



Guiding Spirit to Shipping Industry

Sagar Sandesh

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Look Seawards - Revisited

By Capt Sudhir Subhedar



Capt Sudhir Subhedar

The 50 articles compendium by MAREX & AMICIE has brought out topical topics & authors, but not all readers have had the time to read it on the go as the e-copy. Hence, this attempt to precise it and a view on the contents title-wise as it appeared on NMD 05th April 2023;

- 1. Indian shipping & logistics** - an overview; highlighting the stymied Indian shipping fleet in contrast with the Indian growing economy. Result less than satisfactory logistics costs of its Exim & domestic trade; high port charges & no waterfront ethos to write home about. Inability even to make 'Box'.
- 2. Indian seaborne trade & international shipping** - with a focus on dry cargo limits, India's dependence on foreign trade & foreign fleet even no or little allocation of shipping finance, missing out on the multiplier effect of shipping on the national economy. Budgeted 100 billion USD is need of the hour and

fiscal support for second line of defence. Is anybody hearing?

- 3. Why India needs strong Indian fleet** under her flag observes Indian fleet size of about 1% of global fleet when GDP has been growing in last few years from 4 to 8%. While advantages of larger Indian fleet are well known including influence at IMO / other international platforms, old acts & practices are hindering need of renewal / revival of coastal shipping.
- 4. Indian coastal shipping** - an untapped & under-utilized opportunity given long coast line & 14,000 km. national waterways. However, challenges are many due to neglect of water as a priority for transport purposes. Modal shift of cargo from road, rail to water needs to give interface status & make Sagarmala a port-led development of shipping.
- 5. Indian shipping finance** - the way forward is ease of doing business, easy entry & exit out of registry, innovative ways of tax breaks, ECB, chartering, S & P and suitable CIF, FOB, trade policy for tonnage acquisition, government support for mercantile marine practice to putting national interests first.
- 6. Ship funding in India** since inception in mainly socialist public domain has not been good. This has resulted in no required expertise in developing shipping finance. The service SEZ idea as in GIFT Gandhinagar & maritime development fund is too early to analyse. Shipping

finance is very international sensitive & requires very liberal environment. No takers for ship building subsidy since 2016.

- 7. How to become a ship owner** - requires a usual business plan (cargo), asset identification & finance including collateral which in India unfortunately could be as high as 200%. Next is ship management & crewing which other than for few established companies from before independence is still in nascent stage.

- 8. Significance of classification society** in maritime industry is as old as 18th century and with marine insurance is a concept well known from Lloyds Coffee House for enabling maritime adventure. It is now essential element as Recognized Organization as a partner of ship owner operator between Government & International body such as IMO. RO works within international association

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called IACS & Indian Register Shipping IRS is an important member with other 10 approved IACS members by Government of India.

- 9. Basics of Ship design stem from ship owner operator choice of asset for business plan.** It's a cyclical process. Physical parameters influence ship vessel type required for business in hand. In I V waters to see going condition focus on environment protection viz-a-viz speed & fuel consumption. Ship life cycle is very important consideration say 15 to 40 years depending on cargo, passenger movement.
- 10. Maritime technology** is in the cusp of transformation as 2.5% shipping CO2 emission in 25% of transport sector footprint is being kept low by pro-active requirement under MARPOL (only international convention on pollution in the world waters since 1974) EEDI, EEXI, CII etc. introduction of low carbon fuel as ongoing R & D. Besides challenges requiring retraining as well but, more importantly change over or decarbonisation requires huge money over next 5 to 10 years. World Bank estimates 1,40,000 vessels & ships will require intervention of USD 1 trillion or more. Where is the money?

11 Carbon emission control is about sustainable shipping on planet Earth warming as never before. CO2 emission is of concern to modern economy ashore & on board. Shipping is set to be doing its best for long by embracing technology for efficiency, design, finding low carbon fuel, use of carbon trading, carbon tax etc. However, industry, NGOs should not end up capping vessels that may affect world trade & economy by way of non-trade barriers in the garb of green shipping.

