

## **Newsletter for the week ended June 11, 2006**

### **Dubai Port to raise Rs 700 cr for Bengal**

Dubai Port plans to raise Rs 700 crore from the domestic financial institutions for its twin project of a port and a special economic zone (SEZ) in West Bengal. P&O Ports Mauritius, which had earlier applied to the Indian government for the project, would be putting in Rs 41.4 crore in the port as its own equity contribution in the form of foreign direct investment for picking up a majority stake. The balance would be divided between Mukand and of the Mukand Group and the Jalans of the Kaventer Agro group with the West Bengal Industrial Development Corporation retaining a minor stake.

### **Terminal handling charges from shipping lines**

The shipping industry players have asked for government intervention in asking the shipping lines to stop charging terminal handling charges, which accounts for 20-25 percent of the freight charges. These charges are required to recover costs of container handling at terminals. By separating the shore-side charges from ocean freight rates and making them a separate cost item helps the lines prevent irrational price-cutting or excessive competition among the lines. This affects the competitiveness of the trade (both imports and exports) because the charge has to be factored into the overall transaction costs. The terminal handling charges are one of the ever-increasing number of surcharges and ancillaries levied and recovered by the shipping lines.

### **CFS for Durgapur**

West Bengal's first privately promoted container freight station (CFS) is being set up at Durgapur. The CFS is being promoted by Allied ICD Services, belonging to the PDP Group and will be spread over six acres. The CFS is estimated to cost Rs 20 crore in the first phase, to be funded partly by way of contribution from the promoters and partly by way of loans from banks and financial institutions. A total of 11 acres has been sanctioned for the project. Allied ICD Services has identified about 35 firms in and around Durgapur as probable users of the CFS and these include Philips Carbon Black, Graphite India, Adhunik Steel and Durgapur Steel Plant.

### **Shipping agencies**

Several major shipping lines, instead of operating through agents in India, have opened their own offices, thus forcing the shipping agency firms concerned to down their shutters. The mergers and acquisitions of shipping companies at the international level too will have their fallout at the local level, not always very desirable either for the local shipping agency firms or the customers. There will be consolidation of operations causing, among other things, job redundancies.

### **Congestion at Chittagong**

Bangladesh's largest port, Chittagong, has been badly hit by an acute congestion problem, believed to have been caused by non-clearance of imported containers from the port area. The berths are choc-a-bloc with boxes, even as ships go on unloading. The port is believed to have the capacity to store 12,000-13,000 boxes but close to 18,000 have been unloaded. The number of container vessels calling at the port has jumped significantly, without the handling facilities being improved at the port site.

### **Paradip port target set at 40.8 mt traffic**

The port has been given a traffic target of 40.8 million tonnes (mt) for 2006-07 as compared to the actual handling of 33.1 mt in 2005-06 and the share of coal in the projected increase in traffic is estimated at more than two mt. Coal traffic, imports and coastal shipments together will account for a large chunk of Paradip port's incremental traffic projected for 2006-07. Two new steel firms, Visa and Jindal, with manufacturing facilities in Orissa, have started importing coking coal through Paradip port, while the traditional importers of coking coal through the port, SAIL and Tata Steel, have indicated to step up their throughputs in the current fiscal vis-à-vis 2004-05. As a result, coking coal import through the port is projected to rise by 0.7 mt to 4.5 mt in the current fiscal over 3.8 mt in 2005-06.

### **SPVs for LNG carriers: Petronet shortlists 7 cos**

Petronet India has shortlisted A P Moller, Exmar, Teekay, ETA Shipping, Pronav, Malaysian International Shipping Company and the consortium of the Shipping Corporation of India and three Japanese firms, namely, MOL, NYK and K Line, for the purpose of floating two special purpose vehicles (SPVs) for acquiring and operating two LNG carriers for its proposed terminal at Kochi. The consortium of SCI and the three Japanese firms is already owning and operating two LNG carriers serving Petronet India's Dahej terminal and has been awarded the contract for the third vessel which is to serve the same terminal. The two vessels to be acquired for LNG transportation to the proposed Kochi terminal will be of the capacity of 165,000 cbm each. Petronet India has indicated to hold 49 per cent stake in the SPVs to be floated for the acquisition and operation of these vessels.

