



IFSMA AGM OSLO

Domestic shipping – realizing a potential

Presentation by President Indian Coastal
Conference Shipping Association

S. V. Subhedar

6 June 2014

PRESENTATION PURPOSE

- I offered to make this presentation few months ago appreciating big change in the government before IFSMA AGM in OSLO
- GOI has changed for good and substantially so
- I am thankful to IFSMA for accepting my presentation
- In the next few slides I am requesting delegates to help me take to new government proposals for rapid increase in Indian domestic shipping comparable to here in Europe, USA, Japan, Far East. This is good for climate change.

VISIONARY

"That's been one of my mantras – focus and simplicity. Simple can be harder than complex: You have to work hard to get your thinking clean to make it simple. But it's worth it in the end because once you get there, you can move mountains". KIS – keep it simply simple.

Steve Jobs

We must make domestic shipping lean simple and practical because Ship is good for economy

New Decisive Government in Place

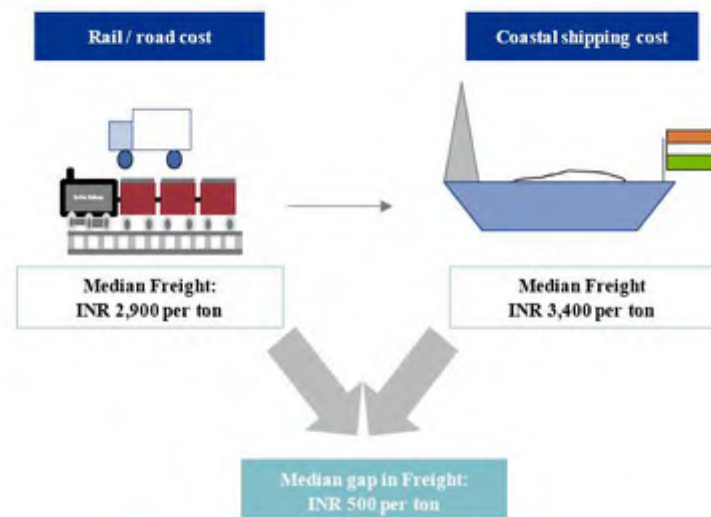
- New Delhi, Government of India has a new team now
- And for the first time in last 40 years Transport and Shipping minister is strong political leader of the ruling party
- Lot of expectation is around for overall rapid growth of Indian economy including substantial rise in shipping fortunes over next 5-10 years
- India controlled tonnage on the way

Coastal Shipping Reports more than 25 in 50 years

- Very little benefit from these reports has come to Coastal Ships so far because of strong road lobby
- The result is for all of us to see with minuscule Indian fleet and highest logistic costs in India for ordinary consumer
- Recently KPMG for the first time quantified incentive that should be given to Shipowners / operators at the rate of Rs. 1.8 per ton per Nautical mile or its equivalent for container / cargo movement as a function of distance

Median freight differential shock!!!

- KPMG study demonstrated over a range of cargoes and routes that there is a median freight differential of Rs. 500 per ton per km



Ministry announcement awaited

- New Minister has at last put coastal shipping on high priority in his routine agenda
- In spite of Coastal shipping being the cheapest, most efficient and environment friendly, the median freight differential comprises of high compliance cost, bunker disparity and shipping finance cost and social cost not borne by its Competitor – road rail.
- Why for shipping only subsidy, incentive bad word????? Answer no political will until now and awareness amongst citizens

Road rail only getting attention again and again – from colonial days, e.g. making of bridges over large rivers of Bengal to rule India

- Over and above, road rail in India is burdened with very little Health, Safety, Environment, Social cost, International norms and practices.
- If this is done, road rail freight rates will start converging towards coastal freight rates burdened with all of these.
- In fact, over loaded truck, over sized cargo on truck, accidental losses, damage and theft of cargo are every day scenes.
- Coastal ship does it so much betterand cheaper given little out of box thinking

Ushering a step change

.....Requires:

- Progressive Domestic Shipping Act to replace provisions of MS Act and other Maritime Acts and Rules made in colonial days
- Make shipping and ports federal subject
- Expert industry infrastructure status for facility of financing
- Long term Government support – YOJANAS similar to Manrega, **JNURM**, etc.
- Shipping Bank which understands business of shipping, seil and purchase (1990s subsidy to barges saw quantum jump in the fleet)
- Cabotage / reservation with affirmative action
- Creation of Maritime clusters / parks
- Government led investment (like MOD) into applied R&D
- Attract investment in India for infrastructure, manufacturing, tourism by way of clear rules of engagement, clarity in conformity (no retrospective changes) and generally ease of doing business for the targeted growth of 8-10 % (create 50 million jobs per annum – Davos)

Ushering a step change

All one is asking for is:

- “*Moolbhut Suvidha*” to allow shipowners and operators to perform and make profit
- Level playing field –
- Measures such as second register, Choice of Classification
- Thriving Banking and Insurance facilities
- Maritime constituency to foster shipping enterprise and lobby
- Sagarmala kind of concept and interlinking of rivers to reduce cost of first and last mile
- Liberal approach to FDI, rightful share in shipping GDP, reduction in current over regulation of Indian Domestic shipping



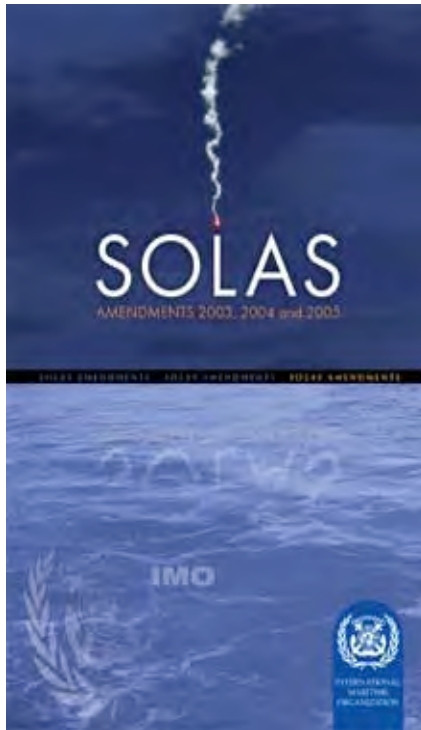
IV act 1917 amended 2007

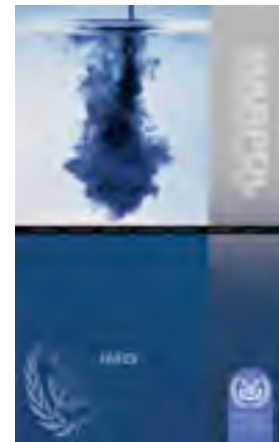
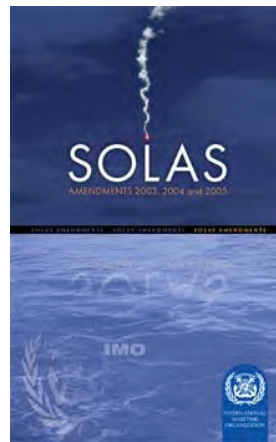
IV, and ports like primary health; primary education; RTO should be federal subjects

- These are building blocks of rapidly developing India
- State governments are unable to deal with the GOI act by making enabling rules;
- DG order 6/2010 as amended by 18/2013 is a step in this direction by central government & industry action

over regulation

- - IWAI - -







Check FREIGHT OUTGO TO HELP Currency rate

Ministry could evolve a policy to ensure Indian fleet carry more of EXIM trade and domestic cargo.

Make the story of everybody knows
conclude in every body does for
coastal shipping

State governments have the greatest
responsibility by making polluter pays
rules to de congest road rail

FDI 100% allowed in shipping does not take off

Because of no level playing field, obsession in continuing antiquated laws; obsession with colonial shipping practice; customs, immigration, crew matters, ship Registry, no second Register, Classification requirements; lack of shipping finance modernization, tax breaks, insurance industry, shipping lines not able to make money, low shipbuilding, repair facilities, very high compliance costs, training costs, no boost for enterprise and maritime lobby, no political support for shipping or maritime clusters / parks, no cargo incentive, RBI restrictions etc...

Germany prohibits movement of trucks from Fri mid night to Monday 7 am !!!