12 Missed opportunities to decarbonize shipping at MEPC 79: The fallout continues at MEPC in 2023 & at Cop 28 in Dubai, in December 2023. Parties have not been able to stick to Paris Agreement of 2015 on Green funding & CBDR principle GoI stands by. IMO targets should be revisited for reliable implementation by all uniformly, not only by a few.

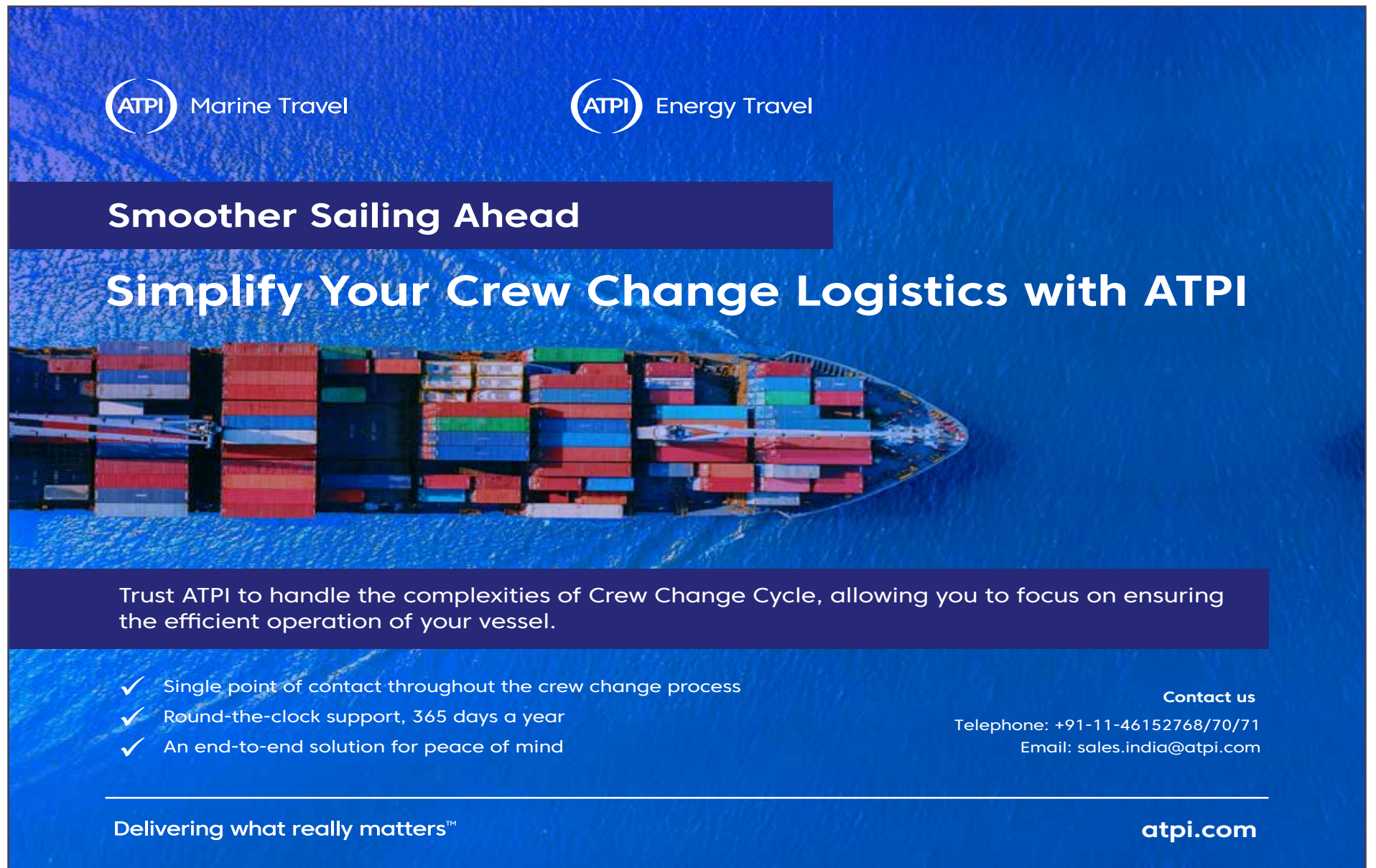
13 Why Indian seafarers are important to India, because 1.5 million of them contribute 1.5% to GDP but its share in the global fleet is way behind China, Philippines. Its stature is also not as good as from 1960 to 1980. New technologies & UN SDG give the opportunity for increasing employment in this sector from 6.5 million to 10 million by 2030-50-70.

