

Deep sea port in Bangladesh

As Bangladesh can be considered to be at the centre of South-East Asia, the Deep Sea Port could act as a regional hub to transport goods to North-east India. Currently shipping lines that ferry cargo to Bangladesh have to unload at Haldia or Kolkata port. The cargo is then transported to Bangladesh by road. Though the exact location of the port would be known only after a feasibility study is done, it may come up at Cox's Bazar district of Greater Chittagong. The cost of constructing the port is put at around \$800 million.

Decline in ocean freight rates

Increase in freight supply has led to a fall in ocean freight rates on main bulk routes in bulk commodities such as iron ore, coal and grains. Weaker iron ore shipments from India, weaker coal demand from Japan and a slowdown in Chinese soyabean imports too have contributed to falling ocean freight rates. Chartering of large Capesize vessels was poor, as mineral demand in China remained unexpectedly low. Freight rates for iron ore have declined by anything between 33 per cent and 44 per cent since early April, especially from Australia and Brazil (origin) to Europe and China (destination).

Delay in Paradip-Haldia pipeline

The Rs 700 crore, 330-km-long Paradip-Haldia crude pipeline, will not be ready for operation before the first quarter of next fiscal (2006-07). So, the crude lighterage operation at the Sandheads, the mouth of the Hooghly river, which is to be closed down from January 2006, may

continue till March and beyond. This has given some reprieve to Kolkata port as the pipeline will wean away the crude traffic from the port.

Dubai Port Authority strict on ethical practices

India Gateway Terminal Pvt Ltd (IGTPL), a subsidiary floated by Dubai Port International for the container terminal operations at Kochi Port, has suspended a worker on for accepting bribe from a clearing agent. Even though the trailer and stack drivers and greasers working in the gantry berth went on a flash strike in protest against the incident, the trade union leaders have taken the stand not to intervene on the issue, as they were against these kinds of malpractices.

Mundra SEZ

The state cabinet has cleared a proposal to hand over about 3,000 hectares of land to Mundra Special Economic Zone Ltd. at Rs 33.54 crore. This is besides the 3,000 hectares already available with the Adani group. In the first phase, the group will invest around Rs 2,000 crore. The entire project is expected to cost over Rs 7,500 crore. The land allotted will still be inadequate as the centre's nod was for a 13,000 hectare SEZ at Mundra.

Kolkata port proposes barge jetties at Haldia

Kolkata Port Trust has in-principle decided to have two barge jetties on the riverfront at Haldia dock. One of these jetties is to be used for handling chemicals and petroleum products, while the other will be a multi-purpose jetty. These two jetties will be in addition to two multi-purpose berths, number two and 13th, proposed to be built inside the dock. The berths, when ready for operation, will be used mainly for handling coal and iron ore.

MMTC bid to import coal for NTPC plant

The Railways has been unable to provide rakes at the rate of one rake every alternate day to MMTC to import steam coal from Indonesia through Haldia dock to meet the requirement of Farakka super thermal plant of National Thermal Power Corporation (NTPC). As a result, the first ship, which brought about 43,016 tonnes was unloaded fully at Paradip as against the original plan to unload about 25,000 tonnes at Haldia and the balance at Paradip. Its second and third shipments are also likely to face the same situation.

Juicy Bits

- Bidding date for Vizhinjam terminal extended to July 30
- In the first two months of the current fiscal (April-May 2005-06), the major ports handled a total 68.13 million tonnes (mt) of traffic as compared to 58.41 mt in the same period of last year, thus posting 16.65 per cent growth
- Mumbai, with a traffic throughput of 6.55 mt (4.85 mt), posted highest growth of over 35 per cent in the first two months of the current fiscal.
- Financial closure for the Rs 2,333-crore Sethusamudram Ship Canal Project will be achieved in October.
- SCI's board approved a proposal envisaging acquisition of smaller shipping companies as one course to briskly expand its fleet

Newsletter for the week ended 26 June, 2005

A Rs 6,053crore maritime project

The Andhra Pradesh Government has submitted a proposal to the Union Ministry of Shipping to take up a national sea route and associated infrastructure projects at a cost of Rs 6,053 crore to be executed in two-and-a-half years. The project involves setting up of 10 new ports, improvement of existing minor ports, construction of ship repairing facility, creation of coastal tourism and recreational facilities and other maritime units. The project will be implemented in the four coastal districts of Srikakulam, Vizianagaram, Visakhapatnam and East Godavari, which have been identified as the non-cyclone prone areas by the Indian Meteorological Department. The state government proposes to raise Rs 1,354 crore through private sector, while the balance amount of Rs 4,699 crore is being sought as a grant from the Union ministry of shipping. The cost of the proposed ship repair facility is estimated at Rs 1,000 crore.

