



Blueprint for Reforms and Initiatives for Growth of Home Tonnage (BRIGHT)-By Capt. M. M. Saggi, Former Nautical Advisor to Govt. of India



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In the article, an attempt has been made to high light that growth in Indian shipping tonnage is a pre requisite for growth of Indian shipping besides serving a significant national interest. Various reforms have been suggested, which can be implemented easily along with some new imitative to achieve this objective.

1. Development of Indian shipping: Shipping includes vessels registered under the flag, seafarers, ship building, ship repairs and shipping related logistics to name a few. Most significant amongst the mentioned aspirations is the growth of tonnage under its flag. If this can be achieved, others will follow.

2. Significance of augmenting Indian Shipping Tonnage: Controlled national tonnage provides trade and energy security especially in time of hostilities, can facilitate evacuation of Indian nationals within and outside India, contributes by substantial foreign exchange saving on freight carried by foreign flags besides the freight earnings remain in the country

and reinvested adding to GDP, more employment is created for Indian seafarers, many shipping company offices are opened in India providing employment ashore. Indian ship owners are more likely to buy Indian ships and repair ships in India if same are cost quality and time competitive. In addition, higher Govt. revenues are likely due to more investments and last but not least, so many other direct and indirect multiplier effects.

3. Share of Indian tonnage in Exim Trade and achievable growth prospective: Indian flags vessels carry a mere 8 percent of India's EXIM trade. In 2018, Indian EXIM trade was valued at around 1000 billion dollars. Ships carry about 70 percent of this by value i.e. trade valued around worth 700 billion dollars. Assuming conservatively that average shipping freight is a mere 2(two) percent of the value of goods carried, freight cost for EXIM trade by ships can be estimated at around 14 billion dollars. If through facilitative measures, we can raise

the share of Indian shipping to carry about 40 percent of our EXIM Trade in due course, the augmented earning of our fleet would be 32 (40-8 already carried) percent more or about 4.5 billion dollars more.

4. Long term Contract of carriage between Indian Shippers / consignees and service seekers and Indian ships a win-win deal: India has the second largest population in the world and correspondingly high consumption, production and trade. Most of large exporters and importers do have substantial control in deciding the carriers. Long term carriage of cargo contract with Indian ship owners, on mutually beneficial terms, linked to a relevant freight index, will make ship financing easier. Financial institutions would be comforted by long term freight earning by the ships financed by them and consequent assured returns on the capital employed. Such contracts also comfort the shippers & consignees, assuring them of the availability of suitable vessels to carry their goods at fair freight rates. Similarly, large number of oil and gas Exploration & Production (E&P) companies, ports and other players needing a number of support crafts for business, can also enter in a long-term service contract for above mentioned reasons. These long term agreements are a win-win deals for Indian ship owners as well as for Indian consignees, shippers and companies, seeking services of Indian ships.

5. Attract ships to Indian registry through tax incentives: Our revenue from shipping is almost negligible due to small fleet size. If we offer large tax incentives to ships registered in India, there will be no real loss of existing revenue but only a notional loss of future revenues. Since there is no subsidy involved, nothing needs to be budgeted. However, the tax incentives can be a huge catalyst in exponential growth of Indian tonnage, which will serve the larger national interest better.

6. Diverse objective for growth of shipping tonnage by different countries: Countries follow different models for augmentation of their tonnage. **Panama, Liberia and Marshall Islands** are few of the largest open registries. They attract large tonnage under their flag by offering ship owners, a low or no tax regime and total freedom of operation wrt to selection of class or crew. In turn these countries earn good revenue from registration of ships and services rendered. **Hong Kong and Singapore** registries also

attract large tonnage by offering a credible flag and tax incentives. Their main objective is to create more opportunities for their banks and employment opportunity for their citizens ashore in the offices of the shipping companies. Norwegian main register lost ships as it could not compete with lower-costing, low or no tax registers. The main objectives of establishing the **Norwegian International Ship Registry (NIS)** register were to retain the Norwegian owned ships under the Norwegian flag, provide better competitive conditions for Norwegian fleet in world trade and offer greater employment opportunities to Norwegian seafarers. However, NIS vessels are restricted to ply only on cross trades. NIS has been highly successful in adding tonnage under Norwegian flag.