Modality	CO ₂ emission (g/t-km)
Semi-trailer truck (artic)	60 – 80
Truck 10-20 tons (Local delivery)	120 – 150 big polluter
Ship 250-1000 tons	35 – 70
Ship 1000-3000 tons	30 – 55 clear winner

World Bank, ADB assistance

- The new government therefore now looking at seeking assistance to increase Indian fleet size and coastal shipping
- This follows from PM commitment made in Denmark to reduce carbon foot print from Indian transportation
- WB/ADB have supporting green fund initiatives

Sustainable shipping

In the words of IMO Secy. Gen. this is more than ship operations only. It must include all the activities that are vital to support shipping. Indian MS Act 1958 Preamble says so. Government should do a few things well rather than attempting to do many and succeeding at little. Timely actions is name of the game.

Green laws will soon cost the industry \$1000 bn by 2020 (SO₂ < 3%)

COASTAL SHIPPING - Opportunities

- Water borne transport – oldest means to move cargo, people
- Shipping is life line of trade and hence of economy, second line of defense
- Long established maritime tradition, coastline – 7500 km
- Most environment friendly, cheapest per ton km transport system
- 12 major port trusts, over 100 private / State authority ports functioning
- Effective Cabotage provisions to suit now not for MS Act of 1958.
- Some 800 mil MT of cargo is moved annually from our ports
- Coastal traffic is insignificant compared to USA, EU, Japan & China. Just 480 vessels of 80,000 dwt; mostly more than 15 years old.
- Carrying some 100m out of total seaborne trade in ports of 6-800m

MOVEMENT ON THE COAST

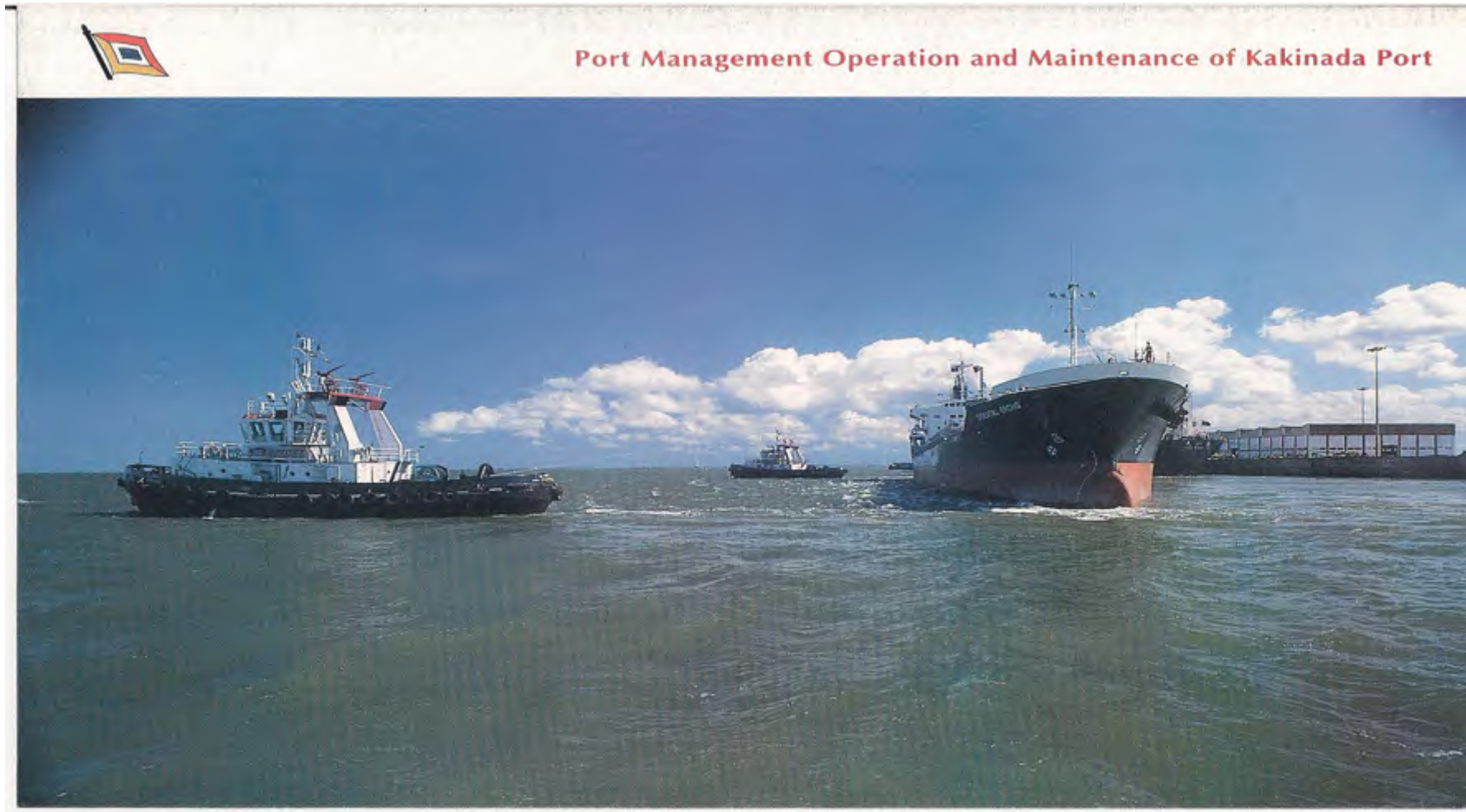
- Cargo
 - Container shipping – International, domestic transportation.
 - Heavy lifts, project cargo
 - Bulk dry / liquid; oil, distribution, unitised cargo / parcels
 - RO RO specialized carriers, semi submersibles, Towages.
- Vessels
 - Own and operate, River Sea vessels, Age restrictions, Fair/ Foul weather
 - Time Charter – DGS Guidelines
 - Hierarchy, BBCD provision – ROFR
- Process
 - TP, SMTP for containers
 - Not available for non containerised cargo
 - Bonded areas facilities
 - Ports major and minor reserved areas smartly connected to hinterland, linking of rivers / waterways
 - Applied R&D in shipping systems, marine equipment, ship building and maintenance workshops as per BIS Standards (IMO for international Standards)

