

Newsletter for the week ended April 9, 2006

ONGC, SCI join hands for offshore logistics venture

Oil and Natural Gas Corporation Ltd (ONGC) and Shipping Corporation of India (SCI) have entered into a memorandum of understanding (MoU) for setting up a joint venture company called Offshore Marine Services Ltd (OMSL) to provide end-to-end solutions for vessel operations for ONGC and other oil and gas companies. It would also develop capabilities for acquisition, repair and maintenance of offshore floating units and undertake repair and construction on long-term arrangement with shipyard facilities on preferential terms and competitive basis. As per the MoU, ONGC will offer its vessels on bare boat charter agreement to the joint venture company and will retain right of first refusal on deployment of these vessels as per requirement. The joint venture company will acquire, own, maintain, operate and charter wide range of offshore vessels and it will also be free to secure non-ONGC business, including acquiring vessels and other assets. ONGC will also have the option to acquire new vessels and put them in the joint venture company on similar agreement.

Vizag port gets Rs 3,500 cr under NMDP

The government has earmarked Rs 3,500 crore for Vizag port under the National Maritime Development Programme (NMDP). Out of this, Rs 1600 crore would be spent on developing railway connectivity and Rs 600 crore would be generated through budgetary allocation, another Rs 600 crore through internal accruals. Rs 900 crore would be generated through private sector investment in port related projects.

Mitsui keen on expanding operations in India

Mitsui OSK Lines Ltd (MOL), the \$10.9-billion shipping and logistics major, is eyeing the possibility of developing the container and domestic logistics business in India. The Japanese company is keen on equity participation in some of the Indian private port and infrastructure projects. The company has opened up the market for South Africa from Nhava Sheva and this channel transports Tata Motors cars. The company has two overseas business processing centres, one in China and the other in Mumbai. While the Chinese centre provides services to China, Japan, Hong Kong and other countries in the region, the Mumbai centre supports the requirements of US and European countries principally.

Petronet LNG to float shipping subsidiary

Natural gas importer Petronet LNG Ltd (PLL) plans to float a shipping subsidiary overseas to haul gas to its greenfield re-gassification terminal of 2.5 million tonnes per annum capacity proposed at Kochi in Kerala. According to the tender floated for selecting ship owners and operators for transporting LNG to the Kochi terminal, Petronet may hold up to 49 per cent stake in the company formed by the successful ship-owning and operating consortium. The balance 51 per cent would be distributed among the ship-owners and operators.

Malaysian interest in Indian ports sector

Malaysia is keen that direct trade and shipping services between the two countries develop, a move which would boost foreign exchange earnings for the country and provide a boost to the port industry. Malaysian ports are vying for more direct trade with India in preference to the present system of routing cargo through Singapore.

Lng Import Norms Changed

With the Union Cabinet granting flexibility to LNG importers in November last year to import gas either on F.O.B or on C.I.F basis and to deploy foreign flag vessels for transporting the cargo, the presence of an Indian shipping company in the ship owning and operating consortium is no longer a mandatory requirement.

Kochi port plans to widen BTP Jetty

The Cochin Port Trust is widening the BTP (boat train pier) Jetty adjacent to the Mattanchery Wharf area by 7 metres so as to handle bulk cargo vessels. The total cost is estimated at Rs 5 crore and the work can be completed over a period of 10 months. The widening of the berth would ensure the availability of a full-fledged berth for efficient handling of bulk cargo and would help in ease of congestion faced currently. The berth is 200 metres long and 16 metres wide with the capability for dredging up to 13 metres depth and receiving vessels up to 35,000 DWT.

SCI plans new container service to US

Shipping Corporation of India, which operates weekly mainline container services to Far East/China and UK/Continent in consortium with leading global players, plans to start a new container service to the East Coast of the US. In the feeder market, the company made a small beginning in January by chartering a 250 TEU geared vessel for one year and deploying it on the Colombo-Chittagong route. SCI has started accepting shipments from Indonesia and Thailand on transshipment basis. The Indian sub-continent Europe (ISE) service, which was launched in January 2002, is through a consortium with ZIM, K-Line, MISC and EMC as partners. 7 vessels of about 2,650 TEU effective capacities are deployed in this service, with a round voyage of 49 days. The ports of call under this service include Colombo, JNPT, Barcelona, Rotterdam and Hamburg.