Kolkata Port Trust to consider inland projects

Kolkata Port Trust (KoPT) is keen to take up projects in Inland Water Transport (IWT) and shipping to meet the demand from bulk cargo shippers for a viable IWT service. The Port Trust is confident that it would be able to offer a cost-competitive solution to users for shipment of goods via the IWT system using new generation technology that would work on existing IWT channels. KoPT proposes to bring down costs for the users, and thus get more cargo for its docks and also reduce the complications and costs associated with heavy dredging of IWT channels. Plans have been drawn up to dredge or modify natural water channels to 2m depth to suit the limitations of technology rather than attempting to find the right technology for the existing natural channels.

Crude transshipment cargo on the decline at Visakhapatnam

Despite a reduction in the lighterage operation tariff charges by 30 per cent on very large crude carriers (VLCCs) operations, the Visakhapatnam port has not been able to attract enough crude transshipment cargo. During 2003-04, out of the total cargo handled by the port, the crude transshipment cargo was only about 15 per cent, which declined to around 8 per cent during last fiscal, and this year it is expected to come down further to around 5 per cent on account of competition from Kakinada port. IOC has shifted its preference from Vizag port to Kakinada port as Kakinada port had reduced the handling and port-related charges significantly.

Maritime assets uncovered

Maritime assets in India are not insured, anywhere in the country. The government was relying on third-party insurance taken out by shipowners and other users of maritime assets to pay for any damage that they caused to public property. There was no provision for cover in case the damage caused exceeded the value of the asset seized. The government creates dedicated funds for major assets to pay for their repair and maintenance.

A revival package for Central Inland Water Transport Corporation

The Board for Reconstruction for Public Sector Enterprises (BRPSE) has approved the revival package of the Central Inland Water Transport Corporation (CIWTC), an ailing PSU under the ministry of shipping. The workforce will be reduced from 1,080 to about 280 through VRS. Garden Reach Corporation and Goa Shipyard have expressed interest to takeover the Rajabagan Shipyard in Kolkata. CIWTC is at present engaged in river steam navigation and maintenance of the Rajabagan Shipyard in Kolkata, where 60% of the ships repaired belong to it.

Kerala to further develop its waterway

Kerala State Transport has proposed piloting an inland water transport (IWT) project to correct the current imbalance in the share between roadways and IWT. The linking of some of the waterways with the National Waterways 3 (NW) by IAWI has not made much progress. Kerala has tranquil waters interconnected with canals, which, when supported by the backwaters, these can help promote tourism. A study by National Transportation Planning and Research Centre had shown that less than 3% of the transport needs are met through water navigation. There is little to be done in the way of infrastructure development except for some dredging and harbour development. The waterway could be developed along the West Coast.

Mundra port to shine

Mundra Port is aiming at becoming the most preferred port on the west coast. Connectivity at the Mundra port is much better now as the rail link has become operational and good roads connect it to the NH-8, making it nearly 200 km closer to Delhi from the western coast than Mumbai. The Port is adding four new berths. The promoters, Adani Group is planning to set up ship-building and repair facilities, which will be able to take in up to 100 vessels for repairs or breaking and have modern ship-lifts, laterally moving winches and dry-docking facilities. It would also build vessels to order. In the second phase, the shipyard will have wet berths to carry out repairs without lifting the vessel out of the water. Work on the two proposed container berths for Mundra International Container Terminal (MICT) is also expected to commence shortly. The Port has 70,000 square metres of closed storage space, seven 3.5 km-long pipelines and 62 tanks with a total storage capacity of 2.71 lakh kilolitres for liquid cargo. The port is also setting up a 10,000 hectare SEZ.