### **Cochin Shipyard bags ONGC order**

The public sector Cochin Shipyard has received the biggest ship repair order in the country, when it bagged the upgradation and lay up repairs from the Oil and Natural Gas Corporation for its Jack Up Rig Sagar Kiran at a cost of Rs 203 crore. Senior officials in the yard pointed out that this is the biggest ever-commercial ship repair order in the history of the yard as well in the country and the entire upgradation and repair work would be completed within a period of 9 months. The rig is at present deployed for work over jobs. With the proposed upgradation, the rig would be equipped to undertake exploratory drilling operations including high tech wells such as horizontal and extended reach drilling (ERD) wells also.

### **Shreyas Shipping to expand Pakistan services**

Shreyas Shipping and Logistics Ltd, the first Indian liner to start a direct container service to Pakistan from India, after both countries had agreed to open their borders for trade. The company will be increasing its service frequency to every five days. The company plans to acquire three second-hand vessels, besides the order placed for a new one with the Singapore yard.

### **States seek soft funding option for minor ports**

Several State Governments have called for a softer funding option from the Centre for constructing minor ports. They also called for moves to ensure good rail and road connectivity to the minor ports. In some states the implementation of projects was getting delayed due to environmental clearances.

## **Newsletter for the week ended June 18, 2006**

### **Draft cruise shipping policy**

Private operators have begun to express their reservations about the cruise shipping policy which is still at the draft stage as they want their say in the choice of ports, infrastructure development, taxation and legislative issues. As per the draft policy, the pre-conditions for a ship to be registered in India will be relaxed and foreign companies will be permitted to register an Indian cruise ship. At present, the government has identified seven ports that will be developed to support international companies - Cochin, Mumbai, Kolkata, Haldia, Tuticorin, Marmugoa, and Port Blair. India's cruise shipping policy aims to make India an attractive cruise tourism destination and to achieve a target of 600,000 foreign cruise shipping passengers landing in India by 2010.

### **Gas transportation**

Petronet LNG is planning to acquire two more — fourth and fifth — LNG carriers and has shortlisted international shipping firms from among the bids it has received. The two vessels, each of 165,000 cubic metre capacity, will be deployed for transportation of gas to meet the requirement of Petronet's Kochi terminal, proposed to be set up in a few years. Already two vessels, "Disha" and "Rahi" are in operation catering to the Petronet's Dahej terminal and the third one, for which contract has been awarded to a consortium of shipping lines including Shipping Corporation of India, will be ready for operation 2009. The third vessel too will serve the Dahej terminal whose capacity is being expanded. Shell too has delivered two parcel loads of LNG through its Hazira terminal commissioned recently.

### **New shipping service between Tuticorin port, US east coast**

IDX, a consortium led by ZIM Integrated Shipping Lines, Shipping Corporation of India (SCI), Emirates Shipping Lines (ESL) and MAC Andrews Company will launch a new service to provide direct service between Tuticorin and the US East Coast, which will be operated once a week. Zim will operate three of the eight vessels while SCI and ESL will deploy two vessels each. MAC will deploy one vessel. The vessel sizes are 2,500-2,600 TEUs. The port of rotation will be Colombo, Tuticorin, Nhava Sheva, Mundra, Barcelona, New York, Norfolk, Charleston, Barcelona and Colombo. Tuticorin now becomes the only port in southern India to be directly connected with Europe and US coast, thereby reducing trans-shipment and additional handling costs at neighbouring foreign ports. The new service will help exporters in the South, especially in Tirupur, Karur and Bangalore. The transit time will be 25 days to New York, 27 days to Norfolk, 29 days to Charleston and 16 days to Barcelona.