LOGIC????

- **COMMON MAN** PAYS INCOME TAX ACCORDING TO INCOME
- **PEDESTRIAN** / bicyclist DOES NOT HAVE TO WEAR HELMET or put on two head lights BECAUSE THERE IS MOTOR TRAFFIC. INDEED NOTHING IS DONE FOR their SAFETY in INDIA
- Do we **stop ports** because they have no reception facility or stop pilotage because there is no license?
- **Ban fishing** within 10' miles of coast to prevent 26/11?
- ENFORCE LONG RANGE **LRIT** On domestic shipping. Why?

Therefore, DOMESTIC SHIPPING MUST BE CHARGED FOR SAFETY AND USE OF SEA > AS PER ITS **ABILITY TO SURVIVE**
NOT TO USE **MSA CANNON** TO KILL the **rsv** MOUSE

ASSISTING TRADING SHIPS



INDIAN OSV / Coastal training certification

- Embroiled in international requirements
- Not suitable for our conditions – geo political
- What is the use of PCM 60% - Phillipines does not have it, UK off shore does not have it, STCW does not ask for it
- Where are specialist training centers like OPITO / IMCA. Mostly in Dubai or Singapore
- What customers like ONGC want ?
- At a recent OSV fire in Kakinada crew was not even prepared to try fire fighting

BOOST COASTAL SHIPPING FOR ENVIRONMENT FRIENDLY TRANSPORT

NEW NCV certification possible to be accepted in another NCV area by simple agreement needs to be focused training

PRESENTLY IN INDIA THERE IS LITTLE DISTINCTION IN FG AND NCV certification.

Late Mr. Sudhir Mulji on the eve of STCW 95 at Oxford University lecture actually opined why industry should not be in charge of first and lower COC !