More facilities at the Rajiv Gandhi Container Terminal

Dubai Port International Terminals has started construction of a pre-staging yard at a cost of over Rs 74 crore at the Rajiv Gandhi Container Terminal. The pre-staging yard is 1.5 km away from the terminal and will enable truckers to complete all documentation before entering the yard to deliver their boxes and will be manned by terminal staff and customs officials. Connected to NAVIS, an internationally recognised and technologically advanced terminal operating system, the pre-staging yard will prevent blockages and queues outside the terminal gates and enhance truck turnaround times.

Chennai port sets up facility to handle oil spills

Chennai port has set up an oil spill response facility that can handle spills of up to 100 tonnes. Major oil companies using the port handed over equipment worth Rs 1.25 crore to the Chennai port to combat oil spills. The additional equipment handed over to the Chennai port include permanent boom (600 metre), inflatable pneumatic boom (400 m), boom storage reel for inflatable boom with power pack to operate the boom reel and inflation and deflation of booms (two), mounted on tugs Sundaranar and Sekkizhar. A spill spray unit with spray arms six metres long on both sides is at ORV Annam.

Foreign dredging companies keen on INSA membership

Eyeing the huge dredging market available in India, foreign dredging companies want to become members of INSA. INSA has however, rejected the proposal. Projects like Sethusamudram and other greenfield port projects that are expected to actually open up the capital dredging market, which the foreign dredging companies are interested in, as it involves higher margins. The new dredging policy has sought to have a level-playing field, which has given the incentive for the foreign dredgers to come to India.

Juicy Bits

- The Shipping Ministry has constituted a nine-member committee under Development Adviser (Ports) to examine various issues relating to the dredging in the Hooghly river, the operation of the Rangafella channel in the river and whether the establishment of Kulpi port in the joint sector will harm Kolkata port (including Haldia dock)
- Daewoo Shipbuilding & Marine Engineering, the world's largest shipbuilder, will be on sale
- The shipping leaders have welcomed the agreement between members of International Association of Classification Societies on implementation of date for common rules for tankers and bulk carriers
- Great Eastern Shipping took delivery of a modern dry bulk carrier, while selling its Very Large Crude Carrier (VLCC)

Newsletter for the week ended 03 July, 2005

Ship scrap prices fall in India, Bangladesh

The price offered for ships to be scrapped fell last week in Bangladesh and India, the world's largest markets, after prices of recycled steel plates dropped. Indian buyers offered \$315 a tonne of recoverable steel for oil tankers, down \$35 a ton from a week earlier, Maryland based GMS Inc. said in a market report. The price of recycled steel plates dropped \$10 a ton to \$380, said GMS, which buys ships from owners and sells them to scrap yards. Prices for oil tankers fell in Bangladesh to \$350, down \$10 from a week earlier. Prices paid for ships to be scrapped rose to a record \$470 a tonne in Bangladesh in February because of a shortage of ships sold for scrap and rising global steel prices.

JNPT expansion

JNPT, which handles 56 per cent of the county's container traffic, plans to expand its current container capacity by building a dedicated freight corridor and increasing the depth of its channel to allow bigger ships to come into the port. JNPT, which owes the central government Rs 727 crore in interest payments, has asked that the existing debt be rescheduled to allow the cash-rich port trust to finance a part of its expansion plans through internal sources, while the rest of the funding would come from commercial borrowings. Financial institutions including JBIC and Citibank have expressed an interest in financing our expansion plans. JNPT has also commissioned RITES to do a feasibility study on the dedicated freight corridor.

Petro-products storage in Kochi

Local residents near the reclaimed land of Kochi Port at Vathuruthy, near Willingdon Island are protesting against the move to increase the number of chemical tanks storing petroleum products alleging that the tanks were erected in the area without adequate safety measures and necessary sanctions from statutory authorities such as the Factories and Boilers Department and the Kochi Corporation. 35 tanks have been constructed in the vicinity and the port had given the nod for building another 55. Besides, the port had erected another 11 such tanks for storing kerosene and petrol. The port had reclaimed around 25 acres from the Vembanad backwaters for constructing the Kundanoor Bridge years back.