7. Pros and cons of Tonnage augmentation by registering ships on Bare Boat Charter cum Demise (BBCD) by Indian companies: Under BBCD, a vessel is hired without crew for an agreed period, during which charterer takes over complete commercial and technical responsibility for the vessel and pays all costs except capital costs. There is a purchase option after expiry of the charter or during the charter. Obvious advantage of allowing BBCD vessels to be registered under India flag is large acquisition in Indian tonnage without incurring initial capital cost. Indian National Ship owners Association (INSA) insists that vessels acquired under BBCD should not be accorded benefits of Indian Tonnage until their full ownership passes on to the Indian ship owner. INSA is opposing the move as according to them, government would effectively be providing BBCD vessel registered under Indian flag, cargo support at par with Indian flag vessels even though the ship continues to be owned by those outside India. According to INSA, such vessel cannot be controlled by the Indian government as they would remain foreign owned. More over the benefits from the incentives given by government would also flow outward and finally the charter may not demise and vessel may be taken back by foreign owner. On the flip side, there can be an argument that whether these vessels eventually convert to Indian flag or not, as long as they remain in BBCD charter to Indian companies, they would continue to give employment to Indian seafarers and others ashore in their offices in India adding to our GDP. At present, 92 % of our EXIM trade is carried by foreign flags, without any commitment or benefits accruing what so ever, to the nation.

(To be continued in next week)



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8. Restrict details of ship registration in MS Act: To attract investment in Indian tonnage, one of key pre requisite is enabling legislation. Obligation to register ship arises from Article 94 of United Nations Laws of the sea convention, which states that every state shall effectively exercise its jurisdiction and control in administrative, technical, social matters over ships flying its flag and maintain a register of all such ships. We need to restrict ship Registration part in MS Act to these provisions only. Rest of details can be covered in secondary legislation. This will facilitate introduction of innovative methods to augment Indian tonnage by introducing same in secondary legislation, rather amending the act, which is a daunting task.

9.Reducing operational cost to boost national tonnage: As mentioned earlier, various incentives can be used to attract tonnage such as income tax benefits and cargo support. In addition there are various other tools a maritime administration can use to optimize the operational cost of ships to attract them in its tonnage such as reduced cost of regulatory compliance, no excise duty on bunkers, no customs duty on stores and spares, creation of adequate capacities and efficiencies in Indian ports to improve

turnaround time and eliminate delays, reduce port dues and other applicable dues such as light dues and pollution cess, keep ship manning requirement to minimum required for safe operation and remove all taxes related to seafarers. Further only Indian nationals can be employed on Indian ships. However, under certain circumstances it becomes inevitable for an Indian shipowner to employ some foreign nationals for safe operation of the vessel. This needs to be facilitated for short period, on case to case basis. Similarly, at times an Indian registered vessel may have an opportunity of an attractive contract on another country's coast, which may offer the charter only to its own flag vessels. In such cases, if vessels desires to exit Indian flag, rather than cancelling the registration of such vessels, we can have a provision in the registration rules, to keep the registry of such vessel under suspension, so that these vessels can return back to Indian flag smoothly, when the contract is over and registry with other flag is cancelled.

10. Reducing cost of regulatory compliance: This is a key incentive to retain loyalty of existing tonnage and attract fresh induction. Any complacency by regulators, owner or ship's crew can result in loss of lives, property and environment damage. Similarly, any

regulatory over reach can result in massive losses to ship owner. Accordingly, it is essential that seafarers manning the ship, surveyors carrying out inspections and owners are fully competent not only in all operations of the ship but also how to minimize the costs in all aspects ship's operation without compromising the safety, security and environment protection. It is paramount that a fine balance is always maintained between regulatory compliance and commercial expediency in line with best international practices.

