

Newsletter for the week ended March 13, 2005

ONGC to buy crude carrier

Oil and Natural Gas Corporation (ONGC) is planning to buy a very large crude carrier (VLCC) to get oil either directly to India or use it for swapping crude with some other country. Initially, ONGC will especially target to ship in oil from Russia's Sakhalin I and Sudan. Sakhalin I is expected to start producing crude oil in a year's time from now, while ONGC's Greater Nile Oil Project in Sudan is already producing oil.

Mumbai Trans Harbour Link

Six international consortiums have asked for RFQs (request for quotation) for the first phase implementation of the Mumbai Trans Harbour Link which might be the second longest bridge in the world. The first phase is estimated to cost Rs 4,000 crore and will have a 22.5-km, six-lane sea link connecting Nhava in mainland Mumbai and Sewri in the island city. From Sewri, there will be two 'dispersal systems' — essentially overhead bridges across the existing roads. One will be an eight-km bridge connecting Sewri with Colaba and another, a four-km bridge between Sewri and Worli. The Union Government funding is expected to be around Rs 1,000 crore.

SCI diversifying into terminal operations

The Shipping Corporation of India is planning to bid for JNPT's fourth terminal in partnership with others. This will change the scenario of terminal operations business in the country to a certain extent, as this is currently dominated by foreign players. SCI with its capability will add Indian flavour to the terminal business in India.

National Waterways III

A total of 37 lakh cubic metres of capital dredging would be required to meet the standards of navigation at the Kollam-Kottappuram stretch. The average width of the channel has to be increased between 32 and 38 metres and the depth by 2.2 metres. IWAI has initiated steps to set up seven cargo jetties in the waterways at Kottappuram, Aluvaloor, Ernakulam-Maradu, Vaikom, Thanneermukkam, Thrikkunnappuzha and Kayamkulam. by the end of March. The Alappuzha, Kollam and Chavara jetties, along with a proposed jetty near the Cochin Special Economic Zone are also being readied for operation.

Seaways to set up a CFS at Vizag

Seaways Shipping Limited, a leading stevedoring company, is planning to set up a container freight station in Visakhapatnam. The company already has branch offices at 25 centres in the country including all the major port cities. Maxicon Shipping Agencies Private Limited and Sea Master Shipping and Logistics Private Limited, the sister concerns of Seaways Shipping, are engaged in the container handling in Visakhapatnam for the past several years handling around 60 per cent of the container cargo at Visakhapatnam.

Gopalpur Project

Tata Steel had acquired 3,200 acres of land at Gopalpur to set up a 10 million tonne steel project, but was shelved due to poor steel industry scenario. It now plans to have a relook at the project and invest Rs 500 crore in a cold-rolling steel processing plant on the Gopalpur site. This is part of the forward integration plan of the company, as it is in the process of setting up a six million tonne per annum steel making project at Kalinganagar, in Jajpur district.

Chennai Port to offer concession to Hyundai Motor

Chennai Port Trust has agreed to offer concession on wharfage and marine charges for export of automobiles through the port for a period of 10 years. Upto 30,000 units, the

wharfage will be as per the prevailing scale of rate of the port. The wharfage rate will be 70 per cent of the prevailing scale of rate for volumes between 30,000 and 50,000 units, 50 per cent of the prevailing scale of rates for volumes between 50,001 and 70,000 units and 30 per cent of the prevailing scale of rates for volumes above 70,001 units. The throughput for the purpose of calculating the concessional tariff would be from January 1 to December 31 every year.

Containerised export at Paradip down

The container throughput at Paradip is attributed to Nalco, which uses the port for exporting ingots in containers. The company has to yet to renew its contract with its shipping line, PIL, which has revised the tariffs upwards. There has no shipment for a month now on account of this.

A supervisory consultant at JNPT

JNPT is planning to appoint a supervisory consultant who will assist the port to monitor and supervise the upcoming Rs 16,000 crore infrastructure projects. This will expedite the projects. JNPT has firmed up several infrastructure projects including the construction of a fourth container terminal and a marine container terminal on a build- operate -transfer basis. The port plans to enhance port connectivity through the construction of rail lines and roads.

Vizag port slashes wharfage, handling charges

Visakhapatnam Port has decided to offer concessions both in wharfage and handling charges on imported project materials to avoid diversion of project cargo to other ports. At present, the port calculates wharfage charges on project materials on ad valorem basis. As the project materials are high-valued, the port charges are on a higher side as compared with other bulk handling charges. In case of cargos other than project materials, the wharfage is on tonnage basis, which when compared with the wharfage paid on project materials is not exorbitant. The port has also decided to extend the free time for project material from two days to 10 days in case of demurrage charges.

Norms set by DPI face criticism

As per the new norms set by Dubai Ports International, a worker will not be allowed to continue for more than six months at one time. A worker should have passed 10th standard, the supervisor must at least be a graduate, and they should be fluent in Malayalam, English and Hindi. The company also insists on a police verification certificate for all the contract workers. All trade unions at the port are opposing the conditions and may go in for stoppage of work if necessary. According to the trade union leaders they had already signed an agreement with the port that all workers will be absorbed by the DPI on what and where condition and will not allow the agreement to be violated under any circumstance. But according to DPI they were not party to such an agreement and will not abide by the said agreement.

WTO gives South Korea 90 days to end shipbuilding subsidies

The World Trade Organisation has given South Korea three months to halt certain shipbuilding subsidies following a complaint by the European Union against the world's leading shipbuilding nation. The Korean export-import bank Kexim provided subsidies through pre-shipment loans and advance payment refund guarantees that South Korean shipbuilders offered their clients. According to the EU complaint, the subsidies helped South Korean companies sell their ships for less, while Seoul argued that its industry was simply more competitive. In 2003, South Korea controlled 43.5 percent of the global shipbuilding market, while the EU accounted for 8.7 percent.

Juicy Bits

- The New Mangalore Port handled a record traffic of 30.67 million tonnes till the end of February during the current financial year against 23.59 million tonnes during the corresponding period of the previous year, a growth of 29.59 per cent.

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Jaisu Shipping at Mauritius

Jaisu Shipping Company Private Limited is the only Indian dredging company that responded to a tender floated by Port Louis, Mauritius and is in the process of finalising the contract to carry out capital dredging operations. The USD 12 million contract is for four months and involves deepening of the Harbour to facilitate movement of deep draughted vessels. Jaisu is well equipped in terms of equipment, know-how and manpower to successfully dredge even in deep sea or channels having crosscurrents or large tidal variations of up to 10 metres. The company plans to acquire two more dredgers in two years at an estimated investment of Rs 110 crore. The dredgers include trailer suction and cutter suction, which are both required for capital dredging as well as maintenance dredging.

Deep draft port in West Bengal

Kolkata port alongwith Haldia dock, being a riverine port suffers from the draft restriction caused by the poor navigability of the Hooghly river prone heavy siltation. The draft restriction prevents large vessels to call at the port with full load, causing enormous problems for both port authorities and users. Though the state government has been trying to push the port development at Sagar Island, the center is not convinced about the depth of the draft whether it was enough to justify as a deep draft port. . A deep draft port is one with an average draft of 16-17 metres so that large vessels such as Capesize bulk carriers (80,000 dwt and above) and Suezmax tankers (100,000 - 150,000 dwt) could call there with full load. The present 10.5-metre draft at Sagar Island, though higher than what is currently available in either Kolkata Dock System or at Haldia, is very low. In fact, the establishment of a port at Sagar Island presupposes extensive dredging along the 10-km long approach channel to achieve the targeted draft of 12.5 metres - much less than what is required for a deep draft port.

International tanker market betrays trend

With the international shipyards running long order books, the demand for tankers has put pressure on the second hand market, pushing the prices for second-hand tankers higher than that for the new ones. Indian shipowners who were planning to buy second-hand tankers have put their decisions on hold. New orders will be delivered only in 2007 or 2008. If one wants to rake in the benefits of high tanker freights the action for acquiring a tanker has to be immediate. The high prices for five-year old tankers have put the shipowners in a dilemma.

Cochin Shipyard gets new export orders

Cochin Shipyard Ltd (CSL) has bagged export orders worth Rs 300 crore for constructing four platform supply vessels for global major Seatankers Management Company Limited, amidst stiff international competition. The vessels are scheduled for delivery by mid-2007. The earlier export orders included a cargo/launch vessel for NPCC, Abu Dhabi, 9 fire fighting tugs for Port of Jeddah and six 30,000 DWT bulk carriers for Clipper Denmark.

Consultant to study ship-breaking industry at Kakinada

The Andhra Pradesh government is likely to appoint The National Ship Design and Research Centre (NSDRC) of Vizag to evaluate the possible impact of setting up the proposed ship breaking industry at Kakinada coast in East Godavari district. The consultant firm has to submit its report within a period of one month. The move was due to local protests against allowing the industry on Kakinada seacoast. State officials estimate the potentiality of the ship breaking industry at Kakinada with an annual turnover close to Rs 200 crore if allowed.

Mercator's expansion plans

Mercator Lines Limited is planning to invest around Rs 1,300 crore in the next quarter to buy at least six vessels, by diversifying into the bulk segment as part of this expansion plan, which would shore up its tonnage to 1.5 million dwt. The acquisition would be financed to the extent of \$60 million by way of foreign currency convertible bonds (FCCB) and the balance would be met by domestic debt plus internal accruals. The company is also planning to either set up its own subsidiary or make a suitable acquisition overseas, in which it will have at least 51 per cent stake.

Raw sugar imports at Mundra

Mundra port is busy unloading import cargo of raw sugar, as most of the cargo needs to be dealt with before the onset of the monsoons. The importers are bringing in raw sugar at zero percent duty against an obligation to re-export refined sugar within 36 months. The duty component, otherwise, would have been 60 per cent, and it is this massive discount that is driving the sugar traders to go in for imports. Also, with the sale of raw sugar taking place from high seas, the Uttar Pradesh traders who are importing the sugar, need not pay any sales tax to the Gujarat Government.

Mumbai port concern over proposed congestion surcharge

India Pakistan Bangladesh Ceylon Conference (IPBCC) has proposed congestion surcharge for April, which has surprised the Mumbai port trust as there is no congestion at the port. According to the port officials, the container berths at the port at present had an average berth occupancy of only 40 per cent, while utilisation of its container yards and container freight stations did not exceed 50 per cent.

Upgradation in maritime training

Maritime manpower from East Europe, China and Philippines has increased recently posing a threat to India's supremacy in the world maritime manpower resources. The total increase of Chinese seafarers in the recent period is 7.24 per cent, whereas the corresponding Indian increase is a modest 3.21 per cent. The number of Russian crew in the officer category had also shown an increasing trend in the recent past. Taking into account the increased competition, suitable changes in the present system of maritime training needs to be considered.

Go-slow at Kochi port box terminal

The gantry berth at Kochi port is experiencing a 'go slow' in the past few weeks affecting the productivity of vessels as well as the performance of the port due to protest by gantry operators against the enhancement of productivity-linked incentives to the trailer operators employed in the wharf. The port had increased the incentives to Rs 6 per TEU from the present Rs 3 for trailer drivers after handling more than 80 TEUs as base mark, but kept that of the gantry operators intact.

Juicy Bits

- G E Shipping has signed a contract to buy a 2003 Handymax dry bulk carrier of about 52,000 DWT, as part of its plans to consolidate its presence in the dry bulk trade.
- The Tuticorin port handled 142.87 lakh tonnes of cargo traffic from April 2004 to February 2005 as against 124.93 lakh tonnes of cargo handled during the corresponding period of last year, registering an increase of 14.36 per cent.

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Mumbai Port Trust strategises plans for increasing business

The Mumbai Port Trust has introduced a competitive cost structure for users, including steeper discounts for inland container depot (ICD) containers, in an attempt to recapture market lost to JNPT. Volume discount, lower box rates, early de-stuffing of long standing containers and zero cut-off for exports are also being offered to woo customers. The port plans development of an offshore container terminal, at an estimated cost of Rs 1,200 crore, projected to be completed by 2008-end with the help of private participation.

Barge owners also want the benefits of tonnage tax system

The Indian Barge Owners Association, has urged the Shipping Ministry to bring the vessels currently registered under the Coasting Vessels Act of 1838 and Inland Vessels Act of 1917 also under the ambit of the Merchant Shipping Act 1958 so as to make inland vessels eligible for benefits available under the tonnage tax and also to overcome the problem of multiple registration.

National Shipping Board for extending Near Coastal Voyage jurisdiction

The National Shipping Board, the apex body advising the Ministry of Shipping on matters related to the shipping industry, has suggested extension of the present jurisdiction of Near Coastal Voyage (NCV) to the Persian Gulf, as part of its fresh initiatives to sharpen focus on development of coastal shipping in India. At present, the NCV jurisdiction encompasses India, Bangladesh, Sri Lanka and Maldives. The Board is also suggesting duty-free bunkering and buying of spares for coastal vessels.

Host of problems faced by trade agencies at Ahmedabad

Sudden steep increase in freight rates and handling charges, having selected agencies to handle certain activities without resorting to established procedures as done in government organisations and no train services to destinations such as Mundra and Mumbai on a scheduled basis were a few of the problems highlighted by Ahmedabad Steamer Liner Agents Association. Moreover, Concor was unable to move the containers in time, which resulted in a considerable delay in reaching the destination. The Ahmedabad Inland Container Depot (ICD) at Kaligam, Sabarmati is facing problems such as insufficient rakes for exports and DRT terminal at Mumbai for inbound containers.

JNPT's funding for deepening its channel

The Public Investment Board (PIB) turned down the shipping ministry's proposal to allow the Jawaharlal Nehru Port Trust (JNPT) to use part of the Rs 727 crore it owes to the centre, as interest, for deepening its channel. The project cost is estimated at Rs 600 crores. The port is expected to finance the project through internal resources. The PIB has however, suggested a liberal repayment schedule for the interest payment.

Suggestion for transport subsidy to units in inland states

The Federation of Indian Export Organisation (FIEO) has suggested that inland freight may be reimbursed to units in inland states that are at least 500 km away from the major ports such as Uttar Pradesh, Haryana, Delhi, Madhya Pradesh, Rajasthan and Punjab as against the current practice of granting transport re-imbusement to the backward regions. These States are in a disadvantageous position, as they are far away from the gateway ports. The units located here have to incur additional freight both while importing the inputs and exporting the products.

Settlement between trade union and Cochin Port

In an agreement with the trade unions, it was decided that all the 352 employees of the Rajiv Gandhi Container Terminal would be transferred to DPI for four years till it shifts operations to the new terminal. There would be no financial burden on the port due to this transfer and all the existing benefits of the employees had been ensured. There would be no retrenchment of the employees.

Auto exports through Mumbai Port

Mumbai port is fast emerging as a hub for vehicle exports with all major domestic automakers - Maruti, Tata Motors, Mahindra & Mahindra and Ashok Leyland - started patronising the port. Around 35,000 cars and nearly 10,000 other vehicles were exported through Mumbai port in the last eight months. The severe congestion at the neighbouring JN port forced automakers to bring their export cargo to Mumbai, which is also the designated port for import of cars.

Mumbai Port back in limelight with the new container terminal

12 parties have submitted the RFQ for the new container terminal at Mumbai Port. Earlier, when the port had invited bids for the project there were no bids at all. So this time, the port re-drafted the terms and conditions, incorporating some new incentives to attract investors. Firstly, the port offered the Ballard Pier Estate container berth to the successful bidder for the offshore terminal. The successful bidder will not have to wait till they develop the offshore berth. Also, the port assured to improve the cargo evacuation facilities by providing better rail and road linkages.

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First private sector ICD at Durgapur

Allied ICD Services Ltd., will set up the first private sector funded inland container depot (ICD) in the eastern region at Durgapur in West Bengal at an estimated cost of Rs 40 crore. The commissioning of the project will be in phases. This is the first ICD funded by private sector, with the promoters having an equity participation of Rs 3 crore initially with term loan from banks of around Rs 15 crore. The unit will serve chemical, cement, ferro alloys and sponge iron units in the Haldia and Durgapur industrial clusters. The ICD will have warehouses, petrol station and customs clearance facility.

Improved connectivity for Ennore and Chennai ports

To ease congestion and improve the port performance, new infrastructure is planned and improvement in the rail and road connectivity is being mooted. A Rs 165-crore project has started to link Chennai port to two national highways. The port authorities had also sought 60 acres of land north of the port in order to establish a rail link with the place. The aim is to store containers at the location and regulate the flow of traffic in to the port. A Rs-450 crore project to build an elevated corridor on Poonamalle High Road- an arterial road- and create a link between the port and an exit route from the city was under consideration.

Mundra trying to attract automobile cargo

61 buses of Tata Motors will be exported through the port of Mundra to the African shores. The consignment of Tata Motors is expected to swell to 350 vehicles a month beginning April. This will include buses and LCVs. Mundra International Container Terminal is looking at other automobile manufacturers as well to use its facilities for shipping out vehicles. A container load of two-wheelers from Honda Scooters has already been exported from Mundra.

Container Terminal at Chennai

The government has given an in-principle approval for developing Rs 500 crore container terminal at the Chennai port. The terminal would be built through public private partnership with the Chennai port bearing Rs 100 crore of the cost. The proposed terminal would be more than 800 metres long with a depth of 13.5 metres. This depth would allow the port to handle large vessels with a capacity of 4,000 TEUs.

3rd box terminal at JNPT

The terminal operator, Gateway Terminals India, has awarded a Rs 108-crore work to Simplex Concrete Piles India Ltd for construction of wharf and approach bridge. It involves widening of the main wharf for a stretch of about 750 metres by constructing new structures with marine piles and concrete deck, one new approach bridge and causeway reclamation.

Centre may acquire upto 33% stake in minor ports

The shipping ministry has proposed as part of a draft Cabinet note for the National Maritime Development Policy that the Centre should acquire up to 33 per cent equity in minor ports, with its contribution not exceeding Rs 300 crore. At present, minor ports are under the jurisdiction of states.

Impending congestion at Nhava Sheva?

The spurt in cargo flows in the last two weeks at Nhava Sheva led o fears of congestion at he terminal. The officials state that although there had been a rise in inventory levels at the year, the situation was under control. The exporters were bringing into the yard export consignments that were more than the vessels could take. At the same time, the terminal also witnessed a surge in import volumes, pushing up the build-up of containers on the terminal.

But, with the exporters and importers speeding up cargo evacuation, the inventory levels were brought down substantially.

Freight rate increase

Indian shippers will have to pay more to send and receive containerised cargo following a freight rate increase in accordance with the rate restoration programme adopted by various shipping lines to recover the escalating cost in maintaining and running vessels. The increase ranged between \$250 and \$500 a TEU (twenty foot equivalent unit) for different regions. Shipping lines in the Westbound Transpacific Stabilisation Agreement (WTSA) increased their rate by \$200 a FEU (forty-foot equivalent unit) and \$160 per TEU for all US-Asia cargoes not covered under separate, commodity-specific rate programmes starting from March 1, 2005. Member lines of the Far Eastern Freight Conference (FEFC), which represents shipping lines operating between Asia and Europe, announced a rate restoration for Asia (excluding Japan) to North Europe and Mediterranean trades of \$250 per TEU on April 1, 2005.

Haldia-Pandughat waterway proves unviable

In a bid to promote private sector participation in inland water transportation (IWT), the Inland Waterways Authority of India mooted a proposal to a private barge company for transportation of asphalt from Indian Oil Corporation's refinery at Haldia (West Bengal) to Pandughat near Guwahati (Assam) by the river route that passes through Bangladesh. The Haldia-Pandughat round trip, it was estimated, would take at most 45 days. But in reality at least one trip took more than 100 days and never less than 60 days. The loading and unloading of cargo took much longer than estimated. As a result, the vessels were detained for an inordinately long time.

Tsunami forces ports to look into insurance matters

General Insurance companies are looking into the opportunity of selling port insurance to the various port authorities after Tsunami. Port Trusts have high-value assets such as giant cranes, and bulk and liquid cargo handling terminals. Few of these high-value assets of port trusts are currently insured. Only some of the private sector port assets on the West coast are insured at present. So far one of the major factors that prevented insurance cover of the assets was that port trusts have rarely raised commercial finance for meeting their requirements nor have they mortgaged any of their assets.

Juicy Bits

- The center plans to divest 15% of its stake with SCI.
- The Kolkata Port Trust plans to light up the Howrah bridge at an estimated cost of Rs 2.5 crores