

## **Newsletter for the week ended 01 August, 2004**

### **Coal throughput down at Paradip**

Paradip port is finding it difficult to maintain its average level of one million thermal coal per month. June saw a traffic of 8.62 lakh tonnes. As this commodity forms 40% of the port's cargo volumes, the decline has caused some concern to the port authorities. The decline has been attributed to slashing of the linkage - from 8.4 lakh tonnes a month during the period April to June to 6.1 lakh tonnes a month in the period July to September, as a result of which, there is no ground stock available at the port premises leading to detention of the dedicated coal carriers.

### **Chennai port strike lowers customs revenue**

During the strike period at Chennai container terminal, the traffic was diverted to Tuticorin port, on account of which Chennai Custom House (seaport) has lost a revenue of around Rs 25 crore to 30 crore. The net revenue went up marginally to Rs 1,104.84 crore in the first quarter ended June 30 compared to Rs 1,092.60 crore in the corresponding period last year. If not for the strike, the revenue collection would have increased by about 4% during the first quarter over the previous corresponding period.

### **Port users demand stricter norms for increasing efficiency at Chennai port**

On the backdrop of the recent strike at Chennai Container Terminal, the port users have demanded an additional terminal at the port. They have also asked for a clause for penalisation for inefficiency to be included in the concession agreement between the port operator and the port. The port plans to convert a general berth in the Chennai port into a container berth to supplement the efforts of Chennai Container Terminal Ltd. at an estimated cost of Rs 50 crores.

### **Container Terminal at Ennore port**

Ennore Port Ltd (EPL) plans to construct a container terminal with two berths, in the next 2 years, on a build, own and transfer (BOT) model, at an estimated cost of Rs 300 crore to Rs 400 crore. In 3-4 months, the company will issue a request for qualification (RFQ) to select the container terminal's developer, and the project will be done through an open tender basis. The terminal at Ennore will be able to handle about 6 million TEUs (twenty foot equivalent units) a year. The depth in the terminal would be 15 metres to handle container vessels up to 8,000 TEUs capacity.

### **VLCC rates zoom up**

The daily spot earnings for VLCC in the global market increased from \$59,410 on July 1 to \$64,112 on July 8, to \$68,400 on July 14 and to \$70,087 on July 15, compared to the spot earnings for VLCC in July 2003 between \$16,429 and \$18,000 per day. This has put even the analysts in a spin as during summer the demand for oil is at the lowest. Besides, the OECD industry oil inventories rose to 2,506 million barrels in May, which was 12 million barrels higher than last year.

### **Strike hits Vizag port's volumes**

Vizag port has lost a volume of 4 lakh tonnes of cargo in the berths handling cargo manually, in the past 6 days, on account of the strike by Visakhapatnam Dock Labour Board (VDLB) workers. Cargo handling operations are normal in four berths where mechanical handling facilities are available. Labour union leaders are opposing the engagement of private workers in the two private berths, EQ-8 and EQ-9, which are being operated by Vizag Sea Port Limited, promoted by Gammon India. The traders are planning to divert their cargo to other ports.

### **LNG imports on purely F.O.B. basis**

DG Shipping has requested DGFT to issue an order making LNG imports on F.O.B. mandatory. The DG Shipping is of the opinion that the guidelines for chartering of LNG tankers would force importers to opt for c.i.f contracts to circumvent the restrictions. Importing LNG on f.o.b basis would lead to competitive cost of transportation, flexibility in imports, uninterrupted supplies in case of emergencies and integration with project promoters.

### **World merchant shipping tonnage at all-time high**

The world merchant shipping tonnage built and maintained to standards set by Lloyd's Register has reached an all-time high 113.8 million gross tonnes, breaking the previous record of 113.7 million tonnes achieved a quarter of a century ago. In tonnage terms, more than 75% have been oil tankers, bulk carriers and container ships. In terms of number of ships, these three types account for half of the classed fleet. Recently, there has been a significant growth in other sectors such as the specialised LNG and passenger ship markets.

### **Trade representatives to recover losses incurred during strike**

Trade representatives are seeking reprieve from TAMP to recover the storage and demurrage charges incurred by them during the strike at Chennai Container Terminal. The directive issued last year by the Ministry restrained TAMP from entertaining representations made by individual parties from trade and users groups. TAMP will issue notices calling for a hearing pertaining to issues at the Chennai container terminal.

### **Calsoft finds another global shipping client**

California Software Ltd (Calsoft), a Chennai-based software firm provides information technology services to A.P. Moller-Maersk and Mitsui OSK, and is to sign an agreement with another major line. A.P. Moller's entire fuel procurement of more than \$1 billion is handled through the Calsoft's Fuel Procurement Management System (FPMS). The FPMS addresses the needs of bunker procurement, claims management, hedging and risk management. It automates the entire procurement business flow and helps reduce procurement costs by facilitating complex term contracts with suppliers.