Kochi bunkering terminal may be delayed further

The bunkering terminal project of the Cochin Port Trust is likely to be delayed further following the refusal of the Kerala Government to grant sales tax exemption for the activities proposed to be provided at the terminal. The port management had approached the State Government in the matter of ST/VAT exemption for the bunker supply to foreign-bound vessels. The sanction has been denied by the authorities on the ground that the sale of bunker could not qualify the requirement of an export sale under Section 5 of the Central Sales Tax Act.

Russian interest at Paradip port

The Russian steel producing firm, MMK is considering setting up in Keonjhar district of Orissa a steel plant of the capacity of five mt initially, to be stepped up to 10 mt subsequently. The company had apparently visited even Gopalpur port and Dhamra port, besides Paradip for routing its coal and iron ore requirement. It needs to be seen which port the Russian company is likely to use.

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Vizag port

In order to attract more cargo towards Visakhapatnam Port, stakeholders of the port have called for a directional distribution of EXIM cargo, i.e. the East-bound cargo from the country should be directed to the Eastern ports and West-bound cargo should be transported from Western ports. With rail connectivity in place that terminates near the terminal, containers can be loaded straight from a train-to-the vessel and vice-versa. With two railway sidings that can handle 45 wagons each at a time, a full rake with goods for Singapore, Far East or Australia can now come from the Northern or Western hinterland and terminate near the vessel. CONCOR has agreed to run more rakes if required. But Vizag port should also be able to capture traffic from central India.

Truck terminal near Paradip

A truck terminal has been commissioned at Masakani, about 17 km from the Paradip port, to ensure smooth movement of trucks in and out of the port. Spread over 11 acres of land, off National Highway 5A, which links the Paradip port with Chandikhol located on NH 6, the terminal can accommodate around 500 vehicles at any point of time. It is being built by Paradip Port Road Company, a SPV floated by the Paradip Port Trust and the National Highway Authority of India. The proper functioning of the terminal is likely to help ease congestion on NH 5A, while boosting throughput of the port at the same time.

Port Development program in Gujarat

Gujarat Maritime Board has proposed investments to the tune of Rs 145 crore in the next fiscal to develop port infrastructure in Gujarat. The expansion programme includes development of a fishery project at Okha and another Rs 45-crore project to develop connectivity between Bedi and Porbandar. The board is also in the process of conducting a feasibility study for development of the old port of Cambay at Khambat. The board had recently cleared the proposal for development of a solid cargo jetty at Dahej jointly by Petronet LNG and Adani Port at an estimated cost of Rs 600 crore. The jetty will be handling solid cargoes such as cement and coal with an initial capacity of two million tonnes, which can later be upgraded to six million tonnes.

P&O ports receives show cause notice

P&O Ports received a show-cause notice from the Gujarat Maritime Board (GMB) to explain why its licence to operate the Mundra International Container Terminal should not be cancelled. The board's concession agreement to run the Mundra terminal was concluded with Adani Port, with the agreement specifying that any dilution of stake should be done only after the board's approval. But GMB was not informed that P&O was taking over the terminal from Adani Ports.

Drop in river water level worries KoPT

A sharp drop in the water level in the Ganga-Bhagirathi-Hooghly river system at Farakka might spell disaster for the Kolkata port (including the Haldia dock), apprehends the Kolkata Port Trust (KoPT). The drop is believed to have been caused by scanty rainfall as well as diversion of water in the upper reaches of the river for Tehri Dam. The lean months, January to April are problem months every year for the port due to the reduced water flow through Farakka, more so because of the effect of the sharing of the Ganga water between India and Bangladesh as per the agreement signed a few years ago between the two countries.

Gati launches Chennai to Colombo box service

Gati Coast to Coast, the shipping division of Gati Ltd, and a cargo movement solution provider, has launched a Chennai-Colombo-Chennai weekly container feeder service. The 250 twenty-foot equivalent unit vessel is carrying 200 containers to Colombo, in its first voyage. The new service will strengthen the company's presence in feeder market in the Bay of Bengal and Andaman seaports. Gati also runs shuttle services from Chennai to Port Blair and Yangon, Myanmar.

Denial of ST exemption to CPT project draws flak

The trade and industry of Kerala has taken up the issue of providing sales tax exemption to the bunkering terminal project of Cochin port with the State Government, saying the project deserves complete sales tax exemption in view of its potential to generate employment opportunities as well as bringing in foreign exchange. The concept of an international container terminal calls for a bunkering terminal also as the provision of such a facility in the international maritime route will indeed add to the viability of the Vallarpadam Project besides bringing in foreign exchange.