Time for it has come to expand our off shore cadre

Supply and Demand

- Indian labour force has increased from 250 m to 450m in 30 years
- INDIAN SHARE OF SEAFERERS from double digit is down to 5-6% and heading south !!!!!!!!
- Basis 70% males, 9% unemployed and current 80% literacy rate
- Available literate males is 25m
- Assuming large scale ship expansion – 5000 – 2025 and SMD of 20 45000 personnel required
- That is less than 0.2% literates available WOW

APPLIED Research & Development

SOLUTIONS BASED ON
INTUITION & EXPERIENCE

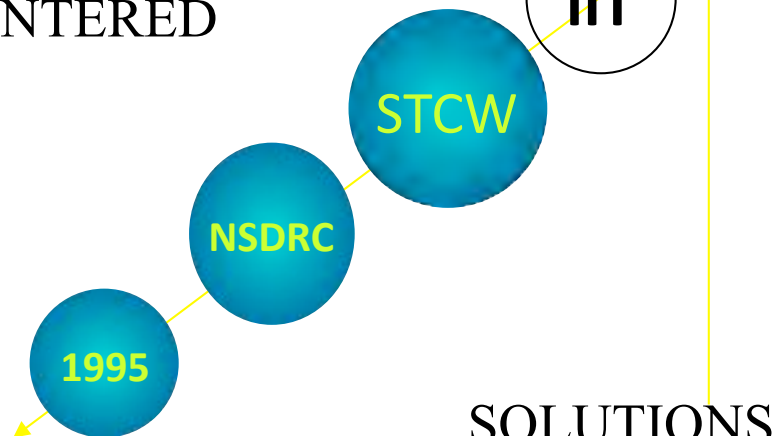
19th C.

MYTH

Marine students are only interested in learning sufficient to do their job at sea

FEW UNEXPECTED
PROBLEMS
ENCOUNTERED

MANY
UNEXPECTED
PROBLEMS
ENCOUNTERED



FUTURE OF IIMS

SOLUTIONS BASED ON
ACCURATE INFORMATION AND
ADVANCED KNOWLEDGE

Functional approach

- Coastal Navigation
 - Ship ops – dredgers, tugs, barges, RSVs
 - Care of ship and persons – **common to both** deck and engine
 - Marine Engineering limited h.p.
 - Maintenance – planned, predictive, small breakdown
 - Controls; automation – use of
 - Radio Communication – deemed Area A1
- Knowledge of STCW tables competency – II/3, III/3

IN LIEU

- LOBBY FOR NATIONAL MARITIME DAY TO BECOME NATIONAL HOLIDAY LIKE Japan's
- LOBBY FOR NAUTICAL SYLLABUS IN high schools
- LOBBY FOR NVQ MAPPING BRAIN SURGEON TO BARBER
- TRAINING FOR *INDIAN coastal* SHIPPING



SO THAT MASTERS

- TAKE PART IN DESIGN AND BUILDING OF coastal SHIPS
 - OPERATE coastal SHIP WITH ENVIRONMENT CONCERNS IN MIND
 - EXERCISE DUE DELIGENCE
 - MAKE MANAGERIAL DECISIONS
 - LOVE THE WORK RATHER THAN ATTITUDE OF WORK STINKS
- BECAUSE ENTHUSIASM IS CONTAGIOUS**

SAFETY FIRST





STANDING COSTAL COMMITTEE

- TO FACILITATE INCREASE IN DOMESTIC SHIPPING TRADE AS PART OF INTEGRATED TRANSPORT POLICY OF GOI
- WATER BORNE TRANSPORT IS most ECONOMIC AND ENVIRONMENT FRIENDLY
- “SEAMLESS INTEGRATION” OF IV/CV/MS ship operations
- New IV limits, new RSV notification
- awaiting promised incentive scheme to boost Indian coastal fleet by way of reduction in compliance and operating costs – crew etc, bunkers disparity, ship finance costs

ENABLING PROVISIONS required from the new Minister

- Shipping for profit
- Modern commercial knowledge On board ship at sea and in port
- CARRIAGE OF GOODS BY SEA – bills of lading, charter parties, ship as floating warehouse; b/l the key,
- Multi modal
- Interface – IV / NCV / FG
- Cargo Support
- Cabotage relaxation or support any kind of reservation by affirmative action of GOI

ADVANTAGES

- RAPID INVESTMENT & GROWTH IN COASTAL SHIPPING WITH EQUIVALENT SAFETY
- OBVIATES THE NEED FOR PIECEMEAL EXEMPTION UNDER MSA SEC. 456
- LEVEL PLAYING FIELD
- CENTRAL INTER STATE COOPERATION ON COASTAL NEAR COASTAL WATERS' IWT SHIPPING
- INCREASED EMPLOYMENT OPPORTUNITIES
- Development of appropriate shipping expertise – scaling up
- Development of coastal communities far away from trunk routes of Road Rail especially in Gangetic basin
- Interlinking rivers for flood control and navigation.