### **Modern communications facilities at DGS office**

A modern communication centre has been set up at the office of the Directorate-General of Shipping, as part of the implementation of the International Ship and Port Facility Security (ISPS) code based on the IMO directive, which includes radio communication equipments such as VHF DSC facility, MF/HF SSB DSC with radio telex, apart from satellite-based Inmarsat global area network M4 system and Satellite C and enhanced group calling (EGC) facility for speedy communication with Indian ships and ports in cases of any emergency. The center, manned by radio officers and master mariners, will be in a position to alert Indian ships all over the world and any foreign ship in the Arabian Sea and Bay of Bengal (NAV Area VIII) with the help of EGC facility and 'Fleet Net' services. It will also facilitate receiving information on maritime security and, thereafter, disseminating it to any Indian ship or foreign ship on Indian shore for its information and security.

### **TM International to acquire two mobile harbour cranes**

TM International Logistics (TMIL), a joint venture between Tata Steel and Martrade Holdings GmbH of Germany, proposes to acquire two more mobile harbour cranes to facilitate its operation at Haldia dock and Paradip port. With this, the number of mobile harbour cranes at Haldia will rise to two. TMIL had installed a mobile harbour crane acquired at Rs 15 crore at Haldia's berth 12. The Haldia crane is the only such equipment operating in any Indian port.

### **Jaisu bags dredging project in Iraq**

Kandla-based Jaisu Shipping, is set to commence its maintenance dredging operations in the Umm Qasr port in Iraq soon. Jaisu, had obtained a 2-year contract through Miller Dredging Inc of the US for deepening the channel from seven metres to 12 metres at a value of Rs 400 crore. The company would be deploying a bucket dredger for the operations and as the entire staff would be in the dredger itself and there would not be any shore office for the company.

### **Juicy Bits**

- Essar Shipping reported a net profit of Rs 30.7 crore in the first quarter of the current fiscal, a marginal increase from Rs 30.28 crore during the corresponding period of last fiscal. The company's income during the quarter was Rs 193.82 crore as against Rs 140.15 crore in the first quarter of last fiscal, representing an increase of 36.3%.
- Great Eastern Shipping has reported a 6% increase in net profit for the first quarter of the current fiscal to touch Rs 102.43 crore, against Rs 96.23 crore in the corresponding period last fiscal. The company's total income during the quarter was Rs 417.05 crore, against Rs 301.38 crore in the corresponding quarter last fiscal, representing an increase of 38%.



## **Newsletter for the week ended 8<sup>th</sup> August, 2004**

### **Transworld Group to expand operations**

The \$150 million Transworld Group is engaged in ship-owning, shipping agencies, logistics, landside activities, freight forwarding and international trading, with bases in Dubai, Singapore, Europe, the UK, the US, and all major port cities in India, is increasing tonnage and broadbasing global networks through innovations. The group has set up an exclusive container freight station in Dubai and is setting up a CFS at Dadri, New Delhi and Kathmandu in collaboration with Concor. Through its group companies Orient Express Lines, Shreyas Shipping and Shreyas World Navigation Pte Ltd, Transworld operates short-sea feeder services between the Indian subcontinent, West Asia and South East Asia. Through Orient Express Ship Management Ltd, Transworld provides ship management and consultancy services for containerised vessels.

### **Introduction of tonnage tax spurs tonnage expansion**

Shreyas Shipping and SKS Ship have gone in for increasing their tonnage to take advantage of the tonnage tax regime. Shreyas Shipping has got the approval from its shareholders to raise \$100 million while SKS Ship has already got the nod from the bankers for Rs 150 crore. The proceeds for SKS Ship would be utilised to buy six new multi-purpose vessels over a period of 30 months, with the vessel size at around 3,500 DWT each with two cranes of 50 tonne mounted on each vessel. Varun Shipping too has already announced its rights issue as also its intention to raise funds through issuing depository receipts in the Singapore market.

### **The new government also in favour of SagarMala project**

The Shipping Minister has not planned to shelve the SagarMala project conceived by the erstwhile NDA government. As the mount involved is huge, the project is expected to be executed in a phased manner. As part of the project, existing ports will be upgraded to meet the emerging demands of maritime trade. This will include deepening of channels, creation of additional capacity and modernisation of cargo handling equipment. The minister has clarified that the ports were free to take up any necessary developmental work on joint venture.

### **Mumbai to have a closer connection with its new counterpart**

The Rs 3,600 crore six-lane trans-harbour sea link connecting Navi Mumbai with Mumbai city (at Sewri in south Mumbai) will become a reality once the Chief Minister of Maharashtra gives his go-ahead of the project. Maharashtra State Road Development Corporation (MSRDC) will be appointed as the nodal agency for the 24-km long project, which will be undertaken on a build operate and transfer (BOT) basis. Infrastructure development institution Infrastructure Leasing & Financial Services (IL&FS) had proposed to construct the project at no cost in lieu of toll rights for 40 years. The state government has stipulated that the ceiling rate for the tolls will be decided on the basis of the wholesale price index.

### **Shippers see no reprieve at Nhava Sheva port**

Congestion seems to be have become a perennial feature of Nhava Sheva container terminal. Textile exporters are the worst hit by the congestion, followed by exporters of other bulk goods namely chemicals, pharmaceuticals, iron and steel, and petrochemicals. Exporters are estimated to lose around Rs 800 crore a month because of delayed shipments. They have sought the intervention of the Union shipping, textiles and commerce ministries to resolve the issue.