SCI, Rickmers in talks for service from India to UK

Shipping Corporation of India (SCI) is in talks with Rickmers Lines of Germany to offer liner services for westbound trade in the break-bulk segment from India to ports in the United Kingdom. Apart from this, SCI is also considering extending its operations in the break-bulk segment through joint service agreements for shipment of such cargoes on the Far East sector, covering ports such as Singapore, Hong Kong, Shanghai and Colombo. In this segment, SCI is providing coverage for the cargoes generating from the UK and Israel to India for the Ministry of Defence and PSUs such as BHEL, SAIL and ONGC.

Steamer agents body bid to bring back ICD cargo to Kochi

The Cochin Steamer Agents Association has called upon the India Gateway Terminal to organise trade meets at Bangalore to bring back the ICD cargo to Kochi Port. The ICD cargo has been diverted to Chennai following the discontinuation of train service from ICD Bangalore to Kochi due to the damage of Venduruthy bridge and the time is ripe for the terminal operator to lure those cargo from there. Due to the stoppage of ICD movement from Bangalore, the port expects to achieve only a 5 per cent increase in throughput in 2005-06 compared with previous year, even though there has been a considerable increase in the sailings of container vessels this year.

Hyundai Merchant plans to link China

Hyundai Merchant Marine (HMM), the Korean shipping giant already providing twice-weekly SMX service between Singapore and Chennai, proposes to expand its operations in India to connect Chinese ports. HMM will launch a new express liner service (CIX) between Shanghai (China) and Nhava Sheva International Container Terminal (NSICT) of Jawaharlal Nehru port, with four container ships and the port rotation will be: Shanghai-Ningbo-Hong Kong-Singapore-NSICT and the journey between Shanghai and NSICT will be completed within approximately 12 days. The CIX service will also offer facilities for inland transportation of containers from NSICT to various inland and coastal destinations such as Mumbai, New Delhi, Kochi, Chennai, Coimbatore, Bangalore, Hyderabad, Tuticorin and Tirupur.

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Andhra Pradesh Government to introduce Maritime Board Bill

The Andhra Pradesh Government will introduce the AP Maritime Board Bill following the Union Government's directive to all maritime States. The Centre has made it mandatory for such States to have Maritime Boards to get financial assistance for developing port infrastructure. This was part of the National Maritime Development Policy that sought to create 520 million additional cargo handling capacity. The state with a very long coastline, could promote petro-chemical investment regions, port-based special economic zones and shipbuilding activity.

Reliance Petroleum Limited to set up two SBMs at Jamnagar

Reliance Petroleum Limited plans to set up two new Single Buoy Mooring (SBM) units off the coast in Jamnagar to cater to its upcoming 33 million tonnes refinery. Apart from catering to the requirement of crude oil unloading in the deep sea, the SBM facility will also be used for loading products for export from the upcoming Special Economic Zone (SEZ) Refinery. Currently, similar facilities are being operated by Kandla and Mundra ports for discharging crude into the sea.

Green signal for double stack container train

India's double stack container train was run from Kanakpur Inland Container Depot (ICD) for the Jaipur-Pipavav port route. The railway ministry has decided to reduce haulage charges by 25% on the Jaipur-Pipavav route. The introduction of the train will also reduce freight rates by 50%. Also these trains will ferry 2,500 mt load as against present carriage of 1,500 mt load. The new train will go up to Pipavav Port via Ajmer, Marwar, Phalna, Abu Road and Palanpur. This move is expected to considerably scale down the rush outside the ICDs for booking their containers, as the train would be able to carry double the quantity of freight it currently ferries. The double stack train has the capacity of carrying 180 TEU containers as against 90 TEU containers, which are carried on single stack trains.

JNPT plans container berth

Jawaharlal Nehru Port Trust (JNPT) is planning to construct a two-km container berth as part of building a fourth container terminal at the cost of Rs 5,000 crore. It would be the largest container berth in India and can accommodate as much as six big vessels at a time. The proposed 2,000 metre container quay line will be developed in two phases. This terminal is likely to handle four million twenty foot equivalent units (TEUs) of containers in a year following complete expansion. The first phase of the fourth terminal is likely to be operational by 2009 and the second phase by 2014.

World-class cruise terminal at Kochi

The Cochin Port has invited global expressions of Interest to appoint consultants for designing a world-class cruise terminal in the northern end of Willingdon Island. The project will be developed as a multi-faceted tourism, entertainment and shopping destination of Kochi on public-private participation (PPP) basis. The modern cruise jetty will about 200 metres quay in length, in continuation of the existing 917-metre long Ernakulam wharf as the number of cruise vessels to call at Kochi is on the increase. In order to make the project financially viable, the port intends to develop the terminal complex as a public destination offering a range of facilities like entertainment & recreation, restaurants and dining including food courts, shopping including general & specialty malls, cultural and arts complexes, theatres, health/ayurveda/spa products and facilities for business conferencing and trade exhibitions. About 12 acres of prime land with water front for the berth has already been earmarked for development of the complex.