14 Ship manning – The 60-year journey of

Indian seafarers spans from manning the largest tankers & cruise ships increasingly so since 1960 best in the game. FOC growth with access to flexible manning gave a fillip to the employment of Indian seafarers especially those with demonstrable competence in ship manning & management. However, increasing the ratings share of India is not as great as foreign direct investment in the training has not been encouraged. On the other hand, due to the economic situation in the West, look East policy is before us to tap into galloping technology for more & more well-trained competent seafarers. India has set a target of 500000 seafarers by 2030 including the induction of women seafarers especially in higher positions in the global cruise industry.

15 Mariners welfare ashore – “At sea or Mirage” – because traditional employment at sea was that of owner-operator – father to son, relatives taking up sea-going career. Modern seafarer is in MLC kind of international ethos requiring revisiting seafarer welfare ashore & at sea. MS Act 1958, sec. 218 provides for NWB well before MLC 2006 including dependants of seafarers. However, NWB has been less than effective in leveraging the powers given to it. The Govt. has to do little more and not pose an undue burden on

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manning agents (RPSL). For example, create nationally recognized pension, insurance, health cover schemes, clubs, recreation facilities, hostels & skill enhancing centers etc. For this, Governments, companies & unions have to be on the same page (tripartite) in enhancing modern seafarer welfare ashore & at sea soonest possible through the new MS Act & new SPF Act.

16 Current state of electronic trade documentation & why it is important is clearly flavor of the time given e-governance & online payment growth. However, practices of trade documentation have evolved since 600 BC & even in fast-changing technology. Digitization is the key feature of modern-day trade & practices. The concept of electronic B/L has been around for the last few years. A legal framework has been created at UN platforms. Its adoption

in national law is yet far away even in USA, UK, India, Japan, China etc. Main reason is the secure transportability of B/L & its endorsement as very important banking trade documentation and precedent law backing it over the last 200 years. "Original B/L is key to a warehouse at sea in the hands of owner ashore".

17 The need for diligence in trade finance arises because 90% of world trade is only possible by way of water transport. Therefore, know your client & client's client is very important for exercising credit in a 'Trust environment'. One has to be very careful to detect fraud very early on – rouge ship / bad goods / sell nothing in a syndicate or otherwise. Dirty bills of lading leveraging NVOCC is a typical example of dirty practices. In the international forum ICC, IMB has done good service including its director late Jayant Abhyankar. Cyber security is of concern to

all; only extreme caution is a preventive measure.

18 Ship, cargo, and marine survey by a recommended third-party surveyor is another measure against trade fraud. Additionally, it provides risk assessment, degree of qualification, and mitigation, and responsibly allocates responsibility between parties to maritime adventure. A unique feature of mercantile marine is P & I clubs for covering third-party liability assessed by third-party surveyors. Master mariners & chief engineers with their skills, knowledge, and experience make for good surveyors including protecting the interests of seafarers in service.

19 Where are my stickers? Is about IMDG dangerous goods movement around the world especially in India going on for last 50+ years unabated without correct procedures. As a minimum, the IMDG code requires cargo classified as dangerous as classes with international stickers giving coded information for all concerned to go by. (ID, packing, country, type, year etc.) Unfortunately, its implementation is less than good because most administrations have not been able to set up a national competent authority to do the needful. Recent container fires due to IMDG cargo are an eye-opener.