DIFFICULTIES

- **DGS / STATE BOARDS'** lack of **UNDERSTANDING** of what is done in Norway / EU / UK etc. for coastal shipping
- **GAIN IN ONE MAY RESULT IN SOME LOSS TO OTHER** e.g. State revenue, dent in road transport lobby, temporary dilution of on board skill sets, inability of shore management of such shipping to cope up with concession extended by the RSV Code
- **LARGE INCREASE IN THE WORK OF IRS** unless other IACS member Classification Society is allowed to assist. In UK such Code is implemented for MCA by ROs listed in it for the specific purpose.

TRIGGERS – important supply chain element

- MOST significant part of MS Act is the “**preamble**” urging facilitation of shipping
- **TRIPARTITE DELIBERATIONS DGS - RO – INDUSTRY RESULTING FOR THE FIRST TIME UNPRECEDENTED INDUSTRY LED CONSENSUS**
- I V ACT 1917 as amended in **2007 (still awaiting rules)**
- **New IV limits declaration by States**
- DG ORDER 18/ **2013** = I V+ not MS minus
- **CONCURRENT DEVELOPMENTS** IN THE PIPELINE WITH RESPECT TO MS ACT, COASTING ACT, INDIAN PORTS ACT, Labour reforms (MLC)
- Difficulties in use of limited land acquisition for road rail
- Ship building, ship repairing, Indian made equipment

TEXTILE MINISTRY DEMAND
EXAMPLE

DO WE HAVE POWERFUL AEPC like body
OR TEXTILE CONCLAVE 2013 event

NO.....

Yet coastal shipping like Indian textiles is poised for
growth given the little push like AEPC
Facilitating growth, transforming industry not only a part
of it

INDIAN TEXTILES IN FACT WITH GOVT and
INDUSTRY help has been able to meet stiff
international rules compliance and competition and
thgere is huge domestic market too. IV dovetailed like
handicrafts is engine for socio economic growth

POTENTIAL – increase in bulk, oversize and project cargo

- INDIAN SHIPPING GRT only **11m t**
- Coastal shipping only about **1m t**
- Major ports capacity **increased from 20 to 500 m t**; minor ports alone now do **500 m t**
- RSV share almost **NIL for want of coast berths**
- Large suitable population that can create **cascading** effect on manpower supply, regional development
- Domestic cargo share only **7% compared to 40%+** in the developed countries / areas
- 15000km rivers navigable **IWT** waterways
- 20 billion tonne km by 2015 (**200 RSVs**)
- Concession in rules, fuel pricing, spares availability because coastal shipping is important arm of supply chain
- Dedicated shipping finance

NECESSITIES – e.g. demand of textile ministry

- CURRENT FACILITY, REGULATORY FRAMEWORK DATES BACK TO **COLONIAL PAST; MS act has its origin in colonial Customs act and UK MS Act 1894**
- **New Coastal Act / Authority needed now.**
- **Large 7500+ km coastline development and security**
- **12 major ports and several other port facilities (185) (about 60 functioning)**
- **CHOKING OF ROADS RAILS. ESTIMATED ECONOMIC LOSS Rs. 50,000 Cr. Yet RSV could be made 50% cheaper and more efficient**
- **Improving first mile / last mile connectivity**
- **Fiscal and policy incentives. Example, in Germany no freight is moved on highway from Friday midnight to Monday 6am to **ENABLE** family and friends to have leisure time**
- **Therefore, more investment announcements required like that of road rail**