Barges to Bangladesh

Numaligarh refinery in Assam plans to export an estimated 10,000 tonnes of high speed diesel by barges to Bangladesh every month from Silghat on the bank of the Brahmaputra river to Sirajganj in Bangladesh and a Kolkata-based private barge company will be the sole Indian participant in the proposed movement. As per the protocol signed between the two countries, the Indian barge company can handle only half the traffic, leaving the balance for the Bangladeshi flag carriers to handle.

Gati to buy Rs 60-cr container vessel

Gati Limited plans to start a direct container service between Chennai and Thailand port of Krabi or Phuket. Currently, the containers are transhipped at Singapore or Colombo ports. The new service would reduce the transit time between Chennai and Thailand and also help companies cut cost at transshipment ports. Gati plans to cover all the ports in Bay of Bengal, Andaman Sea and the Malacca Straits. The containers could carry automobile (completely knocked down) kits from Thailand. On the way back, the vessel would carry loaded containers to Port Blair. From Port Blair, the ship would carry a number of empty boxes (for repositioning) to Thailand.

Kolkata Dock System seeks to lure box traffic from North

Kolkata Dock System has approached CONCOR to carry piecemeal Exim containers in their domestic rakes instead of insisting on full Exim rake. CONCOR has agreed to consider the request as it runs at least one domestic rake every week between its Majherhat terminal located within KDS and the Tughlakabad terminal near Delhi. At present, an estimated 100 containers with imports bound for north India arrive at the dock every month, but the boxes get destuffed within the dock and the cargo is transported by road to the consignees. The shipping lines prefer the Tughlakabad/Dadri (TKD)-JNPT route even though the Railway freight between KDS and TKD is lower than that between JNPT and TKD. But the presence of mainline operators at JNPT is the attraction, which KDS lacks.

Shippers at Coimbatore prefer gateway ports fearing delays

The custom house agents and clearing and forwarding agencies involved in handling export/import of cargo at Coimbatore are a worried lot as shippers prefer booking cargos directly through gateway sea ports fearing delays in securing adequate custodial services, including clearance of customs formalities for exports/imports done at inland container depots. The reasons can be attributed to difficulties in getting adequate custodial services from the designated agencies running the inland container depots (ICDs), bottleneck arising due to shortage of trailers serviced at these ICDs and also delay in getting the payment of duty drawbacks (the export incentive) released for the shipments cleared from the Customs field formations.

India Steamship to add tonnage via acquisitions

India Steamship has decided to place orders with Hyundai of South Korea for acquiring two Aframax tankers (105,000 dwt each) at a total cost of \$130 million. The vessels will be due for delivery in 2008. The company is acquiring a second-hand Aframax tanker at an estimated cost of \$76 million.

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Bangalore-Hassan-Mangalore railway line

The hinterland users of New Mangalore Port are eagerly waiting for the commissioning of the Bangalore-Hassan-Mangalore railway line for freight traffic. The railway line will help boost the port's traffic volumes greatly and increase the business volumes of users in the hinterland. Out of the 1,91,757 sq km of area of Karnataka, New Mangalore Port has hinterland of 69,120 sq km. While iron ore is the major cargo in the Bellary-Hospet and Tumkur regions of the hinterland, Bangalore and Mysore regions bring container cargoes to the port. The major exporters of iron ore fines from the Bellary-Hospet region and importers of coal and fertiliser cargoes in Karnataka are likely to reap the benefit of the facility.

Posco Port

The report on the South Korean steel major Posco's request for a separate port facility near Paradip, which was being examined both by the Centre and the Orissa government and studied an expert agency, is still awaited. The study to find the environmental and technical impact had been entrusted to the Pune-based Central Water and Power Research Station (CWPRS). Posco has planned to set up a 12 million tonne steel plant near Paradip with an investment of Rs 51,000 crore. It had also proposed to build a captive port near Jatadhari, which is about seven kilometres south of the existing port at Paradip. Paradip had lost about 500 acres of land due to coastal erosion, while a new area of about 430 acres had been created due to accretion.