### **Paradip port to allot land to Deepak Fertilisers**

Paradip Port Trust (PPT) has decided to allot 39 acres of land to Deepak Fertilisers & Chemicals Ltd keen to set up in the port area an ammonium nitrate fertiliser plant with an estimated capacity of 2.5 to three lakh tonnes annually. Deepak Fertilisers will import more than a lakh tonnes of liquid ammonia annually and export 1.5 to two lakh tonnes of the finished product. There will be pipeline network connecting the storage tank with the producing plant, for transporting the chemical.

### **Chennai Customs House to have risk management system**

With The Risk Management System (RMS), an electronic system to clear consignment being introduced, the present practice of routine assessment, concurrent audit and examination of almost all Bills of Entry — an account of goods entered at a Customs House for imports and exports, detailing the merchant, quantity of goods, their type, and place of origin or destination — will be discontinued. The focus will now be on quality assessment, examination and post clearance audit of the selected bills in order that the resources of the department are utilised more effectively. The RMS will strike an optimal balance between facilitation and enforcement and enable clearance of low risk consignments based on the acceptance of the importer's self assessment and without examination.

### **Hyundai's bid for Sethusamudram project cancelled**

According to the Union Minister of Shipping, Road Transport and Highways, Mr T.R. Baalu, Hyundai Engineering's bid to dredge a section of the Sethusamudram Ship Canal Project has been cancelled and fresh tenders would now be called. The company had laid certain conditions and sought a mobilisation advance of Rs 200 crore from the Government. As this was unacceptable, the bid was cancelled. Fresh tenders would now be called by June 15 and a letter of intent issued in August. The selected company would start dredging in October and complete before November 2008.

### **Tuticorin container terminal project**

The Rs 150-crore second container terminal at Tuticorin port has received the environmental clearance and is awaiting the final approval from the centre. The Rs 685-crore inner harbour development at the port will soon be given administrative approval. The project involves increasing the draught and construction of five new berths, and is to commence by December. There is also a plan to develop an outer harbour at a cost of Rs 3,200 crore on build, operate and transfer basis to construct a 2 km quay length to handle about one million TEU (twenty foot equivalent units).

### **Services to Bhutan by Concor**

Concor is contemplating starting of rail services from Kolkatta port to Bhutan and diverting the road traffic between the two places, but the volumes fail to justify a regular service. Bhutan is planning to launch a dry port in Phuentsholing, a border town in Bhutan, close to West Bengal's Jalpaiguri district. The Hasimara railway goods shed, complete with a siding, ideally suited for handling rail-borne containerised traffic to and from Bhutan. From Hasimara, an air force station town in Jalpaiguri district, the containers could be transported by road. Hasimara is the nearest railway station from Phuentsholing. At present, Kolkata Dock System handles on an average six to seven containers per day with imports for Bhutan. These containers are moved by road all the way to Phuentsholing where the containers are destuffed and checked by Bhutan Customs. The importers take the delivery of their consignments there itself.

### **ONGC's offshore supply vessels**

ONGC has planned to deploy modern and sophisticated offshore supply vessels for its offshore oil exploration and production business. The Indian ship owners who have contracted more than 30 vessels to the company will face a major setback. ONGC intends to replace these older offshore supply vessels with new ones that have sophisticated equipment, like on-board satellite-linked Diagonal Positioning (DP) facility.

### **Kalmar to expand in India**

Kalmar Industries, part of the Cargotec Corporation engaged in manufacture and operation of container handling equipment at ports across the world acquired 51 per cent stake in Indlift, which has been its agent in India during the last six years, to form the joint venture company, Kalmar India. Apart from bringing in new container handling equipment and services, Kalmar is considering the option to set up a manufacturing base in India.

## **Newsletter for the week ended June 25, 2006**

### **New vessels for IWAI**

Inland Waterways Authority of India (IWAI) took delivery of an oil tanker and a container ship, each of 300-tonne capacity and will be deployed on National Waterway(NW) 1 (Haldia-Patna-Allahabad) and NW2 (Haldia- Guwahati, via Bangladesh) from Hooghly Dock, which built the vessels at an estimated cost of Rs 3 crore each. IWAI now owns four vessels, the two other being general cargo vessels – one of 650 tonne and the other of 300 tonne. The ship builder is building three other vessels for IWAI, a surface dredger and two multipurpose vessels, each of 300-tonne capacity.