20 Marine insurance is a concept that has its origin in 18th century, England. Popularly known as Lloyds Coffee House. It is simply based on all parties, interested in insurable interest completing a voyage from A to B safely. Much later, the concept

of liability insurance grew as protection and indemnity by mutual agreement (P & I clubs). Contracts of affreightment mostly go by trade terms such as FIO, CIF, FOB etc. Meaning identified interest for freight and insurance. It's a package. Many countries have codified insurance into Acts and Parliament has set up regulatory authority like IRDAI. The main purpose is to spread the risk of loss or damage as thinly as possible between the insurer and re-insurer equitably. In India, the insurance sector is still in the infant stage, requiring large input of essential resources including acceptance of master mariners and other professionals in the working of IRDAI.

21 P & I clubs over 100+ years ago are in place to mainly protect the interest of owners in the association as a club to meet their third party liability and help the club to protect the liability in the future by mutually fixing charges or premium year on year basis as per annual claims. The strength of P & I clubs and international groups of clubs is the key. The club has a finance rating to help owners to choose a club. Another key is managing risks by as detailed systems as possible and looking into the future. For Indian domestic shipping, smaller owner operators, there has been for the last few years fixed premium P & I insurance by GIC etc.

22 General average and its impact on international trade is another concept that has grown out of sea-going transport – make trade happen. GA requires the cooperation of all parties in sea transport. Completion

of the voyage. A unique feature of GA is equitable participation. Over the years, York Antwerp rules, and Hague Visby rules have developed to deal with problems that have arisen in settling claims. GA claims must be voluntary, of unforeseen risk, an imminent threat, and essential to put vessels, cargo, and people into safety. When GA is declared on this basis, the owner is entitled to be compensated by all interested parties. This is called adjustment. A specialized agency of mercantile marine does the needful (like arbitration). In modern-day shipping, GA is very complex and fraught with claims and counterclaims. It is often noticed that cargo interests are the weakest link, especially without cargo insurance. The result is, evolving York & Antwerp rules.

23 Salvage happens if and when maritime adventure is not completed as intended. After insurance, GA salvage comes in to save lives and property in danger at sea even if no chance of success. It needs to be attempted to save the sea from marine pollution. Salvage works on no cure, no pay / no pay no gain. There is however a practice in vogue for contract salvage or Lloyds open form. Salver is entitled to a reasonable cost of salvage or interest in what is saved. Increasingly oil pollution from accidents like Tory Canyon 1967 and Amoco Cadiz 1978, there is an international fund IOPC which requires salvage in controlled conditions to limit damage to the environment. A bunker convention is now in

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place to limit damage from ship fuel leaks due to similar accidents. In the end, it is a matter of national disaster management and allocation of resources for it including trust placed in a body or SOSREP.

24 Admiralty Act & its impact stems from its name says until recently was governed by UK (1840-2017). The Indian Admiralty Act applies to defined sea-going ships, vessels, and other claims that can be pursued in the High Court for example, the arrest of a ship. In doing so, the Act also defines maritime lien, setting aside priority of claims on the 'Asset' itself within 1 to 2 years limitation. However, rules under the Act are still to see the light of the day. This is a work in progress.

25 Maritime cyber security threats and

consequences are overwhelming to all aspects of the modern economy in a digitized world. Compromised IT called by any name in any system is a hacker's paradise if the adage "Savadhani Hati, Durghatana Ghati". In autonomous shipping, this threat could be looming very large and real. So, unmanned vehicle in the near future is out of the question. Measures against carelessness include risk assessment and situational awareness with respect to IT on board and ashore and its influence @.com. & GPS should be integrated into ISM manual duly audited diligently, is the key. Not responding to .com mails, links should be enforced by all concerned in shipping operations. The SoP against cyber threat must be very

detailed on limitations of equipment on board such as navigation aids, ECIDS, systems, ICS, OT, COTS, BYOD as appropriate. Prohibition on reckless downloads and use of malware is an extremely important CAUTION.

26 Issues of allocation of responsibility in marine contracts in times of geopolitical flux, wars, terrorism, and piracy have been collated by well-known marine law practitioners from Singapore. In a fast-changing world, maritime risks of ships at sea, port, and coast have increased exponentially. Both ship owners and charterers have to deal with these risks by suitable clauses in the contract of afreightment. Usual causes of war, high-risk areas, sanctions, and war-like situations need to be clearly drafted. The best way forward is to carefully

obtain additional insurance both for H & M, P & I. and close communication between marine administrations, IMO, BIMCO, ICC / IMD & flag/port states.