CONSTRAINTS – rules and procedures

- NO INTEGRATED ‘coastal’ shipping **development POLICY**
- LITTLE IMPROVEMENT IN TAKING FORWARD PREAMBLE TO THE MSA;
resources of marine administration
- **NURTURING** OF THIS INDUSTRY FOR GROWTH IN THE FACE OF WATER TRANSPORT EFFICIENCY IN TERMS OF UNIT CAPITAL EMPLOYED IN INFRASTRUCTURE AND BEING MOST ECO FRIENDLY MEANS OF TRANSPORT
- **NO WILL** TO INVEST IN INNOVATION TO ENSURE FAIR COMPETITION WITH ROAD RAIL ESPECIALLY OVER 600-1000 km RANGE
- **ROAD RAIL DOES NOT HAVE SOLAS, MARPOL, ISM, ISPS, CDC!!!!!!!**
- ROAD RAIL HAS **PHENOMENAL STATISTIC** OF ACCIDENTS – FATAL. BUT NOBODY CARES FOR LOSS OF LIFE NOR THE POLLUTION, CONGESTION, RESULTANT INSURANCE LOSSESS
- No policy on Indian cargo for Indian ships. CIF. FOB



USE ME
SEAMLESS TRANSFORMATION
GO GREEN! GO COASTAL!



ESTD. 1929

22, Maker Tower 'F', 2nd Floor, Cuffe Parade, Mumbai 400005.
Tel. : +91-22-22182103, 22182105, 22189372
Fax : +91-22-22182104 Email - insa@insa.org.in
www.insa.org.in



ESTD. 1929

Annual Review 2011-2012

Indian National Shipowners' Association

Incorporated u/s 25 of the Companies Act, 1956 on 10/9/1979

IF NOTHING IS DONE BY way of political will now our roads, rails will choke by 2020 given India's expected growth soon beyond Hindu rate of growth of 4%

INTERNATIONAL EXAMPLES FOR GREATER GOOD of economy

- **UK SI 1993 No. 1072** giving enabling powers, and list of provisions not applied to small commercial vessels
- UK MGN on guidance for training and manning of **inshore craft**, Boat masters' license
- MPA **all inclusive** harbour craft license
- MPA Regulations 1981 defining Home trade, **Special limits**
- Netherlands Maritime Directorate Act for trading in restricted area, Manning orders, and **commercial code**

Contd.....

