



Guiding Spirit to Shipping Industry

# Sagar Sandesh

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## “New India- New Tonnage” Seminar held by NMDC (Central) Committee on 03 April 2023

**N**ational Maritime Day Celebrations “NMDC” Central Committee under the Maritime Week conducted a Seminar on “New India- New Tonnage” in hybrid mode at the Indian Registrar of Shipping (IRS) on 3rd April 2023.

Capt. M. P. Bhasin, Secretary General CMMI, and Mr. Sanjeev Mehra, Secretary IMEI Mumbai Branch welcomed the esteemed guests, and the Lighting of Lamp ceremony was performed by Session Chair Mr. Ajith Sukumaran CS cum Addl Dg of Shipping; Mr. Vijay Arora, MD IRClass; and Speakers Mr. Anil Devli, CEO INSA; Mr. Sunayan Sanatani, GESCO; Mr. Nikhil Raj, SCI; & Dr. Suhas Vhanmane, IRS.



Mr. Ajith Sukumaran

Mr. Ajith Sukumaran, speaking on the subject, said “Market capital of all the Indian Shipping companies put together is less than Rs 2,000 crores, and we must also appreciate that India has more than Rs 200,000 crores, so we have a huge potential to explore and to exploit and utilize, that is what New India we are talking

about. India which is going to be the fastest growing economy of the times may be the 5th largest in nominal GDP and 3rd largest in Purchasing Power Parity index, and more than that when we say New India, we look forward to India which is going to be the third largest economy by end of this decade. When we are talking about New India, we would like to see that India is one of the largest Human Resources capital of the world as India is the talent pool of the world”.



Mr. Anil Devli

Mr. Anil Devli spoke on India Tonnage that why are we not growing in Tonnage. “The most important thing to bear in mind is that unlike any other industry where access to the market worldwide is only given to local companies, In shipping you are allowed to import a service without a need to have a local presence. So in order to be able for you and me to consume a service, any other service other than shipping, we need a local entity but for shipping, you don’t need a local entity. **Shipping services can be imported without any cost, duty, or countervailing duty. So it is cheaper to import shipping services in India”.**

“Shipping being one of the first sectors to have FDI, we have got little or no investment in shipping and this competitiveness that Indian shipping suffers from that we in our own mind call our “India costs” the cost of doing business in India. **The other important issue is the Policy Flip Flop** that we see because of which no investor is able to get a long-term horizon on where his investment is going to go”.

In his presentation, he highlighted a comparison between an Indian Flag Ship and versus Foreign Flag Ship covering important operating parameters for a coastal voyage namely Bunker Rate, seafarers’ wages taxation, Direct tax- Tonnage Rate, Cadet Training cost, IGST on import of ships.

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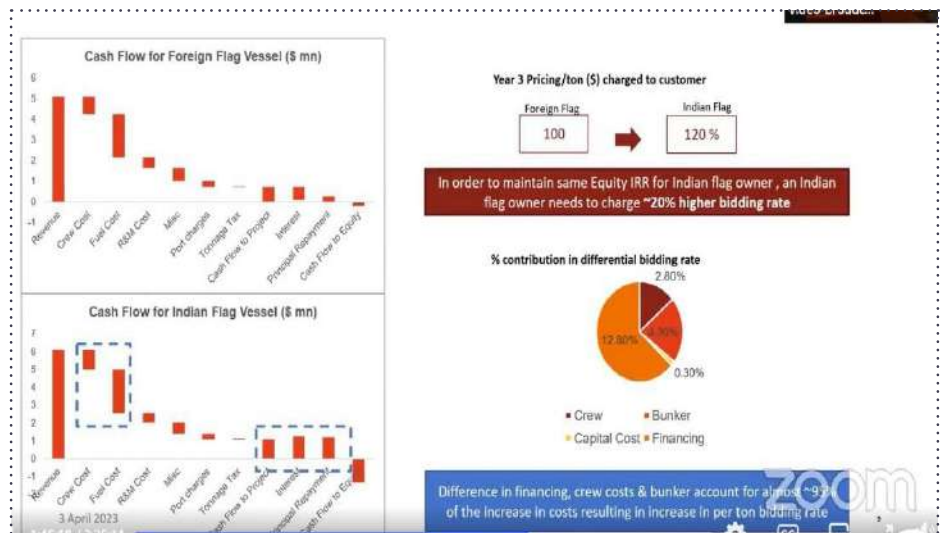
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In each case, operating under Foreign Flag Ship demonstrates was cheaper and more attractive. The detail were as under:

Operating parameters for a coastal voyage	Indian flag ship	Foreign flag ship	Competitive advantage flag ship
Bunker rate	Costlier due to higher base rate and local taxes	Ability to buy cheaper fuel abroad; no taxes	Suggestion: Cost of bunker fuel available to Indian vessels (Coastal or Foreign going) should be on par with international rates.
Seafarers' wages taxation	Wages of Indian seafarers working on Indian flag ships in coastal waters are subject to Income tax and TDS provisions.	No tax on wages earned by Indian or Foreign seafarers working on foreign flag ships operating in coastal waters of India even for Indians working on foreign flag ships on the coast	Costs of operating Indian flag ships is higher than foreign flag ship. Wages constituted about 33% of the Opex of a vessel.
Direct tax – Tonnage Tax Rate	Rate of tonnage tax is higher in India High rate of tax on income OR Tonnage tax + training obligation	Lower rate of tonnage tax	For example: For an Aframax tanker, we would pay Rs.12.5 lakhs in India but about 6400 Singapore dollars (about 3.9 lakh rupees)

Operating parameters for a coastal voyage	Indian flag ship	Foreign flag ship	Competitive advantage flag ship
Direct Tax – Cadet Training Cost	Free Cadet training provided by Indian Ships under Tonnage Tax Scheme – We train 1.5 cadets for every 10 persons on board our vessels	No such training obligation on foreign ships by their maritime administration	Foreign Flag ship
IGST on import of ships	5% on value of ship	No GST on acquisition of ships in their country. Even if the foreign ship is operating in India, no GST is levied	Foreign flag ship
Inability to offset input GST on goods procured	5% of the value of the goods (Bunkers, stores, spares) gets blocked for an Indian company	Does not apply	Foreign flag ship
GST on (freight) transport of cargoes between two Indian ports	5% on the value of the service	Does not apply – no GST is payable on coastal provided by foreign flag vessel	Foreign flag ship

Operating parameters for a coastal voyage	Indian flag ship	Foreign flag ship	Competitive advantage flag ship
GST payable on maintenance, repair or overhaul (MRO) services procured overseas	From June 2021, the Indian flag shipping industry must pay 5% GST on Reverse charge basis on the dry docking and repair services procured abroad.	In most countries ships are exempt from application of GST - Does not apply. Foreign ships are able to get MRO services in India without payment of levy.	Foreign flag ship
5% IGST payable to Customs on the sum of (a) dry docking expenditure incurred outside India, plus (b) cost of insurance (c) freight (to & fro)	Despite paying GST on Reverse charge basis on MRO services availed overseas, Customs require Indian ship to pay this amount again under IGST. This levy is payable a second time on the same MRO service on conversion of the vessel to coastal and this amounts to double taxation.	Does not apply – since almost all maritime nations do not apply GST to Ships.	Foreign flag ship
Procuring drydocking services for statutory compliance	There is a 10% TDS payable on the drydocking bill of Indian shipping companies because it is being termed as a “technical service” and not as a repair service, which, in reality, it is.	Does not apply.	Foreign flag ship



“There is a 20% additional cost in operating Indian Flagships, hence there is no way, I am going to be able to compete with operating Foreign Flag Ships. One is better off not flagging in India and doing business in India.”



So, you can be an Indian, do business in India, can carry Indian cargo and yet not Flag in India and you are no worse off at all. You pay no duties, no don't train anybody, you don't buy H&M in India and you don't do anything in India”, he concluded.

Mr. Sunayan Sanatani spoke on Navigating the forthcoming regulations on Green House Gas Emission, the use of newer technologies for improvement of CII Ratings, Best practices to run existing ships, and deciding upon the alternate fuel to be put in use.

Mr. Nikhil Raj shared his presentation covering

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the Indian Shipping Fleet composition, Regulatory requirements impacting the shipping industry, the Need for new Tonnage, Challenges for ship owners to acquire new tonnage, the National Green Hydrogen Mission and Global Ship scenario, and key points for the Way Forward.

