

## The Comptroller and Auditor General of India (CAG), finds Rs 56 cr avoidable expenses at Poompuhar Shipping

Poompuhar Shipping Corporation, owned by the Tamil Nadu government, has incurred Rs 56.37 crore of additional expenditure due to delay in purchase of spares and incorrect selection of shipping yard. The Corporation transports coal required by the thermal power stations of Tamil Nadu Electricity Board (TNEB).

The Comptroller and Auditor General of India (CAG) has stated that the Corporation has incurred an avoidable expenditure of Rs 56.37 crore due to a delay in the purchase of spares, incorrect selection of shipping yard, non-rectification of the problems in cranes and turbo engines and delay in finalising the dry dock yard.

While inviting and evaluating tenders for spot chartering of the vessels, the company deviated from the tender rules, terms and conditions, allowed unwarranted extensions at higher rates of charter hire charges and did not levy liquidated damages for the delays in delivery of the vessels. These factors contributed to an avoidable extra expenditure of Rs 26.76 crore, the report said.

The Auditor General stated that the Corporation-owned were coming down, while the hired vessels were increasing. In 2009-10, the proportion of total quantity owned vessels was 9.48 MT as compared to 27.14 MT and 28.44 MT in 2008-09 and 2007-08 respectively.

On the other hand, the quantity discharged by hired vessels increased to 40.78 MT in 2009-10, as compared to 30.90 MT and 37.36 MT in 2008-09 and 2007-08, respectively.

## ABS sets standards for Building and Classing OSVs

Shipping trade may be in the throes of a downturn, yet one sector - that of the offshore - is seeing rapid development in ship building technology driven by the incessant search for oil and gas in deeper waters. Having made significant contributions to this sector in India and elsewhere, the American Bureau of Shipping (ABS) has now taken a lead in bringing into focus its 'Guide for Building & Classing Offshore Support Vessels'. It is designed to assist various stakeholders to comply with the requirement and keep pace with the industry. The guide incorporates standards for the design and construction of modern OSVs and which are continuously reviewed and updated in order to assist the industry in maintaining safe and efficient operations.

At a seminar held this morning in Mumbai, the classification services and guidance for building OSVs evolved by ABS over the years were presented, bringing to fore its worldwide singular performance keeping pace with the dramatic

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development of OSVs taking shape in terms of diversification and water depth capabilities.

A.K. Seah, Vice President, Environmental Solutions of ABS gave an overview of the ABS guidelines and standards for OSVs which combined functions and capabilities and sub divided the notations for modern OSVs functions viz vessels which dominate the exploration/production support scene, production support and maintenance and construction. "Many OSV functional capabilities can now be assigned with optional notations," he said. "Special purpose ship notation can be assigned and Industry can apply the ABS OSV guide with immediate effect."

Speaking on another related topic Akira Akiyama, Vice President, Global Marine TBD of ABS gave a gist about the IMO Goal based ship construction standards and the Harmonized common Structural Rules (SCR). He said, "IMO goal-based standards are broad, over-arching safety, environmental and / or security standards that ships are required to meet during their lifecycle." He said that the necessary level to be achieved by the requirements applied by class societies and other recognized organizations, administration and the IMO.

"The International Association of Classification Societies (IACS) is working to harmonize (Common Structural Rules) CSR to be submitted to the IMO," Mr Akiyama said. "Besides ABS is in the process of preparing common software for tankers and bulk carrier."

Presenting another topic Mr Seah explained the 'ABS guides for Gas Fueled Ships'. "There are some compelling reasons for gas based ships, particularly in emission control areas (ECA)," he stated. "Many OSVs are required to operate in ECA. ABS guides provide design and construction criteria for gas fuel engine installations."

Some related topics were also discussed. These included "ABS guides for Gas Fueled Ships", made by Mr Seah. "Ballast Water Management" by Soh Mei Yan, Sr Engineer, Corporate Environment Technology of ABS, "Maritime Labor Convention" by S.N. Bagchi, Sr Surveyor and "IMO Regulations on Energy Efficiency for Ships" by Mr Seah.

## **Krishnapatnam to bring about sea change in container operations**

**Iconic port on the East coast of India will add dynamism to the Indian international trade**

With container operations having taken off recently at Krishnapatnam Port Company Ltd, the Indian east coast is likely to see a paradigm shift in the container trade. This first private green field all-weather deep-sea port with round the clock operations has embarked on setting up an Integrated container terminal which on being fully operational will boost the annual capacity to 3 million TEUs within the next four years, the highest on the east coast.

This new generation world-class port with outstanding services, facilities and state-of-the-art infrastructure is situated on the east coast of India, 180 km north of Chennai city in Nellore district of Andhra Pradesh. Its strategic location makes

it a port of choice for international cargo originating from and destined for southern and central India. Boasting of excellent connectivity, the port is ideally set to service a vast hinterland comprising of Andhra Pradesh, eastern Karnataka, south eastern Maharashtra and northern Tamil Nadu.

In time to come its present 10 operational berths are to be enhanced to 15 and the draft of 17.5 meters will be increased to 18.5 meters by



2012 thus making it capable of handling Capesize and Panamax vessels. What assures an iconic status for Krishnapatnam Port is its ability to provide the fastest turnaround time for all types of vessels. This is made possible by its 11 shore cranes with a capacity of 750 to 1,000 MT, a massive back up area of 6,500 acres, a pipeline facility to permit discharge directly from berth to the refineries and several infrastructural features.

Above all the port is well on its way to becoming the largest automated port for exports and imports in South Asia. Its integrated real time control of cargo handling through Automatic Vehicle Location System (AVLS) and Enterprise Port Management System (EPMS) and the ability to handle all types of cargo - general / container, dry-bulk, heavy lift & project cargo make the port a class apart on the Indian east coast. To ensure higher productivity, the port has integrated the latest Terminal Operating System (NAVIS) and set up a sophisticated container freight station within the port limit.

In order to provide cost effective service to the EXIM trade the port has also set up 11 covered warehouses with a total storage capacity of 1.5 million tons especially designed for sensitive cargo such as fertilizer, agri commodities, etc. The throughput of the port includes barytes, coking coal, edible oil, fertilizers, granite, gypsum, iron ore, met coke, palm kernel, pet coke, quartz, raw sugar, rock phosphate, steam coal, oversize & over dimensional cargo and Agri cargo including maize and rice.

As India's economy continues to grow, its maritime trade and its percentage share in the world market is growing at a rapid pace as well. Leading the foray into international markets are bulk commodities and containerized trade. The unprecedented growth triggered a demand for strategic port capacity. Such capacity is expected to sustain trade at lower costs in the most effective and efficient manner, thereby increasing India's share in international markets.

Krishnapatnam port has commissioned a new pipeline for the edible oil trade and two dedicated berths for liquid bulk cargoes. Dedicated liquid storage facilities will be developed for LPG, LNG, POL products, petrochemical products, chemicals, specialty chemicals and edible oil. There are 325 acres of developed land ready for the use for liquid cargo storage, 2.5 km away from the liquid cargo handling berths.

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## From the Editor's Desk



*"As usual, we swim in a pile of dishonourable politicians. An Arab poem describes how the rotten rubbish floats to the top of the water, while all the gems - corals and precious fish - stay at the bottom."* — (An Arab friend.)

*"Permanence, perseverance, and persistence in spite of all obstacles, discouragements, and impossibilities: It is this that in all things distinguishes the strong soul from the weak." When people lose faith in the natural goodness of the human character, the lack of trust in spiritual goodness, that is one reason, why corruption has become so widespread today* — Sri Sri Ravi Shankar

*"May we realize that we cannot be happy until we seek satisfaction in spiritual progress, guarding our peace of mind from all influences that would destroy it. Let us understand that happiness comes not by aimlessly thinking about it but by striving to express it in all our moods and actions."* — (Sri Paramahansa Yogananda)

*The revolutionary change voiced by veteran social activist Anna Hazare and his team was a noble cause, to view the different and varying needs of the age-groups in human society considering the pros and cons for the changing mindset of our elected representatives found to cheat the public, who have elected them and whose genuine grievances are going unheard. Such of those politicians are the enemies of truth, freedom, and justice. They are highly mobilized, well funded, efficiently organized. Institutional structures of power, whether local or national, are effective mechanisms through which ruling groups of society establish and entrench their influence, build consensus among themselves, brainwash and expand their control, over the masses and society as a whole. Whether they take the form of think tanks, universities, governments, corporations, militaries, intelligence agencies, NGOs, media conglomerates, international organizations, philanthropic foundations, they are institutions of control and conquest. Whether that conquest is ideological or physical, the effect is the same: the conquered are oppressed and repressed. These institutions are financed through a banking system of collusion between the private banks and quasi-governmental central banks, which control the money supply and value of the change in our pockets, which are in fact a highly concentrated group of institutions and individuals. Never in human history have so few neither controlled so much on such a national scale. Never before in our Indian history have the mechanisms for absolute total control and oppression been within such close reach. We are seeing the emergence of this 'new society', as domestic police states are established under the guise of 'homeland security', sold on the pre-tense of protecting people from terrorists, but in actuality are designed to protect the powerful from the people. Increasingly, civil rights and freedoms are being dismantled for the wider populations: countries and peoples all around the world are subjected to bombings, drone attacks from flying killer robots in the sky named "Predators", and high-tech military equipment is designed and used to effectively kill and conquer poor people all around the globe. In the emerging 'homeland security states', technology is being used to spy on people, all internet traffic monitored, phones tapped, cameras recording not only our images, but through biometrics they are categorizing and quantifying our specific individual faces and emotional responses. Technology has largely facilitated the advances in these areas and has, for the first time in all of human history, made possible the notion of a truly global police state. Yet... there is still hope.*

*The Technological Revolution has not only facilitated a more rapid and effective apparatus for the institutions of power to exploit in methods of oppression and control, but it has simultaneously facilitated the rapid and effective means through which more people than ever before in human history have access to and empowerment through information and communication on a truly global scale. As a result of the Internet, the traditional institutions of power have lost their monopoly of control over information and communication. The very same technological advances that make possible their methods of control and conquest are simultaneously making possible their eventual downfall and failure. While the powerful have the money and are highly centralized, the rest of the world increasingly have the means and remain highly decentralized. And while the powerful are few, the rest are many. The Internet and social media have become effective means through which people are able to empower themselves to struggle against and expose the institutions of power that seek to oppress and control them. Naturally, those same institutions seek to influence - whether overtly or covertly - those very same avenues of social media, they are still effective and available for the struggle for liberation from oppression. Real Social and Rights Activists have been able to harness these new communications technologies, who are committed to providing free and accessible information to the many, in order to expose the said few. Our aim is to struggle against and expose the institutions of power, and to empower the people to take this endeavour into their own hands and onto their own keyboards. However, there is still something that everyone can do to help in the cause and to help Anna Hazare team to become more effective in our aims. You can empower yourself and empower Peoples Lokpal to continue for truth, fairness and Justice. Every individual has his own story to tell of the unfairness, injustice and atrocities of harassment and humiliation met despite being true to themselves. Our resources are limited, but our learned readers are dedicated and we need that dedication to continue. There are free and effective ways to help in the spread of knowledge and truth. Empower yourself and help us get a wider audience through the use of social media.*

*Our exposure comes from our readers, our reputation is derived from our success at advancing the free flow of information, and our "brand" is truth. We rely upon you, our readers, to consume the information we provide, to use that knowledge to empower yourself, and to help spread our name and information to others in order to continue doing what we do.*

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Krishnapatnam Port's final plan will have a handling capacity of 200 mn MTPA with 42 berths. The total quay length will be 12.5 km with a draft of 20 meters, capable of handling 200,000 DWT super capesize vessels. It will have a Mega Container terminal, Ro-Ro terminal, liquid bulk terminal, world class

bunkering, rig repairing and offshore facilities. It will play a catalytic role in bringing about an industrial revolution in Andhra Pradesh, Eastern Karnataka & Northern Tamil Nadu by becoming the gateway for exports from and imports to SEZs, Logistic parks, Cement, Steel & Thermal Power plants.