Strike affects Mumbai port operations

Over 1,500 Mumbai port transport workers who are working with several private transport contractors handling container and other cargoes at the port, struck work from June 23 to protest against a move by the port to invite tenders for handling freight containers from pre-stack to vessel and vice-versa. The union has demanded that the port modify the tender conditions, so that the existing transport workers would be absorbed by the successful bidder. A meeting has been called between the port management and the transport workers union in the presence of the Advocate General to seek an amicable solution to the issue.

MCC to start Haldia-Singapore bi-weekly services from mid-July

Singapore-based MCC Transport proposes to start bi-weekly services on Monday and Saturday, between Singapore / Port of Tanjung Pelepas (Malaysia) and Haldia from mid-July. The two vessels identified are MCC Clipper and MCC Confidence, with a capacity of 540 TEUs each. It has also asked for fixed window facility, a guaranteed berthing facility for its ships on these two days, even if there are other vessels waiting in the queue, which the dock authorities have not yet committed to. The shipping line will bring in gearless vessels once the dock authorities have installed the rail mounted quay cranes (RMQCs).

Kochi port users turn down proposal to hike container tariffs

India Gateway Terminal Pvt Ltd (IGTPL) — a subsidiary floated by Dubai Ports International for container terminal operations in the port had proposed a hike to the Tariff Authority for Major Ports (TAMP) in the range of 33 to 40 per cent for various activities, including the gantry crane, terminal handling operations and wharfage. TAMP had convened a meeting in the port last week in which all the port users rejected the proposal. TAMP officials, however, asked the terminal operator to justify the proposed hike and had also given IGTPL time till July 15 for formulating a revised proposal. It is believed that this would result in the diversion of cargo from Kochi to neighbouring ports.

Seaways Shipping Ltd launches feeder service

Seaways Shipping Ltd, the container transportation provider, has launched its dedicated 10-day fixed schedule feeder service between the ports of Visakhapatnam, Kolkata and Chittagong in Bangladesh. This will benefit the exporters of cement, agri products, chilled fish and automobile industries. A 224-TEU capacity Indian registered vessel will be used to transship cargoes into Kolkata/Chittagong through mother vessels calling directly from the North Chinese ports, apart from developing trade between Vizag/Chittagong and Kolkata/Chittagong on a regular basis. The cargo from North India can be routed directly from the Inland Container Depot (ICD), New Delhi, to the Kolkata docks and the Vizag ports by rakes and then feeder-connected to Bangladesh. Similarly, cargo from western India can be connected to Vizag through ICD, Nagpur and Hyderabad.

Edible oil importers at JNPT cry foul

Importers of edible oil, molasses and industrial chemicals at Jawaharlal Nehru port allege that the PSU oil companies are trying to monopolise the two liquid bulk cargo jetties in the port that are operated by BPCL on BOT basis. Although the jetties are meant for all liquid bulk cargoes, these importers are of the opinion that BPCL and other PSU oil companies are trying to elbow aside the non-petroleum liquid cargoes such as edible oil and chemicals, which are vital raw materials for a wide array of industries. BPCL has proposed that vessels carrying PSU cargoes will continue to get priority berthing of vessel at the two jetties.

India Gateway Terminal asked to reinstate special status for coir

Coir products enjoyed a special commodity status for availing lower port tariffs before containerisation came into force in Kochi Port. However, after containerisation, coir has also been charged container-wise on a par with other commodities. Export of coir and other natural fibre products supports Kochi port by over 30 per cent of its export volume. The Indian Coir Association requested the terminal operator to reinstate the facility by considering the nature of this particular commodity.

AP Moller-Maersk ready to buy container line Royal P&O Nedlloyd

Danish shipping group AP Møller-Maersk will be acquiring container line Royal P&O Nedlloyd on Wednesday as P&O formally agreed to sell its 25 per cent stake for €571m (\$687m). The stake has been bought by Danske Bank and Nordea Bank. The banks have option agreements in place with AP Møller-Maersk, exercisable in August. P&O expects to make a £175m profit on the sale. The profit will be used to reduce debt initially but may then be invested in the ports business and to pay off a deficit in the group's pension scheme.