### **KoPT handles record cargo**

Kolkata Port Trust (KoPT) has recorded 6.23% growth during April-July period of 2004-05 over last fiscal. Kolkata Dock System and Haldia Dock Complex (HDC) put together has carried 12.5 million tonne (MT) of cargo as compared to 11.77 MT in 2003-04. It handled 48,407 TEUs, recording growth of 29%, which is highest among all major ports in the country. During the month of July, HDC handled an all time record cargo of 3.151 MT surpassing the previous record of 3.003 MT achieved in January this year, comprising 1.143 MT of crude, 0.548 MT of coking coal and 0.42 tonne of iron ore.

### **Tamil Nadu government opposes ferry services to Colombo**

The Tamil Nadu government has opposed the proposal to commence a ferry service between Tuticorin and Colombo citing national security reasons. The Union Ministry for Shipping had convened an inter-ministerial meeting in May this year to finalise the signing of the memorandum of understanding (MoU) for the commencement of the service. The Chief Minister has expressed her concern that the services may lead to an increase in the activities of the LTTE sea tigers. It would also give fresh fillip to their claim of assuming legitimate naval control of international waters off the coast of Mannar, in the absence of a proper peace treaty between the two countries in place.

### **Rs 500 crore budget support sought for the Sethusamudram project**

The shipping ministry is seeking a support to the extent of Rs 400-500 crore in form of equity from the government for the Sethusamudram Canal Project. The total cost of the project is estimated to be at Rs 1,500-2000 crores. The ministry would also ask the Dredging Corporation of India (DCI) and the oil companies operating their vessels between India and Sri Lanka, to contribute in the special purpose vehicle being formed to expedite the project. As some ports have expressed their reluctance to participate on financial grounds, the ministry has conveyed that the equity participation can be spread over the years. The proposed navigation route will originate from Tuticorin new harbour in the Gulf of Mannar and pass through the canal created in Adam's Bridge within the international boundary, thus saving time and distance for ships that otherwise had to travel around the peninsula.

### **A full-fledged dock at Sagour Island**

The ministry of Shipping has decided to get a detailed feasibility report prepared by Japanese agencies for the Rs 3,000 crore dock complex at Saugor Island near Kolkata. Saugor will be the third full-fledged dock complex of Kolkata Port Trust (KoPT) after Kolkata and Haldia. The port is hoping to get 85% of the entire project cost as soft loan from the Japanese government. The construction of the dock at Sagour would take three years, which offered deeper draft than both Kolkata and Haldia and capable of handling of bigger vessels which could not call at the port now.

### **Marine security assumes greater significance**

With the increase in global trade and Asia seemingly the hub, security on the water assumes a lot of importance. Asia's shipping trade is expected to grow sharply led by China and India, but the region must enhance security and invest some \$27 billion to build over four new container berths by 2011 to meet rising demand. In the wake of the increasing trade, there is likely to be an increase in various piratic attacks on the vessels, which need to be addressed and accordingly investments in security-related issues need to be made.

### **Vessel-related charges to be collected in foreign exchange?**

As a tactic to get out of the service tax net, major ports, led by JNPT are petitioning to the government to collect vessel-related charges in foreign exchange. Shipping lines, both domestic and foreign, are keen to pay their vessel-related dues such as berth hire, pilotage, port dues and water charges to port trusts such as JNPT in convertible foreign exchange, but the port trusts are prevented by law from accepting such charges in foreign currencies. But private operators at major ports such as the Nhava Sheva International Container Terminal (NSICT) run by P&O Ports are collecting the VRC in foreign exchange, by virtue of being a foreign entity/national, from shipping lines (mostly foreign lines) that are willing to remit the charges in foreign currencies. Consequently, such transactions are exempt from service tax as the service provider neither recovers the tax from the users such as shipping lines nor pay it to the Government.

### **Port users jittery over Maersk-Concor's new terminal at JNPT**

Port users patronising JNPT have urged the Government to protect their interests as they fear a monopoly enjoyed by the joint venture partners in their respective fields. They have asked the government to insert certain terms and conditions so that it functions as a common user facility and not as a captive terminal of Maersk besides regulating the requirement of rates for all the three terminals at JN Port. They have proposed that the facility should not handle more than 15% of Maersk's in-house traffic.

### **Congestion forces JNPT to suspend import of metal scrap**

JNPT has decided to suspend handling of import rail containers carrying iron/steel scrap from September 15 for an initial period of two months as the sudden surge at 135% growth of imports of metal scrap has led to congestion at the port. According to the port officials, the sudden rise in the imports may be due to the drop of metal scrap globally. With costs on a downward slide, consignees are also not interested in clearing the consignment from the port premises by paying ground rent, accentuating congestion.

### **Gujarat Maritime Board luring private investors for developing intermediate ports**

Gujarat Maritime Board has short-listed Simar, near the Union Territory of Diu, Vansi-Borsi about 30 km off Surat, Mithivirdi that is just around the corner from Alang, Bedi near Jamnagar and Maroli to be developed with private participation. After its success with Pipavav port and Mundra port, the Board could not attract any other private player for a long time. It had lost SeaKing to Mumbai. The total investment envisaged for the development of these five ports adds up to nearly Rs 5,100 crore. The GMB has invited expressions of interest from the private sector for participation in these projects.