### **Shipping companies taking it easy on ship acquisition**

Indian shipping companies are going slow on increasing their fleet, as the prices of new ships continue to rule high owing to high steel prices and rising interest rates. Shipping analysts feel that in the tankers segment, the asset values will remain strong for the rest of this calendar year, with correction in values commencing sometime in 2007. On the bulk carrier front, expectations are that the correction in asset values may take place a little earlier, perhaps in the last quarter of 2006. With order book continuing to expand, shipyards the world over are struggling towards completing all deliveries by 2009.

### **Maersk begins Rotterdam to Pipavav direct service**

Maersk Line has revised the sailing schedule of its weekly ME1 service from Europe to West Asia and India, with the most important change being the introduction of direct sailings from Rotterdam to Pipavav port (Gujarat) with a transit time of 17 days from Rotterdam to Pipavav. As per this, Salalah, the hub in Oman, is removed from the sailing schedule while Malaga has been shifted from the eastbound to the westbound trip. Thus, Rotterdam becomes the last European port of loading for Pipavav, Nhava Sheva and Jebel Ali. Salalah will now be served directly from Europe on the ME2 loop or the AE9 service to the Far East.

### **Expert panel holds talks on port highway**

As part of the formalities to be completed before taking up the construction a four-lane highway connectivity between the proposed Vallarpadam Island and NH 47 at Kalamassery, a sub-committee of the Expert Committee of Environment for Infrastructure projects along with representatives of Union Ministry of Environment and Forests visited Cochin Port to carry out field inspections and get firsthand information over the various environmental issues involved. The members of the committee also held discussions with the officials of the Cochin Port Trust, Ministry of Road Transport and Highways, National Highways Authority of India, Centre for Earth Science Studies, Kerala State Coastal Zone Management Authority, Kerala State Science Technology and Environment department and Ministry of Shipping in this connection.

### **Ministry invites Expression of Interests for deep-sea port in Bengal**

The Shipping Ministry has invited Expressions of Interest (EoIs) from consultants from all over the world for development of a deep-sea port on the coastline of West Bengal. The selected consultant will be associated with the project right from the selection of the location, to preparation of the detailed project report till the commissioning of the port. In the first phase, the consultant has to identify a suitable location after taking into consideration various factors such as availability of draft, various marine, meteorological, hydrographic, morphological, hydrological, geotechnical, topographical and other parameters, dredging requirement and hinterland connectivity by rail and road. In the second phase, the consultant has to prepare a detailed project report (DPR) covering traffic projections for 20 years after assessing the market potential, profiles of types of ships likely to call at the port depending on the types of cargoes to be handled, environmental analysis, particularly relating to hazardous cargo, pollution control measures, the use of information technology and financial analysis covering cost estimates of marine works, port works such as breakwaters, quay structures, onshore facilities, operational facilities including types of equipment to be required, maintenance cost and viability analysis including sensitivity analysis. In the final phase, i.e. after the DPR has been approved by the competent authority, the consultant has to assist the implementing authority in preparation and evaluation of tenders and in selection of contractors. Also, the consultant has to supervise and monitor during construction of the project for successful implementation.

### **Tank farms for storage of liquid cargo at Cochin Port**

The government has laid down guidelines in handling and constructing infrastructure for the storage of various categories of liquid cargo. The Cochin port has given instructions to the parties while allotting land on the safety measures to be adopted. The final clearance would be given only after the companies complied with all the safety norms and regulatory certifications for storing materials in the tanks. Tank farms, he said, would be encouraged in the port area because they are part of the port's business and could not be stopped.

### **Ennore port projects get environment clearance**

Projects worth Rs 1,850 crore at the Ennore port have got environment clearance. projects for creating infrastructure to handle coal, iron ore and marine liquid cargo would be taken up soon by various private operators on build, operate and transfer basis. Ennore port would take up dredging of 15 metres in Phase I alongside the berths of the new terminals and further dredging to suit Capesize vessels — that can transit via Cape Horn (South America) or the Cape of Good Hope (South Africa) — for iron ore traffic.