Tuticorin port plans Rs 4,000 cr expansion

Tuticorin port is all set for a major expansion with an investment of over Rs 4,000 crore. The expansion plan will be carried out in two phases. Work in the first phase, involving Rs 835 crore, is expected to be taken up soon, which includes setting up a new terminal and dredging. The Rs 450-crore deepening of the draft to 12.8 metre, which was part of the first phase of the expansion scheme under the National Maritime Development Project, received the clearance of the environment ministry. They are expected to receive administrative approval in June, after which work would be undertaken. The second phase of the Rs 3,300-crore expansion from 2007-2012 would involve deepening the draft to 14.5 metre for which a pre-feasibility study would be undertaken.

Concor rushing jute bags to southern ports

Container Corporation of India (Concor) is rushing container loads of jute bags to various southern ports to facilitate packaging of imported wheat arriving in these ports. The wheat being imported in bulk is to be packed in jute bags for onward movement, mostly by train. Each rake contains on an average 3,500 bales of jute bags, each bale comprising 500 bags. Jute bags account for the bulk of Concor's traffic in eastern region. Every year on an average 80-85 rakes of jute bags are dispatched from Kolkata to Punjab, particularly to Ludhiana, to facilitate packaging of wheat and to Chhattisgarh (Bilaspur, Raipur and Durg) and Madhya Pradesh (Itarsi and Bhopal) for rice. Jute bags represent nearly 40 per cent of its total traffic in the region.

Gangavaram port

There was resistance from fishermen to the attempt of officials to move fishing boats to facilitate construction work at the port site. The fishermen have been agitating for a fishing jetty in the vicinity of their village and a proper rehabilitation package from the Government and private port authorities before proceeding with the construction of the port. There has been an urge to the State Government to concede the demand of Gangavaram fishermen for construction of a fishing jetty at a place convenient for them. Malaysia-based Integrex Berhad has replaced Dubai Port International as the technical partner in the DVS Raju consortium, the promoters of the Gangavaram Port.

Concor rake for Nepal

Container Corporation of India (Concor) handled for the first time a rake carrying 70 containers with polyester fibre moved from Concor's Nagpur ICD to Nepal's Birganj ICD. The Customs clearance was done at Raxaul, the last Indian station on the India-Nepal border. Though the second rake is not yet ready for immediate run on the route, some sponge iron traffic is likely to move in not-too-distant future from Rourkela to Birganj ICD, though in BCN wagons, not in containers.

Traffic at Haldia

The Kolkata Port Trust is finding it difficult to fix the Haldia Dock's traffic target for 2006-07 as the throughput of bulk traffic is unlikely to post any significant increase as the existing berths have almost reached their saturation points and also, the port authorities are not sure of the probable throughput of crude in the current fiscal on account of the Paradip-Haldia crude pipeline, which is due for commissioning.

Goan iron ore exporters

Katra Wilhelmsen Logistics (P) Ltd has commissioned the world's biggest dry bulk transhipper, Goan Pride, in deep waters off Goa coast, much to solve the long pending problems of the iron ore exporters. This large dry bulk carrier converted for the purpose in China, can store more than 1,20,000 tonnes of cargo and load it on ships at over 4,500 tonnes an hour. It can load a Panamax vessel in a single day and a Capesize in two. Historically, iron ore transport in Goa has been a complicated affair with barges bringing the material from mines inland to a port that could accommodate only small ships or large ones lightered enough for its modest draft.

DP World in fray for Tuticorin terminal

DP World, in association with Chettinad Logistics, is in the fray for the development of a second container terminal in the Tuticorin Port Trust. This would be third container terminal in the country where DP World intends to participate. The other terminals where the company was operating were Visakhapatnam Vizag and Kochi. As a terminal, Tuticorin is the third largest terminal in the country with a potential for further growth and the company is keen to participate in that growth prospects.

Dolphin Offshore vessel acquisition plans

Dolphin Offshore Enterprises (India) Ltd, a company offering integrated services to the offshore oil and gas sector, has placed orders for acquisition of two work boat-cum-supply vessels costing \$ 6.65 million (around Rs 24.5 crore) each and is now planning to place order for a construction barge. The vessel would cost between \$15 million and \$17 million. The acquisition would support the company's increased thrust in securing Engineering Procurement Installation and Commissioning contracts for oil and gas sector in India and abroad.

Juicy Bits

- Varun Shipping Company Ltd today informed the BSE that it has lodged its preliminary prospectus with the Monetary Authority of Singapore and is seeking to list its Singapore Depository Shares on the main board of the Singapore Exchange Securities Trading Ltd.