27 Waterfront woes is as old as shipping itself covid notwithstanding. A fallout is imposed tariffs and cost of crew change & gangway security. As Government & private ports increase their activities & practice; concession agreements should be equitable & in PPP projects due regard to all aspects of ship port interface. There have been deliberations since 2014 for a new Ports Act – the mother of all marine Acts including a change in policy of Port Land interface alongside, ship cargo handling for trade benefit. This is still a work in progress.

28 Container freight stations (CFS) have recently come to their own as aggregators although India missed

containerization in 1980. Dry ports are now a growing business sector pan India. We need more not less CFS and set up in a liberal environment so that end-users have a choice, lower cost, and competitive efficiency. CFS's most important aspect is to decongest port land areas and improve first-last-mile connectivity. At CFS, all facilities are available including customs and registered evacuation agencies to increase the ease of doing business, and NLP, DPD have started gaining importance & improvement by way of digital boundaries rather than physical boundaries. Rail-connected ICD & CFS near ports could find more collaborative ways to reduce logistics costs within Sagarmala.

TO BE CONTINUED IN NEXT PUBLICATION

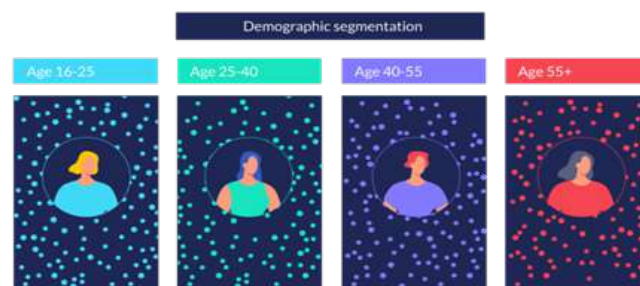
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To undertake effective marketing campaign, in an efficient way, it is very essential you should exercise market segmentation. Any business man knows that all cannot be his customers and there has never been a company that catered to the needs of the entire population. It is just common sense. Therefore it becomes imperative on your part to find out who will be your customers. Segmentation comes in a big way to help you find out your prospective customers. That is, your prospective customer must be able to purchase your products. He must make purchase-decisions. That means you must know what are the factors that might be influencing his purchase-decisions. It is said by

experts that some four major factors must be considered in discussing factors that might lead to purchase-decisions; they are culture, economy, personal factors and social factors. In a way they all overlap; all can be brought under any one of them; for example, under economy all other factors can be considered as its components. Now, let us see each factor and say a few words about them.

Take culture; it is a very complex thing to discuss; yet, some basic facts can be looked into. Let us not forget that we are discussing it from the marketing perspective. Culture is said to be a way of life; that is, common beliefs, rituals, conventions and traditions—all these things are shared by a group of people. A group of people is

Demographic Segmentation **ARTICLE**



again called a community; and society is made up of many communities. Every community will have certain values they cherish and live by and sometimes live for. Society is made up of communities; and communities made up of families. A family is looked upon as a basic unit of any community and in all communities, there are family traditions which are unwritten laws and they have to be safeguarded and any violation of these traditions is considered anti-social. Now, in this small

brief background, see how segmentation functions. Generally, man, the father, the husband is considered the head of the family. All decisions are subject to his approval. Now we come across unemployed, financial resourceless head of a family; and the mother, the wife is a bread winner. She earns for the family. All look up to her for money, including the husband. Here, the earning woman has to consult her husband for any purchase and get his consent. We find purchase-decisions are

made and approved by one who does not earn money. Leave alone the wife, if son or daughter, if they want to buy something, they need money and they get it from their mother and mother also willingly gives money to them for their purchase. Here purchase decisions are made by sons and daughters for their needs.

When your company is producing products for younger generations without financial resource, still, when you plan marketing, you focus on, say, sons and daughters and not on earning members of the family. Here segmentation is based on age. Personal factors and social factors are playing here. There are other basic facts of segmentation; we shall see them in our next.