11. Challenges faced by Non-Convention ships and way forward: Shipping by nature is international. International Conventions related to safety Security and Environmental protection normally apply to sea going ships of certain size on international trade. This creates a level playing and also comforts the coastal state that there is no undue risk from international shipping. However maritime administration also needs to regulate Non convention ships, which are normally small in size and mostly restricted to plying in ports or in coastal waters of flag state. These vessels may occasionally proceed to sea in fair weather on international voyages for repair, drydocking or to change their area of operation. Since there are no international guidelines for regulating these vessels, unlike convention ships, it is essential that rules and guidance for registration, survey, certification, voyage permission of non-convention vessels are prepared based on risk assessment in line with best international practices. It needs to be kept in mind that these vessels pose minimal risk, have nominal earnings and hence cost of compliance needs to be kept as low as possible.

12. Comfort to Class and Flag surveyors: It is quite possible, that many class and administration surveyors are not using their discretion, to allow the vessel to continue their operations, even when the risk is acceptable, perhaps due to fear of criminal and disciplinary against them in case there is a loss of life, property or environmental damage, related to a ship cleared by them. Comfort of protection under MS Act for action taken in good faith needs to be reiterated, reinforced and practiced by all arms of the state to protect the surveyors and their superiors against any coercive action for decisions taken in good faith. There should also be provision for adequate insurance for legal costs incurred by surveyors to protect themselves, in cases where maritime Administration or Class is not able to bear such costs.

13. Building trust and relationship between of ship owners with class and administration is key to growth: Relationship and trust between ship owners, class and administration surveyors needs to be improved by

holding periodical meeting between them. All rules and guidance applicable for such vessels need to be developed in consultation with vessel owners. All other pain points of vessel owners can be resolved expeditiously in these meetings. A neutral appellate authority also needs be created to address the urgent need of a ship owner, if they are not satisfied with directions or decisions of class or administration surveyors.

14. Dispute resolution: Investors have a big role to play in ship acquisition. If a ship owner is not able to pay the interest and principal as agreed, the investor would like to take over the asset and sell it to other prospective buyers. Besides the financiers, all other claimants also have lien on the ship for their claims. However, more often than not, there is prolonged delay in settlement. During the pendency of the dispute, costs such as interest on borrowed income, depreciation, crew wages and port dues etc. keep mounting, where as vessel remains arrested by one or another claimant. Eventually when the vessel is sold, all claimants take a hit and absorb the losses incurred during arrest or detention. There is an urgent need to review and expedite our dispute resolution mechanism to comfort the investors and service providers to Indian flag vessels to assure them that they can quickly recover their money invested, in case of any dispute.

15. Criminalization of Ship Owners and managers: Shipping is a highly cyclic industry. It is not uncommon for a ship owner to go bankrupt in down market, if the ships are acquired in market at high price when freight rates were high. There need to be clear legal provisions to safeguard the liability of such ship owners. They should be protected against coercive action by investigating agencies. It may be understood that, ship owners do have substantial stake in the equity of each vessel acquired by them. Declaring their company bankrupt is the last resort as the owners too would lose all their investment into the ships.

16. Training of surveyors: All class and administration surveyors need to be trained under a structured training program and kept abreast of development through communication and regular updating & revalidation courses in all technical aspects of survey and certification. In addition, it is important to stress that a ship earns money only when it is moving. A vessel needs to be detained only as a last resort, when all risk mitigating measures offered by owner fail to reasonably assure it's safe operations.

17. Conclusions: A vessel owner is primarily interested in registering vessel under the flag, of a caring maritime administration which offers tax incentives, freedom of operation and if

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reservation of cargo. If Indian Government fails to offer some of these incentives, the tonnage would be attracted to other shores. In addition to reforms enumerated above, Indian maritime administration can take a new initiative to consider creating following two categories of registration regime:

a. Indian National Register (INR): Following restrictions, rights and obligations may be considered for this category of vessels:

i. Full cabotage protection reversing the recent notifications diluting the reservation of coastal cargo only for Indian vessels.

ii. Right of first refusal for any cargo for which the choice of carrier is in the hands of an Indian consignee or shipper.

iii. Preference for entering into long term contracts with Indian shippers and consignees.

iv. Full income tax and GST exemption, no custom and excise duty on equipment, spares, stores and fuel.

v. They must also employ only Indian crew.

vi. Have Indian Register of Shipping as only register or second Register.

b. Indian International Register (IIR) and vessels Acquired through Foreign Direct Investment (FDI): Following restriction, rights and obligations may be considered for this category of vessels:

i. No cabotage protection.

ii. No right of first refusal for any cargo for which the choice of carrier is in the hands of an Indian consignee or shipper.

iii. No right of preference for entering into long term contracts with Indian shippers and consignees.

iv. Full income tax and GST exemption, no custom and excise duty on equipment, stores, spares, and fuel.

v. They must also employ only Indian crew.

vi. Permitted to have any class.

vii. Have offices in India

viii. Given second preference for Indian cargo if no suitable ship is available under Indian National Register ahead of a foreign flag vessel.

VOC Port Eyeing to be declared as the Transshipment terminal of the country

TUTICORIN
Sagar Sandesh News Bureau

The VOC Port, Tuticorin situated near the land's end of the country is eyeing to be declared the transshipment hub of the country to reduce the dependence on Colombo Port for transshipment of Indian cargo, the Port Chairman T K Ramachandran indicated today.

Port administration is striving to be on par with the rates offered by Colombo Terminals

Addressing a webinar on the export potential of the port in post covid 19 conditions he said the port administration is striving to announce more concessions with regard to vessel related charges so that the port could be competitive, and is in par with the rates offered by Colombo Terminals.

We have already reduced the vessel related charges for main line vessels by two thirds recently and consequently Wan Hi



The all powerful tsunami that hit the East Coast in 2004 did not even cause a minor damage to Tuticorin port

shipping lines has started direct services to the Far East from Tuticorin port. Nearly 60 per cent of the Colombo port's turn over ie around 2.5 million tons of cargo is contributed by the Indian ports especially from the east coast.,

The port has also put in place a five year plan to tone up the infrastructure including a third dedicated berth for container traffic, deepening of berths, entrance channel and turning basin to draft ranging from 16 to eighteen meters.

The other measures adopted

include to bring down the logistics cost from present 11 to six per cent. We are also improving rail connectivity and toning up digitalisation of cargo handling operations in the port.

The developments in Colombo East terminal where the indian participation is sought to be thwarted is likely to push India to resume its search for transshipment hubs within the country. The atma nirbar project of the government is expected to give a push to the project.

Sources said apart from VOC Port Tuticorin, Cochin is also in the race

Sources said apart from VOC Port Tuticorin, Cochin is also in the race. VOC port has distinct advantages as it is strategically situated a few hours away from the East West International Sea lane. There is industry and scope for further industrial growth in the hinterland of Tamil Nadu. The port is sandwiched with Srilanka and therefore the basin unlike Cochin is not in the

open sea susceptible to rough weather.

The sources said even the all powerful tsunami that hit the East Coast in 2004 did not even cause a minor damage to Tuticorin port since the landmass of Srilanka provided the cover

Union activity is minimal and therefore there is no scope for disruption of cargo handling

Trade union activity is minimal and therefore there is no scope for disruption of cargo handling unlike the conditions in neighboring Kerala. Thousands of acres of land is available adjacent to the port at reasonable costs. Availability of skilled labor and uninterrupted power supply is also a no issue in the port area.

Way back in 1978 the state owned shipping corporation announced that Tuticorin port will be the cargo aggregation point for its ships sailing in the area, the sources said.

Paradip Port handles the maximum cargo among the major ports of the country

BHUVANESHWAR
Sagar Sandesh News Bureau

Paradip port in Odisha has handled 25.73 million tonnes of cargo during the first quarter of the current fiscal, 2020-21 the highest among major ports in the country, a top port official said on Saturday.

Overcoming the hurdles caused by the COVID-19 outbreak, the port has handled 25.73 million tonnes of cargo during the April to June quarter of 2020-21 financial year, Paradip Port Trust (PPT) Chairman Rinkesh Roy said.

This is the maximum traffic recorded among major ports in the country during the quarter that ended on June 30, he said.

Despite all the obstacles, PPT has come out with flying colours says (PPT) Chairman Rinkesh Roy

"As the COVID-19 pandemic continues to stifle the global supply chain, the maritime industry is facing a daunting task to function smoothly. Despite all the obstacles, PPT has come out with flying colours," Roy said.

Roy and PPT Deputy Chairman A K Bose have conveyed their gratitude to all the employees, unions, the state government and the Jagatsinghpur district administration for their cooperation.

They also thanked the importers, exporters, stevedores, steamer agents, port users and other stakeholders, saying "a new chapter could be written in the history of the port with their regular support".

The Paradip Port had joined the exclusive club of "100 million tonnes ports" by handling a record 103 MMT traffic in 2017-18.

Odisha Chief Minister Naveen Patnaik and Union Petroleum and Steel Minister Dharmendra Pradhan have congratulated the Paradip port authorities for handling the highest volume of cargo.

Patnaik said his father Biju Patnaik, a former chief minister, would have been proud of the giant strides made by the state in maritime trade.

"Congratulate @paradipport for becoming No-1 major #port for cargo handling in the country. Biju Babu would have been proud of #Odisha's giant strides in maritime trade. A tribute to Odisha's glorious seafaring history," Patnaik tweeted.



Paradip port

Union Petroleum Minister Dharmendra Pradhan said PPT has set a new milestone in cargo handling. "Yet another milestone for @paradipport. Happy to learn that Paradip port has achieved the highest volume of traffic i.e. 25.73 million tonnes, among all the major ports in India during April-June 2020 (1st Quarter)," the Union minister tweeted.



Sagar Sandesh

Guiding Spirit to Shipping Industry

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JNPT receives 80 MT of liquid medical



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Indian seafarers asked to stay back in ships....



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Third container terminal takes

Challenges faced by Indian seafarers & trade due to second wave Covid and way forward-

By Capt. M. M. Saggi, Former Nautical Advisor to Govt. of India.



Capt. M. M. Saggi

1. Challenge :

Over 75 % of Indian seafarers work on foreign flag vessels. Most of these vessels rarely call Indian ports. Indian seafarers have to join foreign flag vessels mostly on foreign shores. Due to recent highly infectious pandemic outbreak in India, most of the countries are prohibiting crew change with travel history to India in last 14 days.

2. Way forward :

2.1. Indian seafarers can be kept in bubble, in a dedicated hotel or offshore, on a cruise liner, under quarantine, for 14 days in a nearby country, under special arrangement, which is well connected but outside the red list, such as Dubai, Qatar, Abu Dhabi etc.

2.2. Ships on east west route via Suez or Persian Gulf Far east route can be diverted to Kochi, where a similar bubble & 14 days quarantine centre can be created for crew change. Similar bubbles can be created in Indian ports, where crew change is planned.

2.3. A sanitised suitable vessel can also be used for transferring sanitised crew in ports, sheltered/ safe waters, anchorages or at high

seas, with due permission of authorities.

2.4. Indian seafarers on coast or on ships calling our ports can be replaced with due caution.

3. Challenge :

There are numerous compelling reasons for priority vaccination for seafarers.

3.1. Ship managers/ owners are not keen to employ Indian seafarers if they are not vaccinated.

3.2. In enclosed ship environment, infection spreads quickly from one seafarer to whole crew.

3.3. At sea, seafarers have no access to doctor, CT scan, oxygen & intravenous medications.

3.4. Ship with infected seafarers will certainly be quarantined in ports of call, seriously delaying cargo operations. Shippers / consignees would choose only ships with safe & sanitised crew discouraging ship owners / managers to employ non-vaccinated crew.

3.5. Many countries do not even allow transit rights to seafarers if they are not vaccinated.

3.6. Ships are operated with minimum manning. One sick crew impacts ship's safe operation.

3.7. Not vaccinating Indian seafarers has a serious bearing on their employment prospects as competing man power supplying nations are giving priority vaccination to their seafarers.

3.8. If due to pandemic fear, seafarers stop sailing, 90 percent of the world trade could come to a grinding halt.

4. Way forward :

4.1. Total number of active Indian seafarers in the country is estimated at around 2.5 lakhs. On average about 20,000 per month or 700 per day are likely to join ships. If all seafarers need to be vaccinated on priority with two doses, only about 1400 doses are required per day to cover entire population of Indian seafarers in an year. This is not a very large number. Seafarers can pay for vaccine at market price & recover same from employer.

4.2. Seafarers have already been notified as key workers by Ministry of Home affairs order dated 21st April 2020. Director General of Shipping vide order dated 23rd April 2021 has notified Mumbai Port Trust Hospital as a centre for priority vaccination of seafarers. It may be advisable if through a directive of Ministry of Home affairs, all vaccination centres across the country are directed to give walk-in priority to seafarers on showing their Continuous Discharge Certificate (CDC) as proof of their identity.

4.3. Employer can also supplement this effort by vaccinating sailing seafarers in ports where such facilitation is available.

4.4. As a responsible member state, India can persuade International Maritime Organisation (IMO) & International Labour Organisation (ILO) to exhort member states to offer priority vaccination to all seafarers, in all ports, not only for welfare of seafarers but to also keep world trade flowing smoothly. India can take lead by walking its talk.

5. Challenge :

Ships calling Indian ports are being quarantined and delayed in different jurisdictions across the world. It is apprehended by the rest of the world that crew of the

ships' calling Indian ports may have got infected, while dealing with various stakeholders in Indian ports. Consequently, many foreign ships may stop calling Indian ports. At present more than 90 percent of India's EXIM trade is carried by foreign ships. A boycott of Indian ports by foreign ship may cripple our trade, economy and energy supply lines.

6. Way forward :

6.1. All authorities and stakeholders in Indian ports such as customs, immigration, port health, agents, stevedores, ship chandlers, repair and service personnel, Port State Control, Flag State Inspection, Classification Societies etc. need to be advised not to breach ship's crew safety bubble and instead deal online on all such issues, with ships calling Indian ports. Also curtail crew shore leave on all vessels, till pandemic subsides.

6.2. These measures will comfort foreign ships & foreign ports, obviating adverse impact on entry of ships, which may have called Indian ports. This is also safe for shore personnel.

6.3. If boarding of some shore personnel such as pilots etc. is unavoidable, all such persons need to be vaccinated and well protected for safety of ships' crew and their own safety.

6.4. This can be standard protocol for all ships in all ports till there are lurking fears of covid.

6.5. Chinese ports banning ships calling Indian ports in last 3 months need to be challenged.

7. Challenge :

A number of Indian seafaring jobs may be lost as most employers may prefer to replace sailing Indian crew by crew of

other nationality, on completion of their tenure, as vaccinated and sanitised Indian crew to replace them are not readily available.

8. Way forward :

Indian seafarers presently sailing on ships, not calling Indian ports, can be requested to voluntarily extend their service contract for a few more weeks till we put our house in order and the world is in a position to accept sanitised Indian seafarers on foreign shore to replace sailing crew. This will help save existing Indian jobs on foreign flag vessels.

9. Challenge :

Seafarers do not have dedicated equipment such as oxygen, ventilators and medications on ship to treat covid patients. Indian seafarers are trained to render medical first aid but not formally trained to deal with covid to prevent, protect, detect, treat, isolate, report and repatriate impacted seafarers.

10. Way forward :

Guidance can be developed nationally to supplement the available quality information, to deal with all above concerns including placing the requisite equipment & medications on ships and training required for seafarers. A modular standard certificate training program can be developed as a value added course, covering all such aspects, by employers of Indian seafarers, in coordination with Director General of Shipping. This course may also be completed online. This will give confidence to seafarers and comfort their employers and other stakeholders. Subsequently it can be shared with IMO as a recommended / mandatory training program for seafarers of all nationalities on all ships.