### **Bidding deadline for Vizhinjam project extended**

The last date for submitting technical and financial bids for the development of the Vizhinjam international container transshipment terminal has been extended for two months to October 15, at the request of foreign companies that have expressed interest in the project. Seven companies, four domestic companies, IL&FS and Hilico consortium, Afcons Infrastructure Ltd, Adani Exports and Gammon India Ltd. and three foreign companies, National Port Authority of South Africa, Hili

Company of Malta and Beckett Rankine and Company, London have obtained request-for-proposal documents from the department for submitting the technical and financial bids.

## **Newsletter for the week ended 15<sup>th</sup> August, 2004**

### **Ship-building sector gets a boost**

As per the policies drafted by the Shipping Ministry for maritime sector covering ports, shipping and inland water transport, a 10% surcharge would be imposed on the cost of repairs of Indian flag ships if the repair is done in foreign shipyards. Indian ship owners will be encouraged to use domestic facilities for ship-building, ship repairs and dry docks through fiscal incentives. As per the policy, no tax will be levied on repairs and replacement of hull, machinery and equipments for ship repair. The definition of ship repair will include all types of ship repair work without any restrictions. The new policy seeks to promote 100% FDI in ship-building and repair activity to provide for long-term subsidy support of up to 20-30 years. Subsidy for construction of all kinds of vessels subject to reasonability of price, policy support ensuring availability of indigenous steel for all Indian shipyards, capping of indigenous steel prices and duty-free import of equipments and machinery for ship-building and repairs are the promises of the new policy. Ship-building and repair industry will be provided infrastructure status and investments would be eligible for direct tax benefits for 20 years.

### **New maritime policy**

The new Maritime Policy drafted by the Shipping Ministry seeks to address several structural issues concerning the sector such as taxation of Indian seafarers, service and withholding tax, among other things, to facilitate growth of Indian tonnage. Shipping companies would be given exemption from withholding tax on the interest component of the External Commercial Borrowings. An Indian seafarer employed on a foreign-going ship would be exempt from income-tax provisions provided he remits \$10,000 per annum into India. Income from chartering of vessels, including bare-boat charter-cum-demise (BBCD) vessels, will be exempted from sales tax (value added tax)/royalty payments.

### **Inland Water Transport may see 100% FDI**

Allowing 100% FDI in Inland Water Transport (IWT) is one of the fiscal initiatives being offered by the government to develop IWT as a viable mode of transport and ensure a modal shift from rail/road to this sector. A Development Fund for IWT with a corpus of Rs 500 crore will be created at the National level. It is proposed to provide Income Tax exemption for 20 years for investments made by companies in IWT infrastructure or IWT vessels. Income earned by companies from IWT operations will be exempted from IT/Corporate Tax up to 100% for 10 years and up to 50% in next 10 years.

### **Chennai Port cuts charges to prevent losing business to Ennore**

In order to prevent flight of car exports through nearby Ennore Port, the Chennai Port Trust has decided to cut the wharfage charges from Rs 715 per car to about Rs 350 per car and vessel related charges by 30% on the existing rates for Korean car-maker Hyundai. Hyundai Motor India Ltd. has entered into a long-term memorandum of understanding (MoU) with Chennai Port Trust whereby the car-maker has guaranteed export of cars through the port for 15 years. The company has plans to increase its exports to 65,000 cars in 2004, going up to 80,000 cars in 2006. With Hyundai planning to bring car and truck carriers to the port, the port trust is likely to start marketing itself to facilitate export of trucks manufactured by Ashok Leyland and Volvo through Chennai port.

### **Chennai Container Terminal refunds charges, but with conditions**

Chennai Container Terminal Pvt Ltd (CCTL) has agreed to refund the storage charges for the strike period - May 23 to June 5 for container storage in the yard. Refund in the form of credit will be based on the shipping lines/custom house agents/consignees submitting proof of custom duty paid PNR (public notice register) movement copy or job order copy of CCTL. The storage refund will be given based on TSA (transshipment application document) for the inland container depot (ICD) containers that were in the yard from the first day of the strike or which landed during the strike period. The company will also refund for containers moved under en bloc between June 21 (10 p.m.) and June 29 (6 a.m.) from the date of filing of PNR up to the date of gate out of CCTL. The port users, however, said that the refund should be unconditional, as there was a failure on the part of the private terminal operator to perform.

### **Dredgers express their displeasure in being left out of tonnage tax**

The Indian Dredger Owners' Association has protested against the exclusion of dredgers from the qualification of ships in the Finance Bill, while considering the tonnage tax. According to them, dredgers are merely ships with special purpose equipment. As India is very adversely placed in the global business of dredging, with stiff competition from global players from Netherlands and Belgium, the association was of the opinion that the valuable incentive of tonnage tax is absolutely necessary for dredging industry like that of shipping to expand its fleets.