**Dr. Suhaz Vhanmane** focused his presentation on Digitalization applications in the shipping sector, the Impact on seafarers, IRS digitalization activities, and IRS partnership with French multinational DASSAULT.

Under the impact on seafarers, he quoted the Human Training & Watchkeeping (HTW) session 9, a roadmap by IMO.

This was followed by **Q&A sessions** with more of observations and recommendations from eminent personalities **Mr. Vikrat Rai, Capt. Panda** and **Mr. Hazira.**

The Seminar came to an end with a presentation of mementos to the Session Chair and all Speakers and Moderators followed by a **summing of the session and a Vote of Thanks** by **Mr. Vikrat Rai.**



Q&A session

## Centre plans to rehabilitate people affected by sea erosion

NEW DELHI  
Sagar Sandesh News BUREAU

The Government has formulated plans to rehabilitate people from low-lying coastal areas adversely impacted due to rising sea levels in the coming decade, Minister for Earth Sciences Dr Jitendra Singh told the Rajya Sabha on April 5th.

In a written reply Dr Singh said the National Disaster Management Authority has prepared a draft policy on "Mitigation and Rehabilitation measures

for people displaced by Coastal and River Erosion" to deal with the extensive displacement of people caused by coastal and river erosion.

Indian National Centre for Ocean Information Services (INCOIS) an autonomous organization of the Ministry of Earth Sciences (MoES) has carried out Coastal Vulnerability Index (CVI) mapping to assess the probable implications of sea-level rise along the Indian coast.

This exercise has generated maps using



Coastal erosion forcing people to abandon their houses

seven input parameters: shoreline change rate, sea-level change rate, coastal elevation, coastal slope, coastal geomorphology, significant wave height and tidal range.

A report on "National Assessment of Shoreline

## MARINE NEWS

also providing technical solutions and advice to the State Governments and UTs to deal with coastal erosion threats.

National Centre for Coastal Research (NCCR), Chennai an attached office of Ministry of Earth Sciences is monitoring the shoreline erosion since 1990 using remote sensing data and GIS mapping techniques.

Totally, 6907.18 km long coastline of the mainland has been analyzed for the period from 1990 to 2018. It is noted that 33.6 per cent of the coastline is under varying degree of erosion, 26.9 per cent is of accreting nature and the remaining 39.5 per cent is in a stable state.

Changes along Indian Coast" was shared with various Central and State government Agencies and Stakeholders for implementing shoreline protection measures. Ministry of Earth Sciences through its institutes is

## New gas pricing norms can reduce CNG, PNG prices by 9-11 per cent

New Delhi  
Sagar Sandesh News Service

City gas distribution companies can reduce prices of compressed natural gas (CNG), used by vehicles, and piped natural gas (PNG), used by homes, by 9-11 per cent, with the government accepting the key recommendations of the Kirit Parikh Committee. "This revised gas pricing norms would lend greater stability to gas prices for city gas distributors and sustained competitiveness with alternative fuels, thus driving demand and supporting massive capex



Revised gas pricing to reduce CNG PNG prices

plans," research firm CRISIL said in a statement. It added that had the previous pricing regime continued, prices would have likely risen. Sustained competitiveness and stability in pricing

are likely to drive city gas consumption, it said.

"APM prices declining to \$6.5/mmBtu could mean a 9-11% cut in CNG and PNG prices, assuming companies pass on the benefit to end-consumers," said Naveen Vaidyanathan, Director, CRISIL Ratings. In contrast, as per the earlier APM regime, gas prices could have risen further to \$10-11/mmBtu for the first half of fiscal 2024 from \$8.57/mmBtu for the six months ended March 2023, necessitating a price increase, in turn, for city gas distributors

to maintain profitability. So far, the price of gas produced from fields covered under the Administered Price Mechanism (APM) regime — which accounts for 70 per cent of domestic gas production — was determined semi-annually based on a formula that benchmarks it to average international prices at four gas trading hubs. Under this, gas is provided to CGD firms for supply to CNG and PNG segments, which together account for 60 per cent of their sale volume.

## OIL AND GAS