## W o r l d I n f o D e s k

### **Cautious welcome for PM's move on armed guards:**

Prime Minister David Cameron's announcement that gun laws would be relaxed to allow private armed guards aboard UK flagged vessels has received a heavily qualified welcome from shipping industry organisations. InterManager, which is an active member of the Save our Seafarers (SOS) campaign, gave one of the most enthusiastic responses, saying that it was "after months of campaigning, delighted to hear the public vilification of piracy issued by the UK Government".

Alastair Evitt, president of InterManager, said that it was a quantum leap in public perception to hear the issue of piracy and merchant shipping addressed by the UK Prime Minister David Cameron so openly and frankly. Mr Cameron told the BBC: "Somali piracy is a complete stain on our world."

The shipmanagers' body went on to say: "The UK Government's recognition of the value of armed guards and the right of the owner and manager to deploy them, in the right circumstances and in accordance with BMP4, is a great lead by the UK government and it is InterManager's firm belief that this stance should be adopted by all flags and charterers that still do not openly support it."

InterManager re-iterated its position that it is not calling for every vessel to have armed guards onboard, rather that when a detailed risk assessment deems this the preferred option, then individual flag state legislation or charter party clauses should not obstruct owners and/or managers in taking this decision. The organisation also supports ongoing initiatives to licence the companies providing armed guards, based on qualification, competence and experience, to define the rules of engagement in the event of a pirate attack and to control the type and flow of weapons deployed both onboard and while in transit to and from vessels.

Adopting a more guarded tone the Gavin Simmonds, head of security and defence at the UK Chamber of Shipping said: "We have supported the move to decriminalise the carriage of private armed security, but believe it needs to be decision of individual ship owners to use them where they think appropriate. However, the use of private security not only risks escalating confrontations with pirates but also causes a very serious legal liability and other dilemmas for major UK corporate decision makers who are unwilling to take on international protection duties privately. There is a strong principle and belief that it should instead be the responsibility of UK Government to do that.

"We are also seriously concerned that there is a mismatch between the supply of ex-UK servicemen in this new industry and the demand for their services."

In a similar vein seafarers' union Nautilus International cautiously welcomed the Prime Minister's announcement that British-flagged vessels will be able to carry armed guards to

protect them from pirate attack. The union agreed that the deployment of armed guards on vessels would help to further secure the safety maritime professional sailing through high risk areas, but believed that there are still "questions to be asked and concerns to be addressed."

Nautilus International general secretary, Mark Dickinson said: "There continue to be grave unanswered questions about liability and responsibility associated with the use of weapons onboard merchant ships. Whilst it may be reassuring to see that no ships carrying security teams have been hijacked - so far, at least - there are a number of unresolved issues arising from their deployment. There needs to be consideration and agreement on key issues including the liabilities of masters and officers in the event of something going wrong, or the problem of flag states, coastal states and port states facilitating the carriage of weapons onboard. The thorny of issue of the cost of providing security has the potential to give further incentives to shipowners to flag out and the quality and regulation of private armed security guards."

### **"Include shipping in future UK carbon budgets," says Committee:**

The Government's independent body which identifies how the UK can meet national greenhouse gas reduction targets, the Committee on Climate Change (CCC), has recommended that greenhouse gas emissions from shipping should be included in future UK carbon budgets. Currently, the UK is committed to reducing greenhouse gas emissions by 80% by 2050 based on 1990 levels, but to date international shipping and aviation are not included. In a new report, the CCC advises: "Shipping emissions could account for up to 10% of emissions allowed under the 2050 target and therefore needs to be incorporated into reduction targets but could create further reduction pressures on other sectors such as electricity, heat and surface vehicles."

The UK should be responsible for half of all the emissions associated with ships entering or leaving national ports - the other half being borne by whichever countries lie at the other end of the journeys. The Chamber of Shipping has welcomed the publication of this important review from the Committee on Climate Change (CCC) and agrees that shipping should not be excluded from carbon targets in the future. But it added that the introduction of any such measures must be done globally through the International Maritime Organization (IMO) rather than through any regional solution that will only serve to distort trade and potentially damage shipping.

David Balston, director safety & environment at the UK Chamber of Shipping said: "I am very pleased that the Committee on Climate Change has involved the Chamber in producing such a well balanced and thought provoking review of shipping emissions. This work is hugely important and complements ground breaking work that the UK Chamber has been doing in leading and shaping the debate on how shipping can drive down carbon emissions. We do stress, however, that any

solution must be global rather than regional to avoid distorting world trade and potentially damaging an industry that is vital to the future prosperity of the United Kingdom'.

The Freight Transport Association has also welcomed the proposals, but has similarly warned that maritime emissions reductions should be tackled at a global level through the IMO.

**UK Club tackles tanker cargo claims:** A new publication from the UK P&I Club focuses on tanker cargo contamination which the liability insurer says is one of the major sources of cargo-related claims in the tanker sector.

The Club stresses that loading and discharging of a cargo is a joint operation between the crew of the tanker and the terminal staff. Therefore it is essential that the chief officer should strive to establish a good working relationship with the key terminal personnel so as to reduce the risk of subsequent problems. Contamination, for example, can occur both on board the vessel and in the lines and tanks ashore.

The "Tanker Contamination Claims Checklist" identifies the main causes of cargo contamination arising from both on board and shoreside and compiles the key points to consider in seven sections running from the pre-loading phase through to discharge and sampling.

**Shipowners' will not increase premiums:** Mutual P&I insurer the Shipowners' Club has once again held its premiums to the previous year's levels, and has reported an increase of 7.3% in earned premiums for the half-year ended August 2011.

In its half-yearly report, Shipowners says that its strong results are a reflection of the organic growth it has experienced during the 2010 policy year, principally from the offshore sector. Entered tonnage increased by 6.5% to 19.45m gt, driven by new business.

Commenting on the results, Shipowners' chief executive, Charles Hume, stated: "We are very pleased to announce there will be no general increase to our premiums for the coming year. Despite a recognition that claims are starting to increase again, Shipowners continues to grow, reserves are strong and the underwriting performance for the first half of the year is producing some encouraging signs. We are also conscious that many of our members continue to experience very difficult operating conditions, and we believe it is part of a club's role to help owners keep insurance costs to a minimum."

**Overcapacity to dominate shipping markets for years to come:** At the recent Moore Stephens Ship Operating Costs: Current and Future Trends seminar in London Martin Stopford, managing director of Clarkson Research Services and well known shipping economist, painted a gloomy picture of the market in the coming decade. Dr Stopford outlined three themes for the 2010s: shipyard overcapacity; energy costs; and the environment. All were correlated, he said, and would lead to a renewed focus on costs. He said that shipbuilding overcapacity will mean cheaper ships and greater willingness to do innovative work while lower ship earnings will push the strategic focus towards cost control. Over the coming years cost management will have a much greater urgency than in the past decade, according to Dr Stopford.

That keeping costs down will be however be difficult has been underlined by Moore Stephens' latest ship operating costs

survey. Vessel operating costs are expected to rise by 3.8% in 2011 and by 3.7% in 2012, with lube expenditure and crew costs identified as the categories most likely to produce the highest levels of increase. The survey is based on responses from key players in the international shipping industry, predominantly ship owners and managers in Europe and Asia. Those responses identified lubricants as the cost category likely to increase most significantly over the two-year period - by 3.6% in 2011, and by 3.1% in 2012.

Crew wages, meanwhile, are expected to increase by 3.1% in both 2011 and 2012, while the cost of spares is expected to escalate by 2.7 % and 2.6 %, respectively, in the two years covered by the survey. Expenditure on stores is expected to increase by 2.5 % in each of the two years.

The cost of repairs and maintenance is expected to increase by 2.8% and 2.6 % in 2011 and 2012 respectively, while the increase in P&I costs for those two years was estimated by respondents at 2.4 % and 2.3 % respectively. As was the case in the previous survey, in 2010, management fees was identified as the category likely to produce the lowest level of increase in both 2011 and 2012, at 1.8 % and 2.0 % respectively.

"Bunkers and lubes are our biggest cost," said one respondent, while another observed, "The cost of bunkers is unrealistically high. There is no reason for that. If the price of bunkers remained at a reasonable level, shipowners would not be struggling in the way they are at the moment."

One respondent expected dry cargo crewing costs to increase more than tanker crewing costs, while another noted, "The Manila amendments to STCW will result in significant increases for 'other' crew costs, especially in respect of training."

**New guide for safer lifting:** Lloyd's Register has published a new pocket guide to help ship owners and operators understand the importance of professional maintenance and survey preparation for marine lifting appliances. The new guide -- Survey and Examination of Ships' Lifting Appliances -- is the latest in Lloyd's Register's series of pocket guides that have been produced in conjunction with the UK P&I Club and, in this case, with the crane manufacturers, MacGregor and Liebherr.

"Lifting appliances need to be thoroughly examined and it is important that operators understand the seriousness and consequences of failure, as well as what they need to do to support the safety framework," Joanna Townsend, fleet services manager for Lloyd's Register, said. "Poor preparation before surveys is a common problem among operators. Other issues include a lack of knowledge about rocking tests, difficulties in obtaining maintenance records and problems accessing the key areas that need to be surveyed."

"These are key safety issues," said Ms Townsend. "This pocket guide has been designed so that it is handy to use, inexpensive to produce and will be free to the industry. We highly recommend its use."

"Personal injuries to crews from breaking wires or a lack of maintenance on stores and cargo cranes hit P&I Clubs the hardest because personal liability claims can be very costly," said Karl Lumbers, the UK P&I Club's loss prevention manager. "The guide is a very good way to help address this."

Other problems identified during research conducted for the guide included a lack of preparation for surveys, difficulty in conducting the appropriate surveys and operators not having adequate understanding of the issues.

**IBIA to engage in LNG issues:** The International Bunker Industry Association's (IBIA) board has taken a formal decision to "become more closely engaged in LNG matters".