### **New policy for major ports soon**

As per the new policy guidelines drafted from the major ports of the country, a private operator will be allowed to run not more than two container terminals having a total quay length of 1,600 metres in any one of the 12 Government-owned major ports in the country. In the case of container terminals, minimum quay length of 800 metres in a straight line is required to optimise utilisation of the facility. The new port policy strives to promote both inter-port and intra-port competition to provide users with a choice not only between different major ports but also between different operators within the same port.

### **Private port operators demand increase in quay length**

P&O Ports, which operates the Nhava Sheva International Container Terminal (NSICT) having a quay length of 600 metres and the Chennai Container Terminal (CCT) with a quay length of 885 metres, have demanded additional quay length from the Government to convert these two terminals into hub terminals on the west and east coasts, respectively. A hub port terminal would require a draft of 15-17 metres with a minimum quay length of 1,200 metres to accommodate two mother vessels and a couple of feeder vessels at the same time. Given the lack of adequate quay length in JNPT, none of the three box terminal operators (JN Port terminal with a quay length of 680 metres, NSICT with 600 metres and the new terminal being developed by Maersk-Concor with 720 metres) are going to be a hub terminal operator.

### **Further delays in Kochi LNG terminal**

Kerala has been waiting for about five years for a terminal, in which it invested around Rs 32 crore on pre-project activities and is to be set up by Petronet LNG Ltd (PLL), a company set up by the Centre. The company commenced operations here along with the Dahej project in Gujarat, which has already become operational. The terminal was planned eyeing on the National Thermal Power Corporation (NTPC), which is to expand its capacity from the present 350 MW to 2,300 MW in the next Plan, as the anchor customer. But the corporation has made it clear that it would strictly go by the lowest price offer to supply gas. Also, opening of the technical bids wherein Petronet is a participant along with seven others including Reliance Industries, scheduled to be on July 21, has been postponed and it is expected in September.

### **Coastal and inland water vessel owners left out of tonnage tax**

As the introduction of tonnage tax follows withdrawal of the benefit under Section 33 AC that was extended to sea-going vessels, the coastal and inland water operators will now have to pay the hefty corporate tax, which will make a significant dent on their bottomlines. These operators have taken up the issue with the Shipping Ministry, which is likely to put forward their plea to the Finance Ministry. The number of barges operating along the Indian coast is at about 200, apart from the inland water vessels. These inland water vessel operators are surprised that the Government, on one hand, has been keen on developing these modes of transportation, while, on the other, it chose to isolate these vessels from the larger ocean-going vessels when it comes to benefits.

### **Change in tariff fixation at major ports**

The Shipping Ministry has announced that the cost-plus approach for fixing tariffs at major ports will be replaced by the normative approach starting at first in container handling facilities, besides strengthening the powers of the Tariff Authority for Major Ports (TAMP). The functioning of TAMP would be strengthened so that uniform and transparent norms prevail in matters of tariff fixation and in prescription of quality of service for applicability to port authorities/terminal operators to ensure that the needs of the users of the facility and profitability to the facility provider are met. The policy also promises increase in the draft available at Indian ports, rationalisation of port dues, providing differential levels of tariff for different sizes of vessels or for different cargoes to attract mother ships to berth at Indian ports.

### **Inordinate delays in Vallarpadam container terminal**

The bidding company Dubai Port Authority (DPA) may withdraw its proposal to set up the terminal as the tender submitted by them will expire on September 20. As per the tender, the Dubai company will share revenue at 33.3% with the Kochi port. DPA had expressed its dissatisfaction over the delay in getting the clearance. The development of this project is seen as being against the interest of the two ports in Tamil Nadu.

### **Kulpi port to be developed soon**

The long awaited Kulpi port and the adjacent greenfield special economic zone (SEZ) may finally become reality with government of West Bengal (GoWB) and Bengal Ports, a consortium led by P&O Ports, planning to sign an agreement to take the project forward. The consortium is expected to take up detailed project report (DPR) to look at the technical and financial viability of the port and SEZ. Apart from that, studies would be undertaken to assess the environmental impact of the project. The SEZ would require close to 3,000 hectares of land entailing large scale displacement and conversion of agricultural land. The consortium would build two container terminals and associated facilities at the port. Linked to it would be a 3,000 hectares plot under the SEZ.

### **Another port out of sorts on account of labour**

The Dock Labour Board workers and the unions at Vizag port contend that according to the Dock Workers' (Regulation of Employment) Act, 1948, only dock labour should be deployed in the dock area. The workers went on strike on July 25<sup>th</sup> against the employment of other workers by the private operator. The private company, a joint venture between between Gammon India and Portia Management Services of the UK, claims that the agreement it has signed with the Port Trust authorises it to employ its own workers.

### **Cargo loss of one port is another's gain**

Non-clearance of import of industrial alcohol by the customs at Mumbai has seen the cargo shifting to Kandla port. The customs authorities claim that these were potable alcohol and hence the importers had to pay a duty of 160%. The customs had not tested the samples to prove that they were potable alcohol and were not clearing the cargo, unless the importers paid the duty of 160%. So the importers shifted their cargo to Kandla, where they did not face this problem.