### **NMPT handles over 1-lt cargo via Mangalore-Hassan rly line**

New Mangalore port handled more than 1 lakh tonnes of cargo through the newly commissioned Hassan-Mangalore railway line during May. Of the 97 rakes handled at the port's railway marshalling yard in May, 28 rakes with a tonnage of 1,00,973 tonnes were handled via Hassan-Mangalore railway line. The commissioning of the railway line has helped users, as the freight charges for cargoes like fertiliser to places such as Shimoga, Davangere, Hassan, Bhadravathi, Hospet, Mandya and Mysore have come down considerably. 48 reefer plug points are available for users, and the port proposes to go for reach stacker and increased paved area for container handling.

### **Kochi port to set up forum on trailer charges**

The Cochin Port Trust has decided to set up a forum to look into the issues relating to container trailer transportation charges and genuine problems being faced by the trailer workers on the issues relating to wages, etc. A decision in this regard comes in the wake of a standoff between the Custom House Agents Association and Cochin Container Owners Welfare Association on issues relating to container transportation charges in the port. All the unions also unanimously agreed not to resort to lightning strikes in the interest of the trade and that all contentious matters would be discussed with the authorities concerned.

### **TAMP approves IGT plan to levy stevedoring charges**

The Tariff Authority for Major Ports (TAMP) has approved the proposal of India Gateway Terminal (IGT) to levy charges for stowage planning, lashing/unlashing of containers and supervision for services for its operations at the Rajiv Gandhi Container Terminal. IGT had proposed \$8 per container for foreign vessels and Rs 350 per container for coastal vessels with retrospective effect from April 2005. The order would remain valid for a period of three years till March 31, 2008.

### **India joins Container Security Initiative**

India joins the league of port of Colombo, Singapore and Hong Kong by joining the US-promoted Container Security Initiative (CSI) to pre-empt any terrorist attack on the sea. A pilot project will be set up at JNPT. CSI involves establishing security criteria to identify high-risk containers based on advance information, and pre-screening those containers identified as high-risk before they arrive at US ports. Every container that is identified as potentially high risk is inspected either overseas under the CSI or upon arrival. But this system insists on loading 24-hour prior to shipment and this goes against the Just-in-Time system and is particularly disadvantageous for perishable commodities. The new rules also reduce liner operators' flexibility to switch a container from one ship to another.

### **Cochin Shipyard's performance**

Cochin Shipyard Ltd has achieved an all-time-high performance in ship building for the year 2005-06, as it recorded a production of 1,01,663 dwt in 2005-06 as compared with 62,517 dwt in the previous year. The company signed a contract with a Norwegian company for construction of four UT 755 L N type Platform Supply Vessels, with option for additional four vessels. In the ship repair front, the yard has three major orders from ONGC for repairs and upgradation of a jack up rig, 2 mobile offshore drilling units for a total repair services worth Rs 372 crore.

### **Asia-US container freights up**

The liners have raised the tariffs for handling containers between Asia and the US. Also, surcharges for all-water East and Gulf Coast moves via the Panama and Suez Canals have been increased to \$500 per FEU. The member lines in the Transatlantic Stabilisation Agreement (TSA) say they intend to phase in higher peak season surcharges in those market segments as the season progresses so as to alleviate the fears of the shippers that even a modest peak season surcharge in the summer and fall months will cause disruptions and have major cost impacts on their operations, particularly with regard to East Coast all-water shipments.

### **Congestion at JNPT**

Owing to shortage of container trains, the containers have piled up at JNPT. The EXIM trade has been rising, but the rates for handling the containers have not increased proportionately leading to a situation of congestion at JNPT. The backlog is at 10,000 TEUs, against the port's capacity to handle a backlog of 4,500 TEUs. With the development and start of operations of the 4<sup>th</sup> container terminal, the capacity of the port will increase to 4 million tonnes from the current capacity of 2.6 million tonnes. If the number of container trains do not increase to handle the projected volumes, then the situation is likely to worsen.

