

Newsletter for the week ended February 12, 2006

LNG shipping policy

The new LNG Shipping Policy gives importers the flexibility to transport the cargo either on f.o.b. (free-on-board) or c.i.f. (cost-insurance-freight) basis by deploying foreign- or Indian-flag ships. According to the minutes of the Cabinet Committee on Economic Affairs (CCEA) meeting, "the position may be reviewed on need basis (but at least once a year before the announcement of the Foreign Trade Policy) by an Inter-Ministerial Committee comprising Secretaries of Commerce, Petroleum and Natural Gas, Power, Shipping as well as the DG (Shipping) which may keep track of the changing market situation and suggest appropriate changes in the policy as and when required. In the case of a difference of opinion, the matter may again be placed before the Cabinet by the Department of Commerce in the shortest possible time."

What's in store for the shipping sector?

The year 2006 may see the shipping sector down from high seas. This is indicative from the trend shown by the container freight rates and in the bulk segment. The euphoria created over the past one year, led to excess capacity build-up in shipping vessels, which may not see that kind of demand in the current year. Moreover with the Chinese economy cooling, the demand for more vessels from China, that set the trend last year, will slow down. Smaller container ships and feeder vessels are likely to continue to dominate India in the next few years. But, globally, large ships would still have a good going.

LNG shipping in India yet to find its feet

A consortium comprising Belgian natural gas shipping firm EXMAR, Varun Shipping Company Limited and Indian Oil Corporation had emerged the lowest bidder by quoting a charter hire rate of about \$82,000 a day on the basis of deploying an Indian-flag LNG carrier when the price bids were opened by Petronet for hiring an LNG ship to haul cargo from Qatar to its expanded Dahej terminal in Gujarat. Following an order from Cabinet Secretariat, Petronet dismissed the price bids submitted by the two consortia (the Mitsui O.S.K.Line-led consortium that included SCI, and the EXMAR-led group) and told all the three (including the Teekay Shipping Corp-Great Eastern Shipping) to submit revised price bids after granting them flexibility/freedom to deploy a foreign-flag LNG carrier. With this, the cost implications arising out of deploying an Indian-flag vessel due to 12 different taxes such as the withholding tax on borrowings from the ECB market, the dividend distribution tax and even the cost involved in setting aside 20 per cent of the net profits by a shipping company into a separate reserve account to be used only for acquiring ships under the Tonnage Tax Act were removed from the contract.

Cruise tourism in India takes off

Star Cruises commenced its India-based cruises in October. It offers three packages from Mumbai - a four-night-five-day package to Lakshwadeep and Goa starting at Rs 11,000 a person; a two-night-three-day trip to Goa (starting at Rs 8,000); and the shortest, a one-night sail to Bombay High (starting at Rs 4,000). the one-night cruise off Mumbai's coast was doing well and was popular with passengers from Maharashtra and its neighbouring States. Corporates were booking the two-night sails to Goa for meetings and as incentives. The four-night sail to Lakshadweep and Goa was popular with families. Star Cruises decided to position the 1,480-capacity Super Star Libra in the country after finding that Indians were flying to Singapore to board cruises to Phuket and Penang.

Chennai Container Terminal revises rail container movement procedures

Chennai Container Terminal Ltd (CCT) has revised procedures for rail container movement to reduce transit time from Chennai to various inland container depots (ICDs), including Bangalore

and Hyderabad, and vice versa. A container by rail from Chennai to Bangalore will now take 4-5 days instead of erstwhile 7-9 days. The new procedure will improve efficiencies in handling rail movement boxes, and thereby assist hinterland trade by improving the transit time of ICD boxes. As per the revised procedure, all import boxes manifested for rail movement to the Bangalore or Hyderabad ICDs will be stacked vessel-wise in the CCT yard immediately upon discharge from the vessel. Further, the cut-off time for receipt of transshipment applications from steamer agents/shipping lines will be two Customs working day after sailing of the vessel.