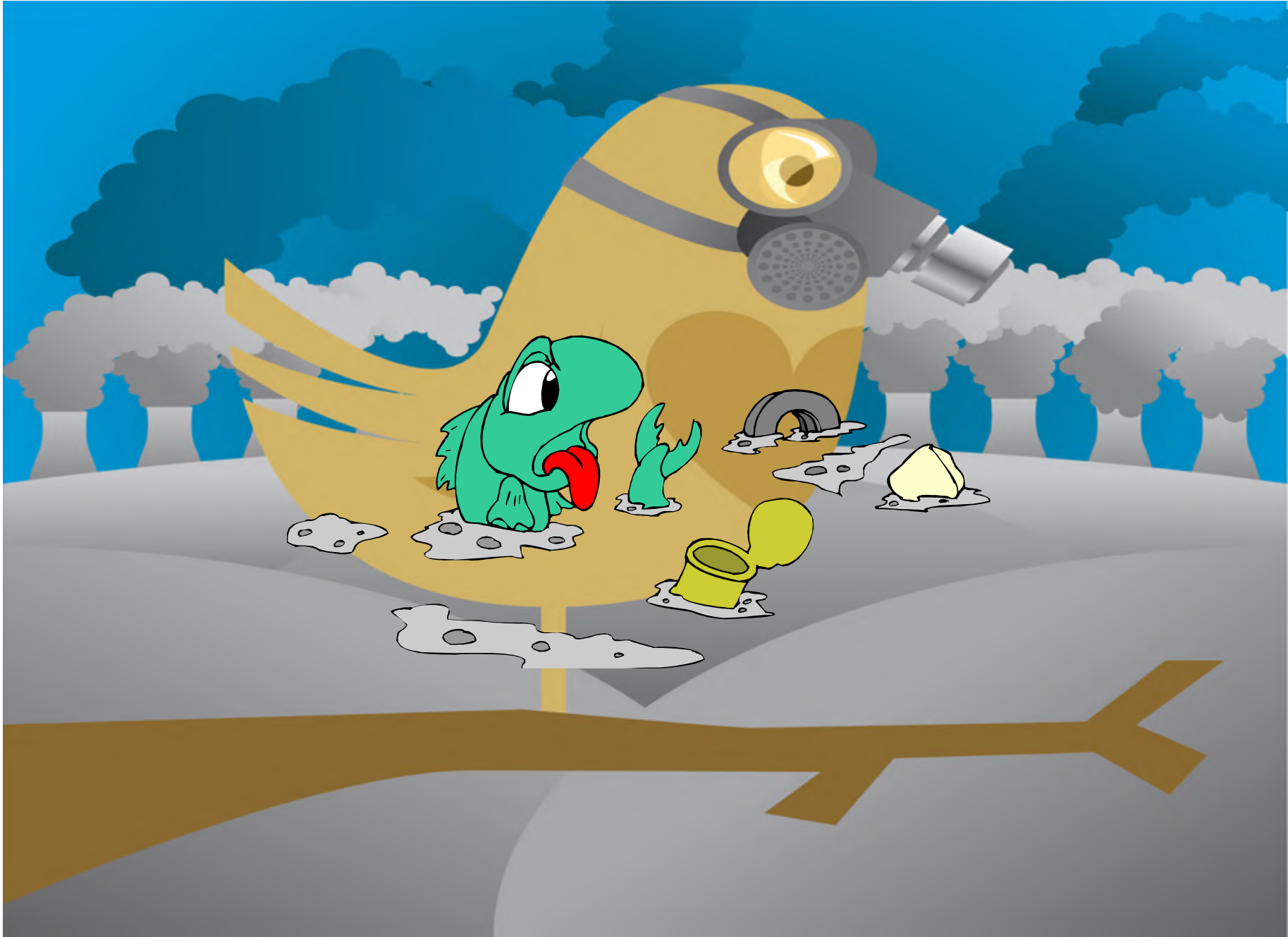
- PRC Technical Regulations for the statutory survey of sea going ship engaged in non international voyages 1999 – **void outside China**
- PRC delegation of powers to - **Domestic ship survey center** (RTO RC BOOK TYPE APPROACH)
- JG Class of Japan **District Government Regulation** for all inclusive certificate of Nationality, periodically endorsed
- US CODE of Federal Regulations **CFR 49** under Jones Act authorizing State Governments to ISSUE ORDERS for facilitating coastal traffic. One of the most powerful integrated transport systems in the world.

WISH LIST....

- CREATE STRONG **MARITIME CONSTITUENCY** CAPABLE OF BEING HEARD IN CORRIDORS OF POWER
- PERMIT REDUCTION IN PROCEDURES FOR ISSUE OF rsv registration, CERTIFICATES BY **RO only** expediently – one all encompassing certificate of fitness or code certificate (including ship manual)
- Issue limited use **NCV COC** to I V class, ex navy, army
- Recognise all STCW certificates for service on Indian coastal ships
- Facilitate INVESTMENT IN R&D, INNOVATION – design, manning, ship building, training – by quick decisions in recently established task force

HUMBLE REQUEST

- **Decclare coastal shipping policy and new Act for domestic shipping**
- **RESERVE Cargo** – bulk, non perishables, low value, project cargo etc. Transfer 30% from roadrail to coastal shipping – affirmative action in lieu of cabotage
- **REDUCE PORT TARRIF, FUEL and spares duty , survey certification time and fee**
- Reduce survey certification by allowing all IACS members to work for Indian RSV
- **FACILITATE TERMINALS AND HINTERLAND TO REDUCE IMPACT OF DOUBLE HANDLING< RETURN CARGO ETC**
- Establish NCV cadre trainees, marine ITIs



Conclusion – lean coastal shipping

What to do

1. Contribute meaningfully to climate change programme with due regard to shipping and consumer requirement in Indian context
2. Enable ships to run safely, efficiently, profitably by of government dialogue
3. Invest in people for lean shipping initiatives including environment awareness
4. LEAD in active participation in steering committees on local environment
5. Do not allow to use shipping as cash cow to arrest global warming

Without shipping and seafarers half the world will freeze, other half will starve