### **Juicy Bits**

- The commerce Ministry has removed the restriction of import of rubber only through the ports of Kolkata and Vizag.
- The Haldia dock complex of Kolkata Port has handled a record cargo of 3.151 million tonne during July this year surpassing the previous high of 3.003 million tonne in January 2004.
- Between April and July this year the Kolkata dock system has handled 48,407 TEUs, which is the highest in the history of the port.
- The SagarMala project has been renamed as National Maritime Development Programme (NMDP).

## **Newsletter for the week ended August 22, 2004**

### **New Maritime Policy**

The Merchant Shipping Act maybe amended to explore the possibility of having another International Register/Open Register so as to attract more tonnage on the backdrop of availability of 100% FDI in the shipping sector. Joint ownership of a ship with a foreign company is also being considered. An offshore shipping policy will include training and export of manpower with expertise in offshore shipping. A coastal shipping policy will specify special rates for coastal cargo different from those of international cargo.

### **Issue of Transchart's role in moving IOC's cargo rears its head again**

The ministry of petroleum has again raised the issue of allowing IOC to choose its own charterer, instead of routing it through Transchart. The Ministry of Shipping is however, not too keen on diluting Transchart's power, citing the important role it has played so far in crude imports. On one side, the shipping companies are asking for a level-playing field, but on the other hand, they are seeking protection in form of assured cargo. The shipping fraternity fears that given the freedom, IOC will route crude import through foreign flagged vessels, at a substantial loss to the Indian shipping sector.

### **New pension policy and reward system for seafarers**

As per the new policy for seafarers' pension scheme, pension for workers in the major ports sector would be on the lines of pension scheme prevailing in the Central Government. The reward system will be productivity-linked based on the performance of individual ports. These schemes are designed in a way to reduce the financial burden on the central government.

### **Maersk-Concor's primary aim to ease congestion at JNPT**

Mr. Hans Ole Madsen, Managing Director, Maersk India Pvt. Ltd. is keen to bring down the congestion at the country's premier port, JNPT. As of now, the financial closure of the project needs to be obtained, which is estimated to be around Rs 1,073 crore. Once this box terminal becomes fully operational, JNPT's container handling capacity will be enhanced to about 3.7 million TEUs per annum. During 2003-04, the Port had handled 2.27 million TEUs, representing about 58% of the container traffic handled at the 12 major ports in the country.

### **P&O Ports helps push the Kulpi project ahead**

West Bengal's first private port at Kulpi will finally take off after ten years of its conception, as P&O Ports showed interest in developing not just the port but also the SEZ adjacent to it. The entire project will be located downstream of the existing dock complexes of the Kolkata Port Trust at Kolkata and Haldia. The port will be set up through a company called Port & Co in which P&O may pick up to 69 per cent stake and BPL (P&O currently holds 44.5% in BPL, another 44.5% equity stake is shared between Mr. Rajesh Shah, Managing Director of Mukund Steel, and Mr. M.K. Jalan, Chairman of Keventer Agro) will hold the balance.

### **Strike used as a tool to push forward project!**

The Cochin Port Staff Association has threatened to go on a strike on account of delay in clearing the Vallarpadam project by the Union Shipping Ministry. The current tender submitted by Dubai Ports Authority will expire on October 20, thereafter, which the entire process will have to be started from scratch. Even though the Port Trust Board had taken decisions for the purchase of

essential container handling equipments, this has not materialised on the guise that the Rajiv Gandhi Container Terminal would be transferred to the private party as part of the conditions to develop the project.

### **IOC's bitumen shipment gives a ray of hope to vegetable oil imports**

The age norms for tankers were relaxed as a special case for the export of bitumen to Bangladesh, to benefit Bangladeshis. The vegetable oil shippers have raised their voices against this unfair treatment, citing that bitumen spill can cause more pollution than vegetable oil. The contract of bitumen was on F.O.B. basis and the responsibility of shipment arrangements is with the Bangladeshi buyer.

### **Lakshadweep to get connected to mainland via sea by charter ships**

In order to ease the transportation problem of islanders, the Lakshadweep Administration is planning to charter a ship between the islands and the mainland. Amongst the current four vessels operating from the islands, two are outdated and cannot be put into service during monsoon. Hence the administration decided to charter a vessel with a capacity of 500-600 passengers. There is a need for 14 vessels to ferry people to and from the mainland.

### **Land policy for major ports**

The major port trusts will be given full freedom to decide on leasing out port land for 30 years. The port trusts can allot land on tendering basis, except in cases where it is otherwise specified to be allotted on nomination basis. The port will allot land on an upfront premium basis, but also have the flexibility of giving the land on an annual lease rental basis.

### **Dubai Ports keen on SEZs in India**

After ports, the SEZs in India are gaining attention. Going by the Chinese SEZ success story, as it being instrumental in increasing maritime trade for China, India is keen to promote SEZs at port areas. Dubai Ports Authority has evinced interest in setting up SEZ in India in the lines of Jebel Ali Free Zone in Dubai. This will increase DPA's presence in India, as they already have a stake in the 25000 TEU container terminal at Vizag port in joint venture with J.M. Baxi group and have also won the bid for the Vallarpadam container terminal.

### **New Mangalore port land for developing power plant**

The New Mangalore Port Trust has given its port land to Nagarjuna Power plant. The total port installations will cost Rs 180 crore. The port will also provide the requisite facilities for LNG terminal worth Rs 2,600 crore. One multipurpose deepdraft berth is under construction for 120,000 DWT and one dry bulk berth and bunkering facilities is being proposed.

### **Mormugao port to overhaul port facilities**

Goa Chambers of Commerce is planning to step up the facilities available for container handling. The port has upgraded the facilities to handle mining traffic. The port has only one specialized crane to handle containers. Multiple stackers will help in speeding up the loading so that the vessels can move out of the harbour fast. The increasing business at Goa has prompted the chambers of commerce to spruce up the facilities for both cargo and passenger handling.

### **Kolkata box terminal to get a new look**

Cardinal Logistics Ltd., a subsidiary of the ABG group, has undertaken to re-develop Kolkata port terminal at a cost of Rs 40 crore. The developed terminal is expected to be commissioned by next month. The company is confident of a traffic of 1.5 lakh TEUs in the current fiscal, on account of the new equipments and the proposed Inland Container Depot (ICD), to be set up by Concor, which would link the port to the Tughlakabad ICD with a direct train service.

### **Mercator Lines may venture into bulk segment**

After being on a tanker purchase spree 1st year, Mercator Lines has now shifted its focus on the bulk cargo segment so as to get the best of both the worlds. The company has laid out a capital expenditure programme of \$150 million for the current fiscal, targeting to increase its DWT from the present 0.86 million to 1.5 million.

### **PSA bullish on India**

Undeterred by the failure to bag the terminal contract at JNPT, PSA is still bullish on India. The company sees tremendous potential in India and is studying various possibilities of handling atleast one container terminal at a major port on both the coasts of India. At present the company has undertaken due diligence for developing a container terminal at Hazira port. PSA is awaiting the Ennore terminal project and the JNPT terminal project to come up, to submit its tender.

## **Newsletter for the week ended August 29, 2004**

### **Kandla Port box terminal bidding till end of September**

The deadline for technical and financial bids for the Rs 200 crore box terminal at Kandla is set at September 29. Kandla port has proposed to realign the container terminal project and have it constructed and operated on BOT basis on berths no. 11 and 12, which have a combined quay length of 545 mt and a draft of 12.5 mt alongside the berths. Berth no. 12, which is at present being developed, is expected to be ready for use by the end of October 2005. The selected bidder will be required to commission full-fledged container handling operations at berth no. 12, with at least two new Rail Mounted Quay Cranes (RMQCs), within 24 months of the signing of lease agreement. The container-handling operations at berth no.11, which is ready for use, should commence within eight months of the signing of the agreement, with adequate number of RMQCs and mobile harbour cranes as specified in the agreement. ABG Heavy Industries, Afcons and Gammon India are the three bidders for the project, at present.

### **Dubai Ports International pitched on Vallarpadam terminal**

Dubai Ports Authority is intense on developing the Vallarpadam terminal within four years, irrespective of whether it is able to meet the condition of handling 400,000 TEUs for moving out of Rajiv Gandhi Container Terminal. As per the terms of the contract, DPI cannot start the development work at Vallarpadam terminal till the traffic at RGCT reaches 400,000 TEUs. Within two years of handling 4,00,000 TEUs, the terminal operator is expected to shift operations to the ICTT and run the facility for the remaining part of the concession period of 30 years.

### **Raipur ICD cargo may be routed through Vizag**

The newly constructed ICD at Raipur is expected to receive cargo like rice, deoiled cake, heavy melting scrap and a variety of items needed by the plants of NTPC, BALCO and SAIL, all located in the region Chattisgarh and western Orissa. The link between the ICD and Vizag port has been established. The Customs notification has been made and the rates have also been announced.

### **Tuticorin port proposes to pre-pay yen loan**

Having obtained the approval from the Board of trustees, the port trust of Tuticorin port is awaiting approval from the Ministry of Shipping to pre-pay its yen loan. The loan was availed by the port from Japan Bank for International Cooperation (JBIC) in 1999 for funding the capital dredging project at the port. The appreciation of yen against the rupee has prompted the action. The yen loan will be converted into a rupee loan to hedge the foreign exchange risk. The prepayment will be financed through a mix of market borrowings and internal resources.

### **Concessions to woo shippers at Sagour Island**

In an effort to build up the traffic at the virtual jetty at Sagour Island, Kolkata port has decided not to levy berth hire charges on the vessels calling at the port, as the facility is not that of full-fledged berthing but only mooring. The port has also offered to waive the mooring charge normally levied at the rate of 25% of the berth hire. As the locally available barges were of lower capacity, barges operators from Goa and Maharashtra were invited to provide higher capacity barges. But lack of any firm cargo commitment has not resulted in commencement of the operations.

### **JNPT rethinks on privatization of shallow water berth**

JNPT had received 17 responses to its EOI for developing a shallow water container berth located between JNPT terminal and the third terminal. The tender conditions had involved a revenue sharing system on a revenue-per-TEU basis. But the bidders were more inclined towards a clean lease basis, where in they would have to pay a certain lease charges for operating the berth. The port is suddenly considering development of this berth by itself with its own equipment, now that the third and fourth terminals are likely to be developed by private operators.