### **Aban Lloyds strengthens its position in Offshore sector**

Aban Singapore Pte Ltd, a wholly owned subsidiary of Aban Lloyd Chiles Offshore Ltd, is in the process of acquiring a 33.76 per cent stake in Norwegian drilling company Sinvest for \$445 million. This will place Aban Lloyd Chiles among the top 10 offshore drilling service providers. Aban Lloyd Chiles provides offshore drilling services and has a fleet of 6 jack-up rigs, two drill ships and one floating production unit. Sinvest's asset portfolio consists of premium new-builds, which are expected to meet the growing needs of oil exploration and production companies in their new reserve acquisitions.

### **Cochin port for upgrading to Class A port**

The classification of major ports was made based on the recommendations of a committee, wherein no rationale or criterion appear to have been relied upon to categorise ports at a lower level. There wasn't any study to establish that senior officers in the Category A ports shoulder higher responsibilities. Considering the number of developmental projects being taken up at Cochin port and also the fast pace at which the development is taking place, the shipping fraternity has urged the government to classify the port in class A as against class B, at which it is currently. Though the traffic handled by Kochi is lower compared to Category A ports, it is far more in value on account of the high-value containers comprising marine products, spices, cashew, etc., handled.

## **SCI in joint venture with Shapoorji Pallonji for shipping services**

SCI plans to float a joint venture with Shapoorji Pallonji's group company Forbes Gokak for operating chemical and other product tankers. This strategic move was to enable SCI to purchase second hand vessels with considerable ease. The new company proposes to purchase 6 product tankers. Forbes Gokak is already in the business of shipping and freight forwarding.

## **Paradip port trust issues fresh tender for dredging**

Paradip Port Trust has invited fresh bids for undertaking capital dredging for widening and deepening the navigable channel leading to the port, by cancelling its earlier tender. The earlier tender was cancelled due to high financial bids submitted. Boskalis, Dredging International, Jan de Nul, and Hyundai had submitted the bids. The estimated cost of the project is Rs 136 crore and the job involves deepening of the navigable channel of the port - around 19 m in the approach channel and a little more than 17 m in the entrance channel, sufficient to have a draft of 16 m in the proposed iron ore-cum-coal berth. Also, the length of the channel is to be extended from two km to 10 km. An estimated 15 million cubic metres of silt has to be removed.

## **Vallarpadam container terminal – phase 1 expected to be ready by early 2009**

The first phase of development involves works of building 600 metres of quay, an on-dock railhead serviced by rail mounted gantry cranes, 30 hectares of yard and the acquisition of six super post Panamax cranes designed to handle some of the largest vessels afloat today. The company will be investing \$ 200 million in the first phase of the project, which will have the capacity to handle one million TEUs. The company has initiated steps to complete the first phase of the international container transshipment terminal (ICTT) at Vallarpadam in the first quarter of 2009.

## **SCI to import additional crude for BPCL**

Shipping Corporation of India is to import an additional one mt of crude for Bharat Petroleum Corporation under the new Contract of Affreightment (CoA) being finalised between the two companies for 2006-07. Commencing October 2006, SCI will begin transporting imported crude for BPCL from various international sources and will complete with a total throughput of six million tonnes (mt) by September 2007. The CoA for 2005-06 provided for a total import of five mt between October 2005 and September 2006. SCI's CoA with HPCL is for 7.5 mt of crude till September 2006 and for 9 mt with IOC, which will be in force till end-2006.

## **Seafarers Manning agents under DG's scanner**

The Government has decided to promulgate Merchant Shipping (Recruitment and Placement of Seafarers) Rules, 2005. These rules make it mandatory for all manning agents to operate under licence and regulation, so as to be able to effectively implement the mechanisms of protection provided by the Merchant Shipping Act, 1958, for Indian seafarers. Section 97 of the MS Act specifically prohibits manning agencies and others finding employment for seamen by demanding any commission or fees. The Government wants to bring a regulation for controlling the mushrooming of fly-by-night operators.