Concor's barge operations

Concor's barge operations for movement of containers between Kolkata Dock System (KDS) and Narayanganj, Bangladesh saw a lucid response owing to the traders citing high cost of operation as a reason for not using the service. Concor proposes to charge each container Rs 12,000 (to cover the cost of operation at the KDS end) plus \$530 (to cover the ocean freight as well as the cost of handling at the Narayanganj end). The route will be KDS-Namkhana (Indian customs point)-Raimangal (last Indian point)-Shekbaria (Bangladesh custom point)-Chalna-Kaukhali-Barisal-Chandpur-Narayanganj and return.

Delhi-Mumbai rail corridor

The Delhi-Mumbai leg of the dedicated rail freight corridor is likely to be built in a manner so that the minor ports along the Gujarat coast can be connected through short feeder routes. This will increase the economic viability of the corridor as well as the minor ports. Apart from increase in economic viability, while the current route via Kota and Ratlam passes through urban centres, the suggested route through Palanpur covers relatively rural areas of Rajasthan and Gujarat. This would result in relatively cheaper land acquisition.

Intermediate ports gearing up for coal handling

Intermediate ports such as Dharamtar, Dahanu, Revdanda and Dighi are preparing to step up their coal handling facilities in the wake of rising fuel demand in the state by tackling the draught constraints and the pollution challenges. Imports of thermal and coking coal are expected to rise as the domestic availability of good quality coal is constrained in India. Poor port infrastructure is acting as a hurdle for carrying out the imports smoothly. At present coal is handled at Mumbai Port at the anchorage. The coal discharged at anchorage is transported in barges to Haji Bunder jetty at MbPT.

A multi-modal gateway for central Kerala

South India Chamber of Commerce and Industry based in Kottayam district has mooted the idea of setting up a multi-modal ICD and dry port, linking inland waterways to the Cochin Port Trust. The project, called the Kottayam Port and Container Terminal, will be set up in public-private partnership with 49 per cent stake held by the Kerala Government and the rest 51 per cent by the industry, NRIs and others. The project will be of real utility to those in the central part of the State once the Shipping Ministry's proposal to convert the Vaikom-Kottayam waterways to National Waterway No. 3 happens.

Juicy Bits

- Kandla port handled 42.74 lakh tonnes of cargo in December 2005, marking a 35 per cent increase compared to the corresponding month in 2004. The cargo throughput in one month was, in fact, the highest recorded by the port in its history and is higher than the 41.19 lakh tonnes handed by Kandla in May 2005.

- In the nine months ended December, Mumbai port handled 33.16 million tonnes of cargo, higher by 27 per cent over 26.07 million tonnes in the same period last year. However, the volume of container fell from 1.67 lakh TEUs to 1.23 lakh TEUs.
- Chennai Port remained on top by contributing 21.92 per cent in value of seafood exports followed by Kochi 18.69 per cent and Vizag 16.12 per cent. However, in quantity terms, JNPT topped with 25.61 per cent followed by Kochi 23.95 per cent.
- New Mangalore Port handled 26.05 million tonnes (mt) of cargo during the first nine months of the current fiscal as against 24.12 mt in the year-ago period, registering a growth of 8 per cent.

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Mediterranean Shipping adds South Indian ports to global network

Mediterranean Shipping Company (MSC), the world's second largest container operator, has expanded its area of operations to connect the ports of Chennai, Tuticorin and Kochi to its global liner network. As a prelude to the network expansion, its container vessel MSC Korea called at the Chennai Container Terminal (CCT) to discharge over 1,300 empty containers. The south Indian ports will initially be connected through common carrier feeders with whom MSC has tied up to tranship the boxes to its main line vessels in Colombo. Ex-Colombo, MSC will accept cargo for destinations such as the Red Sea, the Mediterranean Sea, the Black Sea, North Africa, North-West Continent-UK, the Adriatic, West Africa, East and West coasts of South America, Mexico, US East Coast/Gulf and a few ports in the US Pacific.

Czech firm Skoda set to participate in Nizampatnam port project

Skoda Export Company Ltd, a Prague-Czech based company, will participate in the development and construction of Nizampatnam Port city complex in Guntur district. The Czech Exim Bank would support the port project by financing it to a tune of Rs 10,000 crore over a five-year time frame. This project is likely to generate 10,000 jobs. A memorandum of understanding to this effect would be signed with the Andhra Pradesh Government in the second week of February during the visit of Czech Industries Minister.

Centre for a special scheme for coastal shipping

The government is planning to set up a centrally sponsored scheme (CSS) for promotion of coastal shipping. The ports of Gopalpur (Orissa), Azhikkal (Kerala), Malpe (Karnataka), Dharamtar (Maharashtra), Magdalla (Gujarat), Cuddalore (Tamil Nadu) and Gangavaram (Andhra Pradesh) have been identified for this purpose. The estimated cost of the development including capital dredging, breakwater, berths, back up areas and wharves is put at Rs 1,500 crore. The central assistance would be up to 30% of the project cost by way of grant-in-aid. The remaining share would be funded by the respective state governments. As per the plans, infrastructural projects would be taken up in maritime states with the help of respective state governments. Initially, one minor port in each maritime state would be taken up for the proposed development.

Government okays 2 port-based SEZs in Kochi port area

The Union Ministry of Commerce and Industry has issued two separate notifications approving the setting up of port-based special economic zones at Vallarpadam and Puthuvypeen within the Cochin Port Trust area. The declaration of the ICTT area at Vallarpadam as a SEZ was one of the conditions of contract in the licence agreement between Cochin Port Trust and Dubai Ports. The SEZ at Vallarpadam will occupy an area of 115.25 hectares and the one at Puthuvypeen, 285.84 hectares. Declaring the project area as an SEZ, would enable the developer avail themselves of the concessions offered by the Union Government, which would thus reduce the cost of development by helping bring construction material as well as plant and machinery duty-free.

Chinese consortium to partner Kerala in Vizhinjam port

The consortium of Kaidi Electric Power Co, Chinese Harbour Engineering Co and a Chinese construction firm and the Indian firm Zoom Developers won the technical-commercial bid for the construction of Rs 4,360-crore Vizhinjam port. Vizhinjam Deepwater International Transshipment Terminal is expected to cut down the 11.4% freight costs of Indian exporters (compared to 6.1% freight cost world average) substantially. As against usual of 26% share for the government partner, Kerala government - through the SPV (special purpose vehicle) Vizhinjam Port International - has limited its own stake to 24% in the port project.

Road-river cruise from Vizag

The Andhra Pradesh Tourism Development Corporation is organising a road-river cruise every Saturday from Visakhapatnam to Pattiseema, Polavaram, Papi Kondalu and Perantalapalli in the two Godavari districts. A deluxe bus would depart from Visakhapatnam on Saturday night and reach Rajahmundry in the early hours of next morning. From there, the tourists would be taken to Pattiseema by road and from there a ride in a houseboat in the Godavari would be organised. The tourists would be brought back to Visakhapatnam on Monday morning by 6 a.m. or so.

Restriction on loading iron ore wagons hits Haldia, Paradip ports

The restriction imposed by the South Eastern Railway (SER) on the loading of iron ore wagons for exports has hit both Haldia and Paradip ports hard. The restriction on ore exports has been imposed temporarily in order to rush the mineral to the steel plants where stocks have dropped to a low level following non-availability of ore from the Orissa mines as a sequel to the Kalinga Nagar incident.

New Mangalore Port gets iron ore via train from Bellary region

IN the first trial run of a goods train to New Mangalore Port on the Hassan-Mangalore railway line, the port received one rake of iron ore cargo from the Bellary region. All steps were taken to control pollution while transporting iron ore fines. Earlier there was resentment among the public that the overloaded iron ore lorries were damaging the roads, apart from polluting the environment. The majority of exporters use lorries to transport iron ore fines from the Bellary-Hospet region.

Kochi port to expand boat train pier jetty

The Cochin Port Trust has proposed to develop its existing Boat Train Pier (BTP) jetty by extending it both length-wise (by 7 metres) and breadth-wise to make optimum use of the berth to handle more cargo. At an estimated cost of construction of Rs 5 crore. The reconstruction of the BTP jetty will be more economical than the construction of a new berth. Reconstruction is necessary due to lack of storage space available for cargo handling in the Ernakulam Wharf, as the Q-7 berth in the wharf was recently handed over to the India Gateway Terminal for container handling operations.

Kolkata Customs to upgrade Haldia dock outfit

Kolkata Customs has decided to upgrade its outfit at Haldia dock following the persistent demand of the trade for such upgradation. All work relating to appraisal will be undertaken at Haldia itself as against at Kolkata at present. Also, the Haldia office would be headed by an official of the rank of Additional Commissioner. At present, it is headed by a Joint Commissioner.

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Port trusts must share dredging costs

The Planning Commission is likely to recommend as part of its report on capital dredging that port trusts share the deepening costs at ports with the government, which is contrary to the shipping department and the private sector's demands on the capital dredging issue. The private players want the expenses to be borne by the government. Capital dredging was highly investment intensive with low returns due to which the private sector did not want to shoulder its cost.

Box movement by rail between Tughlakabad, Kolkata ports

Kolkata Dock System (KDS) met their counterparts in Eastern Railway and the Container Corporation of India to work out the modalities for starting container movement by rail between Concor's terminals located at Tughlakabad near Delhi and within KDS. Most boxes between Tughlakabad and KDS move by road as in order to run a regular service, Concor prefers operating only full rakes. The suggestion given at the meeting that till such time enough export-import traffic was generated to form a full rake, a rake could still be formed by combining the exim containers, whatever available, with those of domestic traffic as there was no dearth of domestic traffic on the route.

Machilipatnam port revival bid

The Andhra Pradesh Government is taking steps to revive the Machilipatnam port in Krishna district, in which Reliance and L&T have evinced interest. Two sites - one at Gilakaladindi and the other at Gogulery creek - are being considered. The project will cost Rs 1,200 crore and the feasibility report has been prepared by L&T. The State Government has decided to allocate 6,000 acres of land for the project.

Vizhinjam project to go on stream in 2010

The Vizhinjam project, envisaged at a total cost of Rs 4,360 crore, is slated to be completed in three phases. The first phase, estimated to cost Rs 1,850 crore, is designed to handle containers of the order of 1.1 million TEUs a year. The second and third phases of expansion would cost Rs 990 crore and Rs 1,520 crore, respectively. When fully commissioned, the terminal will have a capacity to handle containers to the tune of 4.1 million TEUs a year. The international shipping route is just 10 nautical miles away from Vizhinjam. Besides, the site has a natural draught of more than 20 metres, which will enable the next-generation "mega container" vessels to make use of the terminal.

India, Bahamas explore tie-ups in cruise shipping

India and the Bahamas have decided to enter into an agreement to explore the possibilities of cooperation in cruise shipping. As the Government is formulating a cruise shipping policy to make India an attractive cruise tourism destination with modern infrastructure and other facilities at selected ports of the country, the MoU with Bahamas may give a fillip to this plan keeping in view the experience of Bahamas in this area. The two sides also discussed the possibility of having an MoU for engaging Indian seafarers on the ships with Bahamas' flags.

Mainline vessels may come calling at Kochi port

There are possibilities of shipping lines calling their mainline vessels at Kochi Port with improvements in the productivity of container vessels and their faster turnaround coupled with the increased draught conditions in the channel. The productivity at the Rajiv Gandhi Container Terminal had improved considerably, which was evident from the outstanding performance of the container vessel Kota Hormat recently by achieving 805 moves in 21 hours using two quay

cranes. This achievement can be credited to India Gateway Terminal's improved efficiency in the work processes, better availability of machinery and committed and skilled manpower.

IOC's Paradip-Haldia pipeline commissioning may be delayed

The commissioning of Indian Oil Corporation's Rs 1,178-crore Paradip-Haldia crude pipeline inclusive of single buoy mooring and storage facility at Paradip may be delayed by one or two months as construction could not progress at the desired pace due to heavy rains during monsoons. Apart from ensuring assured supply of larger volume of crude, the project will reduce the crude transportation cost to both the refineries substantially.

NMPT seeks Ministry nod for joining SPV for Mangalore SEZ

The board of the New Mangalore Port Trust (NMPT) has decided to write to the Union Shipping Ministry seeking its approval for joining the special purpose vehicle (SPV), to be formed for the implementation of Mangalore Special Economic Zone (SEZ). While signing an agreement with the Kanara Chamber of Commerce and Industry (KCCI) and the Karnataka Industrial Areas Development Board (KIADB) for the development of an SEZ in Mangalore, Oil and Natural Gas Corporation (ONGC) had shown interest in establishing an LNG terminal and a gas-based power plant in the vicinity of the New Mangalore port.

RITES to prepare blueprint for rail, road infrastructure for Paradip port

Rail India Technical & Economic Services (RITES) has decided to prepare a master plan for rail and road infrastructure for the port. RITES has constituted a committee comprising Mr S.K. Roy, a retired IRTS officer will be the project leader while Mr A. Ramji, a former General Manager of SER, and Mr Shanti Narain, a former member (traffic) of Rail Board, will be the other members to undertake the job. Mr I.D. Amin and Mr Ramani, two former General Managers, too will be associated with it and Mr G.D. Brahma, General Manager, RITES, will be the coordinator. The need for a master plan for rail-cum-road infrastructure for Paradip port has arisen because of the poor level of connectivity to the port town even as the prospects of economic activity picking up in the region are bright.

Uncertainties over Kochi LNG terminal a cause for concern

A few technocrats have expressed concern over the delay in finalising SPA with suppliers of LNG. Due to several reasons this project has been delayed ever since the LDF Govt initiated the proposal and KSIDC was identified as the nodal agency to work with GAIL and Petronet to promote and expedite the installation of the LNG terminal. The Dahej (Gujarat) LNG terminal proposed along with Kochi became operative two years ago and had its capacity doubled to 5 million tonnes per annum (MMTPA).

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ABG Shipyards expansion plans

ABG Shipyard is planning to acquire ship repair units in the key shipping routes' network, including Singapore and China. It has already acquired a ship repair unit at Fujairah, UAE, which it plans to develop in a phased manner. The company has recently acquired a Canadian shipbuilding equipment facility for \$ 5.6 million, which is shipped to proposed Dahej shipyard. Gujarat Maritime Board and Gujarat Industrial Development Corporation have allotted 21.20 hectares and 15.59 hectares respectively for the proposed Rs 400 crore shipbuilding project at Dahej.

Gateway Distriparks to operate container trains

Gateway Distriparks Ltd (GDL) has filed an application with the Ministry of Railways to operate container trains under all categories including export-import and domestic containerised cargo on all-India basis. It would initially move containers between its existing rail linked inland container depot (ICD) at Garhi Harsaru, Gurgaon and the ports at Mumbai, Pipavav and Mundra. GDL is planning to add more rail linked ICDs at various strategic locations and would have a national network of container freight stations (CFSs) and ICDs, catering to movement of export-import trade and also domestic containerised cargo across the country.

TNT plans nineteen road transshipment hubs

TNT India, an integrated logistics and express company, is planning to roll out 19 dedicated road transshipment hubs. The company has also plans to start dedicated freighters from India at a later stage. TNT India, a wholly-owned subsidiary of Dutch integrated distribution company TNT NV, would have 144 pick-up centres across the country, including 19 road transshipment depots by the end of 2006. The company's road network plans are in line with the parent company where the entire country would be connected by road transshipment depots with space ranging from 10,000 to 25,000 sq ft supported by a fleet of 1,000 vehicles.

India an attractive maritime destination

Small foreign companies have been setting up shops in India to bring their vessels under the Indian flag. Most of these companies are coming to India with one or two old vessels and are focusing on coastal trade and COAs (contracts of affreightment). COAs assure them of cargo over a longer tenure and also provides them with flexibility to take advantage of the spot market. Denmark-based Nord Scan Line has formed a joint venture with Mumbai-based Sai Freight for deploying one multipurpose heavy-lift vessel. UK-based Oceanic Transport has floated a company here and is in the process of transferring its British flag bulk carrier to Indian flag. Polestar Maritime is also acquiring a bulk carrier which will be registered under the Indian flag.

Posco studies environment impact of port at Paradip

South Korean steel major Posco is undertaking studies to gauge the environmental impact of its proposed captive port near Paradip in Orissa. The proposed port will have two berths - one to handle raw materials of up to one lakh tonne, and the second to handle 20,000 tonne of finished steel products. It will be located about 10 km from Paradip. The South Korean company was given a choice of either using the present facilities of the Paradip port for its steel plant in the area or opt for a captive port, for which the company decided to opt for a captive port.

Petronet LNG gets land for Kochi terminal

Petronet LNG (PLL) has taken possession of the allotted 32 hectare land from the Cochin Port Trust (COPT), for setting up its terminal at nearby Puthuvypeen. PLL had completed all pre-project activities, including land survey and soil investigation, rapid and comprehensive EIA study, physical and mathematical modelling, marine and terrestrial risk analysis, detailed feasibility report and basic engineering package. PLL would set up its second LNG terminal at Puthuvypeen, with an initial capacity of 2.5 mmtpa, with provision for expansion to 5 mmtpa at an estimated cost of Rs 2,100 crore.

Kolkata Port Trust to have night navigation system soon

The preliminary stage for night navigation shall be complete by April 2006, and the full scale operation shall start after implementation of three more vessel management traffic system (VTMS) between Hooghly and Kolkata. The total project cost for night navigation would be around Rs 10 crore. Three VTMS along Hooghly river will be completed within next eight months to ten months. Night navigation would enable the vessel to save around 12-23 hours per day as it would enable them to avail the earliest tide to move in and out of KDS.

Special Pollution Control Vessels for the Indian Coast Guard

ABG Shipyard is constructing three Special Pollution Control Vessels for the Indian Coast Guard which are capable of absorbing oil spread at the sea due to the spills, at an estimated cost of these vessels is Rs 380 crore. ABG Shipyard has teamed up with British defence product company Rolls-Royce for designing the first of its kind vessel which can ply in ocean and river coast. The 83 metre long vessels will also have a helipad in the vessel and would also have rescue operations and medical assistance facilities.

Concor invites bids for Haryana storage facility

The Container Corporation of India (Concor) has invited bids for setting up a Rs 110-crore cold storage facility in Rai (Haryana), to be built on a land belonging to Concor. It would be used to preserve farm products and fruits in collaboration with Agricultural and Processed Food Export Development Authority (APEDA). The facility would be an engineering, procurement and construction project, and they would also be collaborating with Himachal Pradesh Horticultural Produce Marketing and Processing Limited. Concor would monitor the Rai project for a year, and based on the financial viability, go in for more such facilities.

Barges to ply Concor trade on Kolkata-Chittagong route

Indian Railways is planning to ship containers by barges between Kolkata and Chittagong ports. This is a joint venture between Concor, on behalf of Indian Railways with a private Bangladesh barge operator - Leo Gulf. Trial runs between the two ports have already been carried out, and full-time operations will become effective in a month's time. Under the joint venture, Leo Gulf would be responsible for ferrying, loading and unloading of containers, while Concor would be involved in the marketing process. Currently, containers between Kolkata and Chittagong are ferried via Colombo and Singapore on ships, as the Kolkata-Chittagong route is congested. The use of the barge route will bring down the cost from the current \$1000 to \$400.

Petronet LNG calls pre-qualification bids for transportation

Petronet LNG Ltd (PLL) has floated global tenders for pre-qualification of ship owners and operators for transportation of LNG to its proposed terminal at Kochi. The scope of the work of the successful time charter party would be to provide new tankers built by the experienced shipyards as per PLL specification and to operate the tankers throughout the period of time charter so as to provide safe and reliable transportation of LNG contracted by PLL.