### **Inland Water Transport gets the attention**

The ministry of surface transport has drawn up a plan to pump in Rs 1,000 crore for the Inland Water Transport (IWT) and coastal shipping programme, receiving equal contributions from the financial institutions and the centre. The earlier source of maritime development cess on the amount of cargo carried by the Indian ports has been ruled out, as it was found to be unfair on the consumers, to whom, ultimately the cess would be passed on. The effective rate of interest would work out to 6-%.

### **A comprehensive transport and maritime policy on cards**

The Union Minister for Shipping, Road Transport and Highways has proposed a comprehensive plan for developing the connectivity between ports and cities. Based on the suggestions and recommendations from various trade and industry organizations and port authorities, a detailed plan is to be drawn up to connect all ports with the hinterland, state capitals and national highways.

### **Kandla terminal project attracts MNCs**

Multinational Companies rush to obtain the contract for developing the Rs 175 crore container terminal at Kandla port. Companies such as Maersk, ABG Heavy Industries, Afcons Infrastructure, Samudra Shipping (Singapore), Van Oord Acz, L&T, Shreyas Shipping, Seaways Shipping, United Liner Agency have submitted bids. The final announcement by the port is expected soon. The project is proposed to be completed in two phases. The port has 12 berths out of which the container terminal will be developed at two berths, which has a combined quay length of 545 metres and depth of 112.5 metres alongside the berths. While 11 berths are already in use, another berth, at present under development, is expected to be ready by October 31, 2005. KPT has already invested Rs 50 crore for the development of 11 berths.

### **Global tenders for Mumbai sea-link**

Maharashtra State Road Development Corporation (MSRDC) has invited global tenders for the development of the Rs 2,600 crore Mumbai trans-harbour link project, involving construction of a 22.5 km long six-lane road bridge, dual carriageway from Sewree in central Mumbai to Nhava on Navi Mumbai side, consisting of varying lengths of spans of 50 metres to 150 metres or more. The construction period for the project would be 48 months and the last date for submitting the bids is November 23.

### **Another strike in the offing?**

This time it is the turn for the seafarers to go on a strike. The seafarers have threatened to go on a strike if the entire losses on the Seamen's Provident Fund is not recouped. This notice, issued by the National Union of Seafarers of India (NUSI) has caused jitters amongst the shipowners. Given the NUSI's clout in the seafarers' community, the strike could deliver a serious blow to

shipping operations in India, with wider ramifications in India's sea-borne trade. On the other side, the strike may cause severe damages to the opportunities available for seafarers to be employed by foreign flagged vessels.

### **Battle of ammonia still on**

FACT has terminated its ammonia transportation contract with ABC & sons citing high transportation costs as the reason. The original contract was signed in 1986 and the cost and the distance have gone up substantially since then. ABC & sons had also taken up comprehensive insurance policies, to cover environmental damage, port property and personnel. In 1990, the terms of the contract were revisited. The company pointed out that it had been delivering as per the terms of the contract and in an accident-free manner.

### **Asia's giants in sea transportation**

With 11 Asian ports already being among the world's top 20 ports and accounting for 46% of the world's total containers handled (in terms of the TEUs), Asia remains the dominant players in the global shipping, led by India and China. Till 2007, the container trade in Asia is projected to grow at an annual average rate of 7%. The emergence of the two nations as two major container markets is not seen as a threat to the region, but as a boost to the intra-regional trade and growth of several Asian ports. Malaysia, Indonesia and Thailand are seen as the other major countries in the region that will help in boosting Asia's dominance in sea trade.

### **Vessel related charges capped at 10% for JNPT**

TAMP has ordered implementation of its order for reducing the ceiling rates of all vessel related charges at the Jawaharlal Nehru Port Trust (JNPT) by 10%. JNPT had filed a proposal seeking continuation of the existing tariff till a review was undertaken after the new guidelines for tariff fixation were finalised by the authority with the approval of the Shipping Ministry. Contrary to TAMP's view, JNPT is of the opinion that BOT incomes should not form part of the operations of the port and should not be considered in the financial statements/cost calculations.

### **Forward booking of non-ferrous scrap suspended**

Owing to the congestion at JNPT, the port had suspended the trade for scrap. This has prompted the trade authorities to suspend the forward booking of non-ferrous metal. This may have serious repercussions, as this would mean import of prime metals at exorbitant prices, affecting the costing at the local industry level and hence affecting the economy as a whole.

### **Juicy Bits**

- Visakhapatnam Steel Plant (VSP) of Rashtriya Ispat Nigam Ltd has handed over possession of 1,400 acre to the Andhra Pradesh government for development of a minor port at Gangavaram.
- Shipping lines participating in the shipments of tea through the Amingaon (Guwahati) inland container depot (ICD) have been hit by an acute shortage of the empties at the ICD end, caused by the shortage of slots in the mainline vessels operating between the Far East and the UK/Continent and other Western destinations.