The move was announced at last week's IBIA's Annual Convention, held in Barcelona, by its acting chief executive Trevor Harrison. He told delegates that the association would become more involved in the ongoing discussions on LNG as a fuel at the International Maritime Organization (IMO).

The potential of LNG as a fuel for merchant ships received considerable attention. Several speakers referred to the issue while addressing industry concerns about the 2015 implementation of the 0.1% sulphur content cap in bunkers used within Emission Control Areas (ECAs). In addition one session was entirely devoted to the prospects for widespread use of LNG.



While there were some cautionary voices, the focus on LNG reflected IBIA's considered view that now is the time for the bunker industry to become involved in the development of gas powered ships. IBIA board member Nigel Draffin is to work closely with the Society of International Gas Tanker and Terminal Operators (SIGTTO) to provide input into the development of IMO's Code for Gas as Ship Fuel (IGF-Code).

The IBIA Annual Convention 2011 at Barcelona's Hotel Rey Juan Carlos I did however cover many other topics of concern to both bunker suppliers and buyers. A record breaking 170 delegates registered this year to take part in a packed programme spread out over three days.

IBIA chairman Bob Lintott remarked: "This has been a highly successful convention. I am especially pleased that there has been lively debate from the first to the last sessions."

Among speakers tackling hot topics was Interferry's executive director of EU and IMO Affairs, Johan Roos who said that fitting scrubbers to existing ships in a bid to meet the 2015 0.1% sulphur cap within ECAs was not a realistic option. He said that the actual costs were much more than the scrubber lobby was suggesting.

He said: "The manufacturers are saying scrubbers have payback times of 8 or 14 or 22 months on an outlay of perhaps \$2m. The ferry operators say: 'Do you think we are stupid.' They can calculate costs and revenues. Installing scrubbers on a ferry may cost euro5m and the pay back would be perhaps five or seven years."

It is not only an issue of cost according to Mr Roos.

He said: "No supplier will guarantee performance." He added that ferry operators could find that instead of meeting the 0.1%

standard the expensively installed scrubbers only performed to the equivalent of a 0.2% sulphur content cap. Or, just as bad, a scrubber might meet the 0.1% standard for 97% of the time.

"We can't use a scrubber like that," he said. The situation was quite different however, Mr Roos said, in the longer term and with newbuildings. He accepted that by 2020 scrubber technology might have proved its reliability on ocean-going ships. That would also be the time when European ferry operators would generally be replacing existing tonnage.

**Sustainable Shipping Initiative launches its vision:** The Sustainable Shipping Initiative (SSI), a coalition of global companies and NGOs, presented their collective vision for the sustainable future of international shipping. It is the first time such a wide-ranging approach has been taken to the challenges facing an industry which carries 90% of world trade.

Jonathon Porritt, founder director of Forum for the Future, the global non-profit organisation co-ordinating the Initiative, said: "Shipping has reached a crossroads. After years of focusing on a commodity-focused 'boom and bust' business model, leaders in the industry have aligned to ask more of themselves - emphasising the urgent need to take the lead in reshaping the entire industry ahead of regulation."

Speaking to Lloyd's List, Porritt attacked the shipping industry for a lack of leadership and criticised the slow progress of moves at IMO to reduce emissions from shipping. He was quoted as saying: "It drives me bonkers and I fear that aspect of the IMO process is doing the industry no favours whatsoever."

The Vision, supported by four implementation work streams, has five key objectives for the industry:

#### **Communities**

To become a more trusted and responsible partner in the communities in which the industry operates.

#### **Employment**

To provide a safe, healthy, secure and rewarding work environment to the over 2 million people working in shipping.

#### **Energy & Environment**

To diversify the industry's energy mix and ensure greater resource efficiency, make dramatic reductions in greenhouse gas intensity and ensure responsible governance of the oceans.

#### **Governance**

To promote greater transparency and accountability at corporate and industry levels.

#### **Innovation**

To enable the financing and large scale uptake of technological and operational innovations that will lead to a step-change in the industry's performance on sustainability.

AP Moller - Maersk is supporting the initiative. Maersk Line chief operating officer, Morten Engelstoft, said: "We are in business for the long-term and therefore take an active role in defining the future we want to be part of. Delivering on a joint vision for our industry will help drive a needed change in operating models - thereby allowing economies to grow, trade to develop and social wealth to spread."

Carnival UK ceo David Dingle, said, "From Carnival's perspective

the Sustainable Shipping Initiative should support an expanding, well-rewarded and supported workforce and network of suppliers and to enhance significantly the economies and services of the communities its ships visit. From an industry perspective it will ensure that future growth across the shipping industry is maintained economically, socially and environmentally. It is a tough challenge but one to which we are fully committed."

China Navigation Company managing director, Tim Blackburn said, "China Navigation is very pleased to have participated in the development of the SSI Vision 2040. We are committed to the development of solutions that will assist our industry to be more environmentally and socially responsible, whilst simultaneously driving improvements in its economic efficiency."

Gearbulk chairman and ceo Kristian Jebsen said, "Shipping has a vital role to play in ensuring we achieve environmental, social and economic sustainability. The SSI initiative is a very good platform for ensuring that we, as an industry, are able to fulfil our responsibilities both now and in the future."

### **Online valuations for containerships:**

VesselsValue has added containerships from feedermax (500 teu) up to ULCV (18,000 teu) to the range of vessels it values. The online ship valuation service already covers tankers and bulkers.

VesselsValue was launched earlier this year by London based S&P broker Seasure Shipping. The service provides instant, data-driven ship valuations and market insights for vessels and portfolios. The methodology incorporates ship specifications, real time sales and freight earning sentiment enabling market valuations of vessels even in an illiquid market.

According to Seasure Shipping, this model is continually updated and recalibrated daily to give the closest possible fit to reported sale prices. Accuracy is tested and reported by comparing valuations against prices achieved in the market.

## **LEGAL:**

### **The Supreme Court Adopts a Purposive Approach to the Construction of a Commercial Contract:**

In *Rainy Sky S.A. and others v Kookmin Bank* [2011] UKSC 50 in a judgment handed down on Wednesday 2ns November 2011, the Supreme Court unanimously held that where there are two different constructions of a contractual provision, the construction which is consistent with the commercial purpose of the contract is to be preferred. The case is noted by Paul Herring and Jamila Khan of Ince & Co who acted for the successful buyers in the case which dealt with questions relating to the construction of contractual provisions in bonds guaranteeing the refund of pre-delivery instalments under shipbuilding contracts. The decision of the Supreme Court in this case, they note, has a wide application, extending beyond the interpretation of refund guarantees and advance payment bonds to the construction of commercial agreements generally.

### **QBE Sues Former British Marine P&I Staff:**

Market rumours that QBE is claiming damages from former staff who left to start up a new operation have reached the light of day in the Insurance Times. The company has issued proceedings against Charles Dymoke, John Hearn and Steven

Kirk who all worked for British Marine, part of of QBE European Operation's marine, energy and aviation division. QBE, which bought British Marine in 2005, is complaining of breach of covenants in relation to poaching of staff and also seeking injunctive relief.

The marriage of the corporate QBE with British Marine, which had its origins in the small ship mutual P&I world was always going to be a tricky exercise, demanding good management and an understanding of the rather specialised traditions and habits of this corner of marine insurance. The Insurance Times reports that a large number of staff have decamped.

They have gone to a fledgling fixed premium facility formerly known as 'Phoenix' but now, it is said, to be known as 'Lodestar' based in the former BML balliwick of Walsingham House. Some resting on oars may be expected as the legal waters swirl. The new operation was, it is said, timed to open in September to prepare for the 20th of February renewals season. .

One wonders how badly QBE in particular and London Market in general would like to know how enforceable are the restrictions and covenants typical in insurance employment contracts.

### **New York Liability Waiver Decision:**

James Mercante of the New York firm of Rubin, Fiorella & Friedman has passed us a copy of his article which has appeared in the New York Law Journal of 24th October, 2011. He reports on the decision of the Western District Court of New York in the case of *Broznya v. Niagara Gorge Jetboarding* issued by Judge John J. Curtin 10-cv-00602, 2011 WL 4553100 (WDNY Spet.29,2011). The case involved a passenger aboard a jet boat in the Niagara River who was injured during a whitewater excursion through rapids, in navigable waters known as "The Whirlpool" and "Devil's Hole". Each passenger was required to sign a "Participation Agreement" which held the excursion company harmless from liability. The decision, on whether state or federal law applied to the passenger's claim, reviewed the laws applicable and resulted in the summary disposal of the case. "The decision", writes Mercante, "represents another step forward in entrenching uniformity in admiralty law".

### **Transocean in U.S. Federal Court on BP Obligations: Transocean Files Motion for Summary Judgment in U.S. Federal Court to Compel BP to Honor Its Contractual Indemnity Obligations.**

Transocean Offshore Deepwater Drilling Inc. (TODDI), a subsidiary of Transocean Ltd., today filed a motion for summary judgment in the United States District Court for the Eastern District of Louisiana requesting the court to compel BP to honor its contractual obligation to defend, indemnify and hold harmless Transocean for damages associated with BP's failure to contain flow from its Macondo well in the Gulf of Mexico in 2010.

The contract between BP and Transocean for the Deepwater Horizon drilling rig contains industry-standard reciprocal indemnity provisions that apportion risk and quantify liabilities between the two companies. In the contract, which was signed in 1998 and extended several times including in 2009, BP agreed to "defend, release, protect, indemnify and hold harmless" Transocean for any and all fines, penalties and damages associated with environmental pollution originating from the well "without limit and without regard to the cause or causes" including negligence, "whether such negligence be sole, joint, active passive or gross."

Despite these clear and unambiguous terms, BP has refused to honor its contractual obligations to Transocean stemming from the Macondo well incident in April of 2010. In fact, contrary to its promise to "defend" and "indemnify" Transocean, BP instead filed suit against Transocean on the one-year anniversary of the incident, alleging that Transocean personnel -- including those who lost their lives in the incident -- had willful and callous disregard for the welfare of their colleagues and the environment. Transocean has honored its contractual indemnity obligations to BP nonetheless.

"BP's posture in this matter is not only offensive to the thousands of men and women who work together at Transocean, but it constitutes a direct threat to the sanctity of contracts and to the economic underpinnings of an industry that employs hundreds of thousands of people in the United States alone," said Nick Deeming, Senior Vice President and General Counsel of Transocean. "This motion is about more than just two companies," Deeming continued. "It is about the future of the contract drilling industry at large. If BP truly intends to make things right, it must either voluntarily or by the order of the court honor all of its contracts - not just the ones that serve its convenience or financial purposes."

According to the filed motion, BP has cited "ongoing investigations" and BP's own "allegations" of gross negligence on the part of Transocean as justification for BP's refusal to honor its contractual promises. The motion also asserts that after months of discovery and more than 200 witness depositions, it is clear that no evidence of gross negligence by Transocean exists. In fact, as outlined in the motion, BP oversaw, audited and commended the Deepwater Horizon rig and her crew before the incident, and every BP witness deposed as part of the litigation in New Orleans has stated under oath that the rig was fit for purpose and was operated by a safety-conscious crew.

**Developments in Dubai:** The foundation of the independent Courts of the Dubai International Financial Centre (DIFC) has been re-defined by largely widening its jurisdiction. The new law amending existing Dubai Law No. 12 of 2004 has been signed by HH Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai.

The DIFC Courts may now hear every civil or commercial law suit of businesses from the GCC and the wider Middle Eastern region, provided that all parties to the dispute have opted clearly and concisely in writing to refer their dispute to the DIFC Courts. It does not matter whether such agreement is reached before or after the dispute has arisen.

This new gateway into the jurisdiction of the DIFC Courts means that from now on a specific link to the DIFC such as that either party is established in the DIFC or that the contract was wholly or partly performed within the DIFC is no longer necessarily required. The move marks the culmination point of an evolutionary change elevating the status of the DIFC Courts from a special Court for the DIFC and its establishments to a new standard litigation forum for all international businesses in the region.

The advantages for the Middle Eastern and International business community are overwhelming.

Many if not most commercial contracts in the region are concluded in English. English is furthermore the pre-dominant language used in business correspondences and

communications. But, all court systems in the region function exclusively on the basis of the Arabic language, except for the DIFC Courts. Many regional business leaders, especially in the cosmopolitan metropolis Dubai do not speak or understand Arabic. For them the possibility of using English speaking courts in the DIFC means easier access to justice and more transparency in the judicial process.

Documents, agreements and correspondences will not have to be translated into Arabic, with all the dangers and intricacies of legal meanings getting lost in translation as well as added costs and time in the process. Proceedings and court documents will be original in English and as such instantly understandable and transparent for the non-Arabic speaking seeker of justice. The in practice so common but difficult system of dual legal representation through international legal consultant and local advocate will not be necessary, reducing costs further.

Another important aspect that may even lead to Arabic speaking business men to consider the DIFC Courts as a preferred choice of judicial forum, is the fact that under the DIFC Court Rules the winning party can claim back its reasonable legal costs, including a reasonable part of its lawyers fees. In any other court in the UAE lawyers' fees cannot be recovered as a matter of principle.

No doubt the move will enhance the motivation of international businesses to invest into the Middle East, knowing that in case of dispute they can rely on the DIFC Courts as a world-class and English speaking judicial forum.

**Palestine for the IMO?:** A recent positing to the always interesting international law blog IntLawGrrls suggests that Palestine may seek to join other UN Specialised Agencies:-

Having secured, by a vote of 107 aye-14 nay-52 abstain, an invitation to become a member state of UNESCO, the Paris-based U.N. Educational, Scientific, and Cultural Organization, Palestine may seek similar recognition in as many as 16 other international bodies.

Possible choices from among the global alphabet soup of treaty-based regimes include lots of "world" groups: the World Bank; WIPO, the World Intellectual Property Organization; WHO, the World Health Organization; and WTO, the World Trade Organization. Further mentioned: ICAO, the International Civil Aviation Organization; and IAEA, the International Atomic Energy Agency.

Another possible is the International Criminal Court. As with UNESCO, its charter, the Rome Statute of the ICC, permits joinder by "States," without requiring that those states be members of the United Nations. Article 125(3) provides:

This Statute shall be open to accession by all States. Instruments of accession shall be deposited with the Secretary-General of the United Nations.

Indeed, ICC accession would seem to be easier. UNESCO joinder, which will take effect only after Palestine signs and ratifies the UNESCO Constitution, required an affirmative 2/3 vote of UNESCO's members.

In contrast, as our colleague Bill Schabas posted, Article 125 of the Rome Statute does not require approval of the accession by the Assembly of States Parties or any other ICC group or official. All that's required is deposit with the U.N. Secretariat, and as Bill discussed, Ban Ki-moon would seem hard put to explain refusal to accept deposit.

Among the 107 countries that voted to admit Palestine to UNESCO were 3 of the 5 permanent members of the U.N. Security Council -- China, France, and the Russian Federation -- as well as 6 of the Council's 10 temporary members -- Brazil, India, South Africa, Lebanon, Gabon, and Nigeria. A 4th permanent Council member -- Britain -- abstained along with 3 temporary members -- Bosnia, Colombia, and Portugal That left the United States the lone outlier among the P-5. Among the temporary Council members, only Germany joined the United States and voted no. The fact that cannot rest well as the Council continues to grapple with Palestine's request for full U.N. membership, and the U.S. pledge to veto any such resolution.

**Cummins Introduces QSK95 Marine Engine: Designed Ready to Meet EPA Low-Emissions in 2014. Most Powerful High-Speed Diesel Will Challenge Medium-Speed Engines.**

Cummins Inc., a manufacturer of diesel engines for the commercial marine industry, will introduce the new QSK95 engine with 4000 hp (2983 kW) output as the most powerful high-speed diesel configured for marine propulsion and auxiliary generator sets. The 95-liter, 16-cylinder engine, revealed today at the Seymour Engine Plant, is designed ready to meet EPA Tier 4 low-emissions regulations taking effect in 2014. "The QSK95 will allow Cummins to meet our customers' growing power requirements, while meeting increasingly more stringent global emissions," said Jenny Bush, General Manager - Cummins Commercial Marine Business. "It also strengthens Cummins position as a global player in the commercial marine industry by allowing us to enter new market segments."

The QSK95 offers flexibility in power configurations for propulsion, auxiliary, genset and diesel electric applications, and with ratings from 3200 hp to 4000 hp (2386-2983 kW), the QSK95 provides an ideal solution for high-hour, hardworking vessels such as tugs, inland waterway towboats, offshore support vessels, passenger transport, dredges, short sea cargo and coastal tankers. While achieving a power output previously exclusive to medium-speed marine engines, the QSK95 brings the advantage of a lower capital cost, a more compact installation and exceptional fuel efficiency. Extended service and more cost-effective rebuilds add a further economic advantage.

The QSK95 is easily integrated with Cummins C Command Elite Premium and Elite Plus class-approved panels. C Command



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instrument panels include a selection of monitoring and display options to help operators protect and enhance engine operations and manage operating costs by logging critical operating parameters such as engine load, duty cycle, speed and fuel consumption, while providing diagnostic and prognostic capabilities. A common point of connection in the customer interface box simplifies the link between engine electronics and vessel systems.

The QSK95 meets IMO Tier II and EPA Tier 3 emissions standards with highly efficient fuel injection and clean combustion. For highly emissions-regulated areas around the world, the QSK95 will lead the way forward for 4000 hp (2983 kW) marine engines to achieve EPA Tier 4 emissions using Cummins own exhaust aftertreatment systems. This uniquely integrated solution will offer more efficient packaging and will reduce space constraints. The QSK95 has been engineered for environmental stewardship, meeting Green Passport requirements for zero disposal impact. Further, the Cummins ELIMINATOR™ oil filtration system eliminates the need for lube oil filters, while on-engine fuel filter replacement cartridges make for more cost-effective maintenance and disposal.

Customers can feel confident knowing that the teams working on QSK95 projects bring with them years of commercial marine experience. "With countless successful globally coordinated projects to our credit, the technical teams assigned to QSK95 marine projects will work closely with the customer, shipyard and naval architect to ensure long-term benefit," said Geoff Conrad, QSK95 Account Executive - Cummins Commercial Marine Business. "We are looking forward to working with our current and prospective customers on QSK95 opportunities and projects."

**E'LOO Electronic Toilets for Maritime Industries: Offshore rig workers to big shipping and yacht to cruise enthusiasts are always looking for new gadgets to enlighten their daily lives.** How about this for innovation. Our Electronic Toilet washes and dries you within minutes without needing toilet paper ever again. Yes, you heard



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## **50 Ton Heavylift Hovercraft Ready for Charter: First such vessel built in Singapore.**

Hovertrans Solutions Pte. Ltd. (Hovertrans Solutions) announced today that it has successfully completed the construction of a modular heavy lift hovercraft, the first of its kind to be built in Singapore. The hovercraft, commonly referred to as a hoverbarge, is now ready for charter. It is ideal for industries such as oil and gas, heavy logistics industries as well as for



civil engineering work in otherwise inaccessible or environmentally sensitive terrain.

Built in ST Marine's Benoi Yard, the Hoverbarge measuring 34m by 17m with a 50-tonne payload, is formed by joining specially designed modular ISO container size pontoons with skirt pontoons and a lift fan and engine module. This modularity means the entire Hoverbarge can be trucked individually to inland areas that need such a capability and which would otherwise be impossible to access. It also allows for shipping via conventional container vessels - thus keeping mobilisation costs low. With a hover height of 1.8m, the Hoverbarge is able to operate in high sea conditions and overcome obstacles on land.

Mr Ng Sing Chan, President of ST Marine and Chairman of Hovertrans Solutions said, "The successful completion of this Hoverbarge marks a turning point for ST Marine and Hovertrans Solutions." He stressed, "The completion of the Hoverbarge now enables potential customers to see and appreciate how a hoverbarge works and its potential for a diverse range of applications."

This 50-tonne Hoverbarge is different from conventional high speed hovercraft as it is constructed of steel to provide the ruggedness needed for the oil and gas sector. It is also designed for cold weather operations up to - 40°C. It can move heavy cargo or equipment over swamps, wetlands, tundra, ice, dry rivers and shallow water, opening up exciting possibilities for oil and gas exploration and remote field development. With a footprint of only 1 psi, conducting operations in environmentally sensitive terrain will now become a real possibility.

### **Vessel operating costs expected to rise:**

Vessel operating costs are expected to rise by 3.8% in 2011 and by 3.7% in 2012, with lube expenditure and crew costs identified as the categories most likely to produce the highest levels of increase, according to a new survey by international accountant and shipping consultant Moore Stephens.

The survey is based on responses from key players in the international shipping industry, predominantly ship owners and managers in Europe and Asia. And those responses identified lubricants as the cost category likely to increase most significantly over the two-year period - by 3.6% in 2011, and by 3.1% in 2012. Crew wages, meanwhile, are expected to increase by 3.1% in both 2011 and 2012, while the cost of spares is expected to escalate by 2.7 % and 2.6 %, respectively, in the two years covered by the survey. Expenditure on stores, meanwhile, is expected to increase by 2.5 % in each of the two years. The cost of repairs and maintenance is expected to increase by 2.8% and 2.6 % in 2011 and 2012 respectively, while the increase in P&I costs for those two years was estimated by respondents at 2.4 % and 2.3 % respectively. As was the case in the previous survey, in 2010, management fees was identified as the category likely to produce the lowest level of increase in both 2011 and 2012, at 1.8 % and 2.0 % respectively.

"Bunkers and lubes are our biggest cost," said one respondent, while another observed, "The cost of bunkers is unrealistically high. There is no reason for that. If the price of bunkers remained at a reasonable level, shipowners would not be struggling in the way they are at the moment." Another still said, "There will be an inevitable cost consequence of implementing fuel efficiency measures at the request of charterers, while the benefits of such measures will not be seen in terms of operating costs". One respondent expected dry cargo crewing costs to increase more than tanker crewing costs, while another noted, "The Manila amendments to STCW will result in significant increases for 'other' crew costs, especially in respect of training."

A number of respondents expressed concern about overtonnaging and the weakness of rates in the freight and charter markets, "Overcapacity and newbuilding deliveries involving larger tonnage on the main routes will maintain downward pressure on rates," said one. Another maintained that there was "no sign of resolving the overtonnaging problems in the dry bulk sector", arguing that this, together with unpredictable trade volumes, would lead to pressure for cost increases and for reflagging as a means of driving operating

costs down. Another respondent pointed out, "Depressed charter rates will lead owners to seek in vain to minimise operating costs."

Predictably, worldwide economic and political problems were uppermost in the thoughts of some respondents, with one commenting, "World financial conditions will depress shipping revenues, and this will impact on ship requirements and charter rates." Another respondent felt, "China's effective control of the market, together with inflation, will make shipping markets difficult for most people involved in the business." Yet another said, "It all depends on whether the global economy - and particularly that of the US - can recover, and whether the US dollar continues to be the only currency for oil trading."

Moore Stephens also asked respondents to identify the three factors that were most likely to influence the level of vessel operating costs over the next 12 months. Overall, 26% of respondents identified finance costs as the most significant factor, followed closely by crew supply (25%). Demand trends were in third place, with 14%. In last year's survey, 30% of respondents identified crew supply as the most significant factor, followed by finance costs, at 28%, and demand trends at 16%. "Finance costs and potential interest rate hikes will be key factors for the market," said one respondent.

Labour costs, competition and raw materials costs were other significant influencing factors which featured in the responses to the survey. One respondent said, "Raw materials will increase in cost, so there will be upward pressure on stores, spares and repairs." Moore Stephens shipping partner Richard Greiner says, "Ship operating costs increased by an average of 2.2% across all the main ship types in 2010. And it is no surprise that our latest survey anticipates that costs will rise in both 2011 and 2012.

"These projected increases are nowhere near the increases we saw in the 2000s. They point to a less volatile period for operating costs. But any increase in costs is going to be a problem for a shipping industry struggling with overtonnaging, declining freight rates, and the cost of regulatory compliance and environmental accountability. Add to that the continuing economic and political problems which form the background to shipping's operating arena, and you can see that the industry is not going to be for either the faint-hearted or the short-termist."

### **MHI Receives Order for Two Cruise Ships:**

Mitsubishi Heavy Industries, Ltd. (MHI) has completed two shipbuilding contracts with Carnival Corporation & plc, for the construction of two large-sized cruise ships for Carnival's AIDA Cruises brand.

Delivery of the two ships is scheduled for spring 2015 and spring 2016 from MHI's shipyard in Nagasaki. The shipbuilding contracts are subject to financing. The two 125,000 gross tonnage (G/T), 3,250 passenger ships will be the largest ever constructed for AIDA Cruises. The event marks the second new shipbuilding order for MHI from the Carnival group and the third and fourth cruise ships built by MHI for the group. Earlier, MHI built two 116,000 G/T ships for Princess Cruises: the Diamond Princess and Sapphire Princess, both delivered in 2004.

Carnival Corporation & plc is the largest cruise vacation group in the world, with a portfolio of 10 cruise brands operating in North America, Europe, Australia and Asia, including Costa Cruises, Princess Cruises and AIDA Cruises. Altogether the group currently operates 101 ships, with 10 new ships scheduled for

delivery between 2012 and 2016. Going forward MHI will continue to combine its accumulated comprehensive capabilities and advanced technologies in shipbuilding to attract further new orders for large cruise ships.

## **Eligibility Criteria for joining Nautical/ Engineering Courses in India as per Director General of Shipping, Mumbai vide their MS Notices 2002:**

One year Diploma in Nautical Science: 55% marks put together in Maths, Physics and Chemistry in 10+2 and 50% in English in 10th/10+2, B.tech Marine Engineering & B.Sc. Ship Building & Repair: 60% marks put together in Maths, Physics and Chemistry in 10+2 and 50% in English in 10th or 10+2. Look for institutes in DG Shipping Web Site..

### **Medical Standards**

6/6 normal vision; no colour blindness - for DNS course

Power upto +/- 2.5; no colour blindness - for B.Tech course

The Medical test including eye test should be done by a DG approved Doctor and fitness certificate to be produced at the time of counseling (Refer to Medical Rules in IMU website)

### **To shipping companies / crew departments / manning crew establishments:**

It's known widely nos of candidates taking admission in UK / Australian nautical Colleges those who could not full fill the eligibility criteria via academically / medically in Indian Nautical Colleges. Previously some our crew members used to go said colleges in UK and Australia for their tickets since it is out of question for them get through Indian MMD and Examinations in India. A study report indicates the professional knowledge and standard gone well below in comparison with Indian sea farers those holding Indian Tickets. Color blindness not permitted at any cost. But there are a few % of officers holding such foreign tickets suffering from color blindness is a fact. A close survey brings out more and more hidden information's in this regard. Normally eligibility certificates submitted with foreign nautical colleges are not true at all. When the candidates cannot provide true and fact eligibility certificates, it's quite natural they likely to approach such institutions where there is no much digging and verifications. There is no wonder why most of the shipping companies (99.9%) preferring Indian Ticket holders.

**India upholds freedom of navigation in international waters:** NEW DELHI: India has called for global cooperation in ensuring the freedom of navigation and passage in international waters, which comes in the backdrop of an Indian warship being challenged in the South China Sea by China recently.

"India supports freedom of navigation in international waters and the rights of passage in accordance with accepted principles of international law, including the UN Convention of the Law of the Sea ( UNCLOS). These principles should be respected by all," said defence minister A K Antony.

The comment came during delegation-level talks with Japan, which too is miffed with Beijing's strong-arm tactics in the East China Sea, with navigation there emerging as a major bone of contention. Antony told his Japanese counterpart Yasuo Ichikawa that it was of "vital importance" for all countries, which

depend on maritime trade, to work towards maintaining the "sea lanes of communication" to facilitate unhindered trade.

The Chinese warning to Indian warship INS Airavat came over an open radio channel while it was leaving the waters of Vietnam - another country with which China has maritime territorial disputes - in July.

New Delhi had promptly issued an usually strong statement - given that India is always ultra-cautious about ruffling China's feathers - about the need for all to uphold the freedom of navigation in all international waters, including in the South China Sea.

India is also building strong maritime security bridges with countries like Japan and Vietnam to counter China's "string of pearls" maritime construct in the Indian Ocean Region.

Towards this end, India and Japan will hold a series of joint exercises, bilateral visits and staff talks in 2012. "The two sides exchanged views on regional and international security and decided to step up defence cooperation and exchanges between the two countries. The two resolved to continue to make active contributions to the peace, stability and prosperity of Asia as a whole," said MoD spokesperson Sitanshu Kar.

## **Piracy - M.v. Liquid Velvet hijacked by Somali pirates:**

On 31 October 2011, the chemical tanker m.v. Liquid Velvet (Greek operated; Marshall Islands flagged; 11,559 DWT; 22 crew) was hijacked in the Internationally Recognised Transit Corridor in the Gulf of Aden. The crew included one unarmed guard. The ship was en route from Suez to India when it was attacked by a single skiff with armed pirates. There are indications that the crew or parts thereof took refuge in the ship's citadel, but was later forced to surrender to the pirates. According to other sources, all of the crew and the security guard are unharmed.

## **Panic over China's four new nuclear ballistic missiles:**

NEW DELHI: China continues to deploy four new nuclear capable ballistic missiles, including one that can be launched from submarines (SLBM), causing fear among its neighbours and the US, says a latest report by Federation of American Scientists. This, coupled with Beijing's reluctance to define its minimum deterrence posture, says the report, has raised doubts about its intentions in upgrading its nuclear and missile arsenal.

The report authored by scientists Hans Kristensen and Robert Norris estimates that China has 240 nuclear warheads. While the report focuses mainly on China's attempts to target the US by assigning an increasing number of warheads to its long-range missiles, it says Beijing is now using the 7,200 km-range DF-31 missiles to target India and Russia instead of the earlier DF-4.

Indian officials say it's worrisome that Delingha in central Qinghai province is one of the places, where most of the upgrade is taking place. Not more than 2,000km from Delhi, Delingha is meant to be used almost exclusively for India as other countries from here like Nepal, Myanmar and Pakistan are not identified as potential targets.

Kristensen told TOI that India was a potential target, but added that the Chinese nuclear policy is geared towards all potential adversaries, each of which has its own characteristics. "India to the south is countered with medium-range missiles from central (Delingha region) and southern (Kunming region)

China," he said.

"One factor that can contribute to making the situation better or worse between China and India is of course India's own military modernization along the India-China border as well as India's development of longer-range nuclear missiles that are more directly aimed at China," he added.

Estimating that China has approximately 140 land-based nuclear ballistic missiles, the report says Beijing is deploying four new nuclear-capable ballistic missiles (the DF-21, DF-31, DF-31A, and JL-2). "Deployment of the DF-31, first introduced in 2006, continues at a slow rate; China is using the DF-31 ICBM to replace its older DF-4 missiles. We estimate that China deploys 10-20 DF-31s, with the same number of launchers," says the report, adding that DF-31 is taking over regional targeting of Russia, India, and Guam from the DF-4.

A submarine launched ballistic missile JL-2 is a modified version of the DF-31 and even though it has failed several flight-tests, the report said, it still has enough to target neighbouring countries like China and Russia.

"With regard to conventional forces, US capabilities and operations in northeast Asia also mean that China's general military modernization appears to be focused on US-China scenarios. But the long border with Russia is a major military focus for Chinese general purpose military planning. And the border with India is another area of new interest and upgrades," Kristensen added.

New regulations really need to be thought over carefully and exposed to the most rigorous cost-benefit analysis. It is often said that legislation concocted in haste will be inevitably regretted by its recipients and that those making regulations need always to consider "the Law of Unintended Consequences", which will often catch out those who have allowed their enthusiasm for legislation to get the better of them.

Perhaps it has been taking rather too long to build up a head of steam, but the opposition to the proposed EU 0.1% sulphur cap due to take effect in 2015 within the European Emission Control Areas seems to be growing very fast. Ferry and short sea operators in particular have been doing their research and are, as a result, better equipped to forecast the consequences of this drastic reduction of sulphur content in fuel oil, due to become mandatory.

Speaking to the UK House of Commons Transport Committee recently, the UK interest group Maritime UK told MPs that the proposals are likely to increase bunker costs by nearly 90% and will almost certainly add some GBP 3.6 billion per annum to the operating costs of shipping around north Europe. There have been submissions from owners' representatives and from ferry operators such as Stena, DFDS and Grimaldi, all of which anticipate that the consequences will be to see hard-won freight diverted from the ships back to the cheaper roads.

The real irony of this is not just that the consequences of this regulatory change will end up harming the environment far more than the growth of marine traffic would do, were this sulphur cap not put in place on a regional basis. It is also significant that the ferry companies seeking another look at this unwanted change are all operators which are investing heavily in the cleanest, most environmentally sustainable, new tonnage that it is possible to buy.

These are all companies which are in the van of the green

shipping movement, all with plans for ever greener tonnage. Grimaldi, for instance, plans to spend no less than EUR 3 billion over the next three years in new ferries and Ro/Ro tonnage to upgrade its routes. P&O Ferries are taking delivery of two of the biggest ferries in the world for their English Channel operations, which have been designed with extraordinary thought for every practicable environmental improvement. Stena and DFDS both operate fleet being continuously modernised, with immense effort going into the reduction of harmful atmospheric emissions and the conservation of fuel. Many of these companies operate "cold ironing" systems to ensure that the ships are on shore power when in port. In short, these ships are run by people doing the very best for the environment, and the consequences of the proposed 0.5% sulphur cap is likely to do them severe economic harm.

So far there has been little indication that the economic and even environmental consequences of the sulphur cap have been fully comprehended by the regulators, despite the efforts of shipping interests. There seems to have been a notion that the use of LNG will become widespread, or that the price and availability of low-sulphur will make this an attractive option, or that scrubbers will become cheaper to install to existing ferries. It is the "unintended consequences" of this hoped-for environmental improvement and the lack of any lasting benefit for horrendous potential costs, which are causing concern.

### **Ships and the waste-resource interface:**

While a clear-cut decision on which laws should apply to ships bound for the breaker's yard failed to materialise last month, the tide appears to be turning against the backers of a regime that would snarl shipbreaking in red tape.

A meeting in Cartagena, Colombia, of countries signed up to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal had raised expectations it would answer the question of whether the alternative convention on shipbreaking should take precedence over the hazardous-waste treaty if levels of control and enforcement were judged to be equivalent.

The European Union, Japan, China and the US were the most significant backers of the Hong Kong Convention on Ship Recycling adopted by the International Maritime Organization (IMO) in 2009, while developing countries, supported by environmental non-governmental organisations, were among those expressing preference for Basel.

The outcome, however, was less clear-cut than many would have wished, although some environmental campaigners, who have long argued Basel should apply to ships, interpreted the Delphic statements that emanated from the meeting as a victory.

A decision was reached at the meeting on the so-called Ban Amendment to the Basel Convention which, although adopted in 1995, has been prevented from being implemented by a technical insufficiency of ratifications. This problem was overcome in Cartagena, meaning in theory, though not necessarily in practice, the export of hazardous wastes from "rich" countries (predominantly members of the Organisation for Economic Co-operation and Development or OECD) to "poor" countries (i.e.-non-OECD) will be banned.

The Ban Amendment decision lead one of the most vociferous campaigners against ships being scrapped in countries like India, Bangladesh and Pakistan to claim it would ban "all exports of hazardous wastes, including electronic wastes and old obsolete

ships, from developed to developing countries".

This interpretation assumes, however, that ships will, in fact, be subject to Basel when, although it has yet to be written on stone tablets, it is more likely that they will not be. It also betrays a view that is set to become outdated.

Those responsible for administering and refining the rules on hazardous waste have already recognised the need for a rethink. One of the problems for the Basel treaty is that it is one-way only in that it rests on the premise that "toxic waste", that can include anything from chemical slops to old computers, flows only from rich OECD countries to poorer non-OECD countries. This means, for example, if China scraps ships in India or sends unwanted laptops to Bangladesh for "recycling", the shipments between these non-OECD countries are not subject to Basel.

This flaw in Basel has been recognised, with the convention's secretariat noting that in the intervening years the trade in hazardous waste between developing countries has grown significantly and admits it will not be addressed by the Ban Amendment.

Basel was developed to address the perceived problem of "toxic" waste being shipped from countries whose legislation and public attitudes made proper disposal expensive to those where it was less regulated and so cheaper. "Toxic dumping" of such waste in the latter became a cause célèbre and helped create the current system of export licensing, based on the prior informed consent of importing countries.

It also helped sustain the now-popular image that the "North", i.e. the industrialised economies of principally Europe and North America, exploited the "South" (essentially Africa and less developed parts of Asia) as dumping grounds.

There are signs, however, that the stereotypical image is being challenged, with talk of a "paradigm shift" in thinking among policy-makers about how waste, hazardous or not, should be treated. A document, described in typical bureaucratese as a "non-paper" and circulating among environmental bureaucrats, dares to consider that, instead of restricting or even banning trade in such wastes, it should be seen as a potential economic resource and, presumably, facilitated as such.

The non-paper ("Shifting paradigms: from waste to resources") says "one of the largest unaddressed challenges facing the international waste agenda in general and the [Basel Convention] in particular" is the "waste-resource interface", in much the same way that a beach may be described as the "shore-sea interface".

In an annex listing "complex wastes" and "organic and household-like wastes", end-of-life ships (as they are called in such circles) fall into the former category, although how they, like batteries used in cars or mobile phones, would be "collected" or "pre-processed" or "refined" is not made clear.

The experts asked to consider the problem concluded that the Basel Convention "needs to modernise to keep pace with the paradigm shift" and that signatory countries should consider, alongside environmentally sound management of hazardous waste, "the issue of resource management through a lifecycle approach which incorporates economic, social and environmental sustainability".

With the world order going through a re-alignment, as the old guard of Europe and the US is set to be surpassed - economically at least - by the newly emerging giants from Asia

and South America, many of the institutions and treaties that govern global trade are becoming outdated. Indeed, in an area crowded with similar bodies (the International Monetary Fund and the World Bank to mention two), the point of the Paris-based OECD itself becomes less and less clear.

With India and China (neither a member of the OECD) two of the biggest recyclers of ships and at the same time two of the most rapidly expanding economies, the idea that they are poor countries to which rich countries send their unwanted waste including ships begins to lose credibility.

And if the paradigm shift in thinking among regulators on how waste should be regarded - as a potential resource just as much as a hazard - actually occurs, the argument advanced by the industry that shipbreaking is a prime example of recycling should make better headway.

For now, however, those who beat the Basel drum will continue to make the cacophony that has tended too often to drown out the sound of those suggesting another way is possible, even if it involves a waste-resource interface.

## **Coast Guard DG to take charge as Eastern Naval Command Chief:**

**NEW DELHI:** Even as India bolsters force-levels on the eastern coast with new warships, aircraft and spy drones as well as forward-operating bases (FOBs) as a counter to China, the eastern naval command (ENC) is all set to get a new chief. Coast Guard director-general Vice-Admiral Anil Chopra will take over as the new ENC chief on October 31.

Vice-Admiral Chopra's appointment comes at a time when the ENC, which has around 50 warships, is preparing for the induction of the Akula-II class nuclear submarine 'K-152 Nerpa' from Russia on a 10-year lease after inducting two Shivalik-class stealth frigates, amphibious warship INS Jalashwa and fleet tanker INS Shakti, among others.

The P-8I Poseidon long-range maritime patrol aircraft will also be based in ENC, with India slated to get the first of the 12 of these planes ordered from the US for over \$3 billion by early 2013.

## **Bulk Carrier to Ride on Bubbles to Reduce**

**CO<sub>2</sub> by 25%:** Mitsubishi Heavy Industries, Ltd. (MHI) has developed a new bulk carrier which it reports will enable reductions in CO<sub>2</sub> emissions by about 25% compared with conventional averaged bulk carriers. As the first commercial application of the new design, MHI will provide its conceptual design and green technologies to three grain carriers to be built for Archer Daniels Midland Company (ADM) of the U.S. MHI's new bulk carrier design adopts the company's proprietary Mitsubishi Air Lubrication System (MALS), which reduces frictional resistance between the vessel hull and seawater using air bubbles produced at the vessel bottom, along with high-efficiency hull form and enhanced propulsion system. Sumitomo Corporation of Japan has received the order for the ship construction from ADM, and Oshima Shipbuilding Co., Ltd. of Nagasaki was selected to build the ships.

Besides the MALS, which uses blowers to create air bubbles under the vessel bottom, the three grain carriers will also feature a newly designed bow shape that will reduce wave-making resistances. For propulsion, the ship adopts a system to effectively convert the main engine power into propulsion power by positioning fins forward of the propellers and placing

particular grooves in the propeller boss cap. MHI developed the MALS as a key measure to reduce CO2 emissions from ships. ADM's ships will be the first case in which MHI provides the system to another shipbuilder.

The three grain carriers will be 95,000 dwt vessels: 237m in length, 40m in width, and 12.5m in designed draft. The shallow draft of the ships facilitates the pursuit of energy savings and CO2 emission reduction efficiency by MALS. Oshima Shipbuilding will perform from the basic design work through construction based on the conceptual design and green technologies provided by MHI. Delivery of equipment related to MALS system from MHI is slated for 2014.

The talks to build the three dry bulk carriers began between ADM and MHI. MHI's Shipbuilding & Ocean Development segment has been implementing a policy to promote engineering business, including technological support to other shipbuilders. Under this policy, the company decided to collaborate for this time with Oshima Shipbuilding, a firm that has earned a solid reputation in bulk carrier design and construction through delivery/order receipt of about 60 post-Panamax\* class ships. The collaboration has enabled the two companies to provide enhanced cost effectiveness to the customer.

ADM is one of the U.S.'s top-ranking grain companies. The three bulk carriers, which mark the first new shipbuilding order placed by ADM, are designed to accommodate new post-Panamax\* needs.

The new bulk carriers are designed to make an important contribution to international efforts to fight global warming, a demand that is especially strong in the case of oceangoing vessels. Going forward MHI will continue to accord priority to the development of vessels addressing CO2 reduction needs by focusing on development of its "Eco-ship" and sales expansion of related systems and equipment.

### **Harvey Gulf Contracts to Build First U.S. LNG-Powered Vessels:**

Today, Harvey Gulf International Marine became the first U.S. vessel operator to contract for construction of vessels capable of operating exclusively on natural gas. The agreement is for two, 302' X 64', Dual Fuel Offshore Supply Vessels, with an option for a third. The contract was signed with Trinity Offshore, which will build the vessels at their Gulfport, MS shipyard.

In addition to being powered by cleaner burning natural gas, the vessels will achieve "ENVIRO+, Green Passport" Certification by the American Bureau of Shipping. The requirements for this certification include, among others, that the vessels be continuously manned with a certified Environmental Officer, be completely constructed with certified environmentally friendly materials, and have advanced alarms for fuel tanks and containment systems. Along with Harvey Gulf's other vessels under construction, they will be the first OSV's to achieve this certification, making them the most environmental friendly OSV's in Gulf of Mexico.

Harvey Gulf CEO Shane J. Guidry announced the signing: "Today Harvey Gulf continues its commitment to environmental protection by becoming the first to build U.S. a flagged vessel that can run entirely on nature gas. These vessels will meet the highest emissions standards that exist today and even higher standards that haven't been created yet. We recognize the strong stance on environmental protection by the

administration in the wake of the oil spill and are doing our part to respond to it and provide our customers support for their environmental commitments. We hope the government will recognize these achievements and put people back to work in the Gulf of Mexico."

John Dane III, Trinity's President and CEO, stated "This project is a significant step for our re-entry into the Deepwater Support Vessel sector and will employ 300 workers at its peak during the next 30 months."

Founded in 1955, Harvey Gulf International Marine is a marine transportation company that specializes in towing drilling rigs and providing offshore supply and multi-purpose support vessels for deepwater operations in the U.S. Gulf of Mexico.

### **LNG in marine propulsion: Disruption to Maritime Industry?:**

According a new forecast by MEC intelligence nearly 10,000 vessels could be adopting LNG propulsion by 2020 triggering a huge growth in the market. Companies in all aspects of the maritime value chain- oil majors, terminals, ports, bunker suppliers, service companies, component producers, vessel owners and charterers - need to rethink their offerings."

A ground breaking report published by the maritime cleantech market insight firm MEC Intelligence estimates more than 5% of the world fleet will adopt LNG propulsion by 2020 a huge growth considering less than 100 vessels presently.

### **Best Option for Newbuilds**

Strict environment regulations requiring the reduction of SOx, NOx to 0.1% in ECA zone in 2015 and 0.5% globally in 2020 will stimulate demand for technologies that can eliminate or reduce emissions from vessel exhausts. The key compliance options available are either adoption of new types of fuel - low sulphur MGO or LNG - or using scrubber technology on the existing HFO fuel.

The LNG propulsion technology will potentially gain massive traction in the new build segment owing to significantly lower operation costs leading to a lower total ownership cost over the ship's lifecycle. The total ownership cost over ship's lifecycle for a new build LNG propelled vessel (depending on vessel type and geography) is expected to be up to 40% lower as compared to that of a fuel oil and MGO propelled vessel. The low cost are attributed to the abundant availability and competitive prices of LNG compared to crude. Even though, the price of LNG is expected to increase with the pickup in natural gas demand in power sector it is not likely to be significant considering the new supplies from unconventional gas reserves. Further, considering the often more than 25 year long life cycle of vessels, LNG adoption makes the ship essentially future proof in terms of further regulatory driven emission reductions in SOx, NOx, and Particulate Matter approaching in the horizon.

### **Huge Long Term Impact Albeit a Slow Start**

Better Economics combined with development of building capacity, recent advancements in engine and fuel gas technologies are leading to a pick-up in the interest in LNG propulsion. Although availability of infrastructure and standards is a limiting factor, yet, this is expected to be only a short term inhibitors. An analysis of the existing LNG supply and terminal infrastructure shows ample availability of the fuel to be able

to supply and bunkering infrastructure can be developed rapidly to meet the growing fleet.

With the development of infrastructure and IMO ratifications the fleet is expected to reach up to 1,000 vessels by 2015 but pick up rapidly to grow up to 10 times in the subsequent five years as the technology, infrastructure, and economics stack equivocally in favour of LNG propulsion. However, in case infrastructure and regulation are delayed the penetration is estimated to be significant lower yet still significant.

### **Unique Opportunity to Differentiate and Shape the Market**

The report concludes that the adoption of LNG in vessels will call for changes in all aspects of the value chain - oil majors, terminals, ports, bunker suppliers, service companies, components suppliers, owners and charterers - requiring companies to rethink their offerings and align to a new reality sooner or later. It is one of the unique times when companies can move fast to take advantage of a new technology to differentiate themselves in the largely 'commodity' market for equipment and services.

### **About MEC Intelligence**

MEC Intelligence is a leading market insight firm focused on growth in the maritime, energy, and cleantech sectors. The company brings together its unique data assets, deep experience in supporting strategic and market business development, and broad industry knowledge to develop objective perspective on industry developments and identify growth opportunities for the entire maritime, energy, and cleantech ecosystem.

### **Safety of navigation in Malacca and Singapore Straits:**

BIMCO is participating at the IMO Cooperative Mechanism in Malacca Malaysia during a week of meetings aimed at improving the safety of navigation and environmental protection in the Straits of Malacca and Singapore.

The first of the three meetings was the 4th Cooperation Forum opened by the Director General of Malaysia's Marine Department Y.BHG Dato' Captain Ahmad Othman on 10 October 2011. Captain Othman pointed out that the Cooperation Forum has successfully provided "meaningful opportunities for all interested parties to share their interests towards ensuring the Straits remain safe and open for international navigation."

In his welcoming address, Malaysia's Minister of Transport, YB Dato' Sri Kong Cho Ha emphasized the importance of Article 43 of United Nations Convention on the Law of the Sea (UNCLOS) as the very basis for which the Cooperative Mechanism was established. "It is vital that all stakeholders embrace the meaning and intent of Article 43 to ensure the sustainability of the straits of Malacca and Singapore", said the Minister, adding that the enhanced collaborative efforts between the littoral States, the User States and the industry represented a welcome new phase of the Cooperative Mechanism.

In his opening remarks, Mr. Lam Yi Young, Chief Executive of the Maritime and Port Authority of Singapore said that he was very glad to see the Roundtable of international shipping associations (BIMCO, ICS, INTERTANKO and INTERCARGO) working with the Littoral States towards the common goals of enhancing navigational safety and environmental protection in the Straits. "Since the Roundtable was first involved in the Co-operative Mechanism during the 2nd Co-operation Forum in 2009,

much progress has been made" said Mr. Lam. He also highlighted the Round Table's involvement with the littoral States 3+Industry Meeting in Jakarta in July 2010 and the two Technical Working Groups subsequently formed to carry out work on navigational safety and environmental protection.

### **India maritime's vision reinforced at key summit:**

India's shipping elite gathered at the India Shipping Summit in Mumbai this week. Among the 400 participants, high profile guests included Shri K. Mohandas, Secretary, Ministry of Shipping, Government of India, S Hajara, Chairman and Managing Director, Shipping Corporation of India, Y Khatau, President, BIMCO & Vice Chairman and Managing Director, Varun Shipping and Spyros Polemis, Chairman, International Chamber of Shipping and Managing Director, Seacrest Shipping Co Ltd. among many others.

The seventh India Shipping Summit's focus was to take fresh look at the maritime industry's position, bringing together all key stakeholders and interested international parties for a high-level information exchange and the opening day delivered just that.

Shipping Secretary K. Mohandas opened the first session by admitting that no one could predict how long the shipping downturn would last, but underscored the fact that all the signs for infrastructure development in India were still positive.

"The India Maritime Agenda 2010-2020 document that we have prepared gives in detail our plans for the maritime sector during the current decade," Mr Mohandas said. "In the field of ports, for example, we are looking to develop cargo-handling capacity from the present 1.1 billion tonnes to 3.2 billion tonnes by the end of the decade. We also expect to finalise by year-end the coastal shipping policy that defines cabotage restrictions for foreign carriers."

In a powerful and reassuring speech, S. Hajara, Chairman and Managing Director, The Shipping Corporation of India Limited, reinforced India's current maritime position and it's vision for the next decade. He told delegates that India is better placed than many other nations to ride out any storm caused by deepening global financial crisis and that according to the IMF, India will remain an attractive place for foreigners to invest for long term.

In light of reports that India's shipping ministry is asking the state owned company to stop its newbuilding expenditure, Mr Hajara, reassured delegates that there would certainly be more ship orders in the short and longer term.

Considering the ambitious projection of India's exim trade growing to 1800 Billion USD by 2020, shipping in India has to grow and get ready for the next decade. He went on to add that there is also a strong push to modernise the major ports, improve rail-road connectivity with the ports, increase India's tonnage and expand the country's shipbuilding capability

Highlighting India's maritime advantages with robust economic growth, availability of technical skills (particularly in repairs), it's long coast line and strategic geographic location together with it's appetite for large scale shipbuilding - Mr Hajara said all the right ingredients are present to fulfill the vision.

Mr Khatau, President, BIMCO & Vice Chairman and Managing Director, Varun Shipping, spoke on the growing role of India in the world maritime sector, continuing the theme of the many advantages India has, reiterated that India is heading for

positive growth and that shipping is a key factor in the country's supply chain.

He also made the point that whilst the industry was weathering the storms better than other sectors, "Shipping should not become the cash cow" for India's development.

Speaking in the same session, Spyros Polemis in his capacity of Chairman of the International Chamber of Shipping (ICS), told delegates that the Indian National Shipowners' Association is amongst their larger associations, representing the shipping interests of one of the world's most important emerging economies.

Focusing on one of the hottest current issues, piracy, Mr Polemis said "India and its seafarers have truly been in the firing line". He went on to state that this is because India is a major maritime labour supply country and Indian seafarers are widely dispersed amongst the international fleet, as well as serving on board Indian flag tonnage. Sadly this means that Indian nationals have been especially exposed to the risk of attack and capture for ransom by violent Somali pirates.

On the face of it, the response from the international community, thanks to the Shipping Associations and IMO, has been impressive. However, the fundamental problem is the relatively small number of navy ships that are committed to protecting shipping - Mr Polemis likened this to "a band aid on a gaping wound".

He summarised by saying "The shipping industry and the world community are very concerned about the lack of decisive action by governments. I believe the time for talking has passed, we need action not words. In calling for the decisive and rapid eradication of piracy I am doing no more than supporting what is already contained in the UN Convention of the Law of the Sea. We need:-

- Navies to act robustly against the pirates.
- All motherships, big and small, to be immobilised.
- All suspected pirates to be delivered to a court of law and if found guilty to be subject to the full weight of the law.
- Pirate bases ashore, to be targeted for action.
- All hostages and their ships currently in Somalia, to be freed.
- United Nations to arrange to provide, armed military guards, either as part of a Blue Beret force or as VPDs (Vessel Protection Detachment Units), that many independent nations can volunteer to provide.
- All vulnerable merchant ships transiting the AWRP (Additional War Risk Premium) area, to receive armed military guards.
- All nations in the region to agree and to assist in the embarkation and disembarkation of the AMG's (Armed Military Guards).

The world community cannot tolerate the abuse and the killing of seafarers of any nationality. This has to stop now. The pirates must get the message that we have reached the end of our tether, and that any act of piracy will be severely dealt with".

**Despite the new additions it's not all smooth sailing for SCI: SCI's losses and pressure on its margins compel it to cut down on its acquisition program.**

Two weeks after its Golden Jubilee celebrations of 1st October, 2011 in Mumbai, the state-owned Shipping Corporation of India Ltd. (SCI) accepted delivery of a 80 T BP Anchor Handling, Towing & Supply vessel "m.v. SCI Ratna". But the glitter of the anniversary celebrations nor its present on-going acquisitions in any way indicate that it is all that hunky dory for SCI in its 50th year, after its scintillating growth trajectory it displayed in the past few years despite the global economic downturn.

In fact SCI has cancelled plans to buy three new containerships. Besides the company has reported losses in the past two quarters. This has sent signals that India's biggest ocean carrier is treading cautiously in its expansion plans as the global oversupply of ships, low freight rates and rising costs hit margins of fleet owners.

SCI had signed contracts for acquisition of four new-buildings 80 T BP Anchor Handling, Towing & Supply vessels with Bharati Shipyard Limited, India. The first vessel, "m.v. SCI Panna" was delivered to SCI on 23rd August, 2011 and the remaining two vessels are scheduled for delivery by the end of 2011.

The new acquisition has a gross tonnage of 2,039 tonnes and deadweight of 1,983 tonnes. The vessel which is classed with the Indian Register of Shipping is equipped with DP I system and has been built to comply with the latest and most stringent international regulations.

In the offshore sector, SCI presently has a fleet of 12 vessels of which 10 vessels were acquired during the eighties. These vessels have been dedicatedly serving the oil exploration and production sector in India for the last 25 years. The four AHTSVs ordered with Bharati Shipyard are 1st phase replacement of SCI's 10 AHTSVs & comply with superior specifications like Dynamic Positioning, Reverse Osmosis Plant and UKOOA compliance as required by Indian E&P operators, etc.

As a National carrier, SCI has been aiming to increase its presence in India's offshore sector. To promote Indian Shipbuilding industry, SCI has ordered four AHTSVs of 120 BP capacity and two PSVs with Cochin Shipyard on nomination basis. The service of these vessels would be crucial to the E&P operators in the Indian Offshore sector. Apart from serving the nation's interest, the vessel would also strengthen SCI's fleet base as well as start a new era in its offshore segment.

SCI today has a diversified fleet of 82 vessels which includes 12 offshore supply vessels. With addition of this vessel, SCI's fleet strength has increased to 82 vessels and has touched a new high of 5.827 million DWT. Acquisition of the vessel is in line with SCI's strategy of maintaining a modern and young fleet of vessels. The Company has 27 vessels on order at present and 9 of these are scheduled for delivery by the end of 2011.

Starting out with a small fleet of 19 vessels at inception in 1961, SCI has over the last five decades grown into a modern fleet. Its 82 owned vessels in different categories aggregate 5.87 million deadweight tonnage account for about a third of India's total tonnage. Additionally, SCI also manages 44 vessels of other organizations. SCI offers a comprehensive range of services including Liner and Passenger Services, Container Services, Break-Bulk Services, Passenger-cum-Cargo Coastal Services, Bulk Carrier Services, Tanker Services, Specialised Vessel Services, Lighterage Operations and Offshore Services. SCI's ships sail to destination throughout the world and its corporate network spans 4 Indian metros as well as an office in London.

## **Trying to find the new normal: After a steady diet of doom and gloom, is it possible that we are heading for positiveland?**

The National Retail Federation believes retail cargo is back to normal and imports should reach their highest level in October as retailers stock up for the holiday season.

October has always been the historical peak season, although over the last few years the "peak" has been more of a low-grade incline than anything resembling an Alp (one Alp, many Alps). This October, the NRF is predicting a 2.6 percent increase in retail cargo imports over the same month last year. August figures were seven percent down on 2010.

Comparisons with last year are tricky because shippers moved their cargo early to try to get around fears of capacity shortages in container shipping. The year turned out to be a record one, but the euphoria never lasted long. By the end of Q1 everyone was brought crashing back to Earth.

What we all forgot was that you don't get over the world's worst financial crisis in a year or two. So it is with a healthy dose of skepticism that we treat statements saying things are "back to normal". What is normal, anyway? Is it the way things were, because there is no getting back to the debt-funded profligate consumer spending of the past. Those days are gone forever.

There are way too many issues facing Europe and the US that still have to play out. Take a look at the carriers. Alphaliner is predicting a US\$600 million loss for the top 20 lines this year, a stunning turnaround from the highly profitable 2010.

PR News Service reports that there is some instability among the container line alliances as partners break ranks and enter into slot sharing deals with non-alliance members. That brings into question the purpose of the alliances in the first place, and their viability in the face of a sharp downturn in demand.

And downturns don't come much sharper than the one we are currently in with export growth from China to the G3 markets having weakened significantly.

Yet such is the domestic demand in the mainland that HSBC still reckons the country will post a nine percent growth in GDP this year. Not bad in the current economic environment.

For container shipping, it would be uplifting to believe we are indeed in, or heading for, positive territory with trade ready to return to "normal" on the major east-west lanes.

But it doesn't feel right for the same old tired and often repeated reason: Too much capacity, too little demand.

## **Giovanni da Verrazzano: The virtually unknown explorer.**

Most of what we think we know of the life of Giovanni da Verrazzano is speculation. We think that he was born in 1485 near Florence, Italy, but he may have been born in Lyon, France. We think that his family name was Verrazzano, but it may have been Verrazano. He signed his name as Janus Verrazanus, except for his will, where he called himself Jehan de Verrazane. By 1506, he was a master mariner living in Dieppe. There is

speculation that he sailed for several years as a privateer, becoming wealthy by attacking Spanish and Portuguese vessels under letters of marque issued by the King of France. In 1523, the King commissioned Verrazzano to explore the coast of what we now call North America north of the Spanish claims in Florida, looking for a route to China. The four ships in the expedition encountered heavy weather in the North Atlantic - two were sunk and the other two sustained substantial damage, whereupon they returned to port. Verrazzano departed again in early 1524 and made landfall near Cape Fear, North Carolina. He sailed north. Spotting Pamlico Sound, he described it as a large lake with possible access to the Pacific Ocean. Missing the Chesapeake and Delaware Bays, he next came ashore in New York Bay, where he was the first European to see Manhattan Island. He noted the Hudson River, but did not enter it. He then sailed along the south shore of Long Island and turned north at Montauk Point to enter Narragansett Bay. After a meeting with the local Wampanoag Indians, he sailed up the coast of Maine and visited Nova Scotia and Newfoundland before returning to France. Verrazzano named the region Francesca in honor of Francis I, King of France. The map, though, was labeled Nova Gallia - New France. In 1527, he led a small group of ships to the coast of South America, where they collected a valuable cargo of Brazil wood. In 1528, he made his third and last trip to the New World, exploring Florida, the Bahamas, and the Lesser Antilles. While anchored off what is assumed to be Guadeloupe, he came ashore in a small boat. He was captured by the native Caribs, killed, and eaten (the term cannibal is derived from the name for the Indian tribe). In large part because the French did not follow up on his 1524 discoveries along the east coast of the United States, Verrazzano is largely forgotten. The most significant geographic location bearing his name today is the Verrazzano (or Verrazano) Narrows between Brooklyn and Staten Island.

## **Shipping Summit brings the World to India: India story as projected at the India Shipping Summit reflects opportunities galore.**

India Shipping Summit 2011 of Seatrade and TradeWinds brought the world to India registering a larger number of participants than before many being from overseas. With steady growth and development in the country being on course, the deliberations centered around "The next Decade : A Maritime Crossroads for India".

The three-day extravaganza stretched from 10th to 12th October 2011 and focused on the demands of shipping and services which are headed for unprecedented levels. What was of greater interest among the participants was to make the right investment decisions and see them through.

Outlining the Indian Government's policy K. Mohandas Union Shipping Secretary, government of India in his inaugural address stated that the Indian shipping industry was able to come out successfully through the downtrend because of its resilience and growth fundamentals being strong. "It is like going to sea where you will face the storms but it is your up-bringing which will see you through the trials and tribulations", he contended.

### **READERS' KIND ATTENTION**

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Though coastal shipping has been a very high priority for the movement of goods he informed that the policy on coastal shipping was being finalized and would be out soon. He asserted that it is possible to bring about a change in the movement of goods by the coast. Mohandas stressed on the Ministry of Shipping's role as a facilitator to the private sector towards



achieving the targets of the Maritime Agenda 2020, "We hope to raise port capacity to 3.2 million tons from the present 1.1 million tons by 2022 and all departments of the government are working in that area," he said. "But enhancement of port capacity does not mean just increasing the throughput but also increasing the draft in the ports, enhancing port connectivity by improving rail and road connectivity."

S. Hajara, President of the Indian National Shipowners' Association and Chairman & Managing Director of the Shipping Corporation of India explained, "Since India's EXIM trade is expected to grow to \$ 880 billion by 2020, shipping has to catch up with this demand and hence we need to be ready for the next decade. According to the Maritime Agenda 2010 - 2020 the tonnage which now stands at 10.45 million GT will have reach 43 million GT by 2020. To achieve this is a tall order because 40% of our fleet needs replacement over the next five years." For achieving this tonnage will require an investment of \$ 27.28 billion.

"According to IMF forecast India and China will contribute more to GDP growth than any other country," informed Y. Khatau, President of BIMCO and Managing Director of Varun Shipping. "India with its several advantages has positioned itself as a major contributor to the World shipping market. Having a major share of global seafarers India has a big stake when it comes to piracy."

Spyros Polemis, Chairman of the International Chamber of Shipping & Managing Director of Seacrest Shipping Co Ltd., said, "It is time the United Nations stopped to beat about the bush and take a stand against the pirates by providing armed guards."

A 'Hard Debate' on combating piracy in an interactive discussion hosted by international journalist and BBC broadcaster, Nisha Pillai after the inaugural session left a lasting impression on the vast gathering. There was strong support to the suggestion by Capt M. M. Saggi Nautical Advisor to the government of India that instead of the 18 naval vessels trying to patrol the entire Indian ocean and the Gulf of Aden it would be more effective if they patrolled only the Somalian coast and searched every vessel coming in and out of Somalia. While there was a consensus on matters such as the need for the UN to step in, and adhering to the Best Management Practices (BMP3), the account given by Capt Makane whose vessel was attacked by the pirates despite BMP and his crew held hostage for seven and half months clearly indicated that BMP itself was not sufficient and deploying armed guards, at least three on each vessel, was essential.

In the session on 'The rise in India's international trade is set to impact world shipping' India was identified to be at an advantage because of various trends that were taking shape. Mohammed Al Muallem, Sr V. P. & Managing Director of DP World, UAE Region maintained that traditional trade flowing from Middle East to India was growing rapidly. Mark Williams, Research Manager of Braemar Seascope pointed to the shift in global refining capacity which was headed to the East and most refineries now finding base in Asia. The reason he stated was the high cost of refining in the Atlantic and American regions. Besides, such activity was subjected to tax. "The global oil business has changed to India's advantage," he reasoned.

In the discussions on the "Maritime opportunities in the Indian and the global oil and gas offshore sector ", speakers acknowledged the prevalence of a sense of optimism. There was a shortage of subsea vessels which were causing bottlenecks in the market. Besides new buildings were not delivered in time which was weakening the supply growth. However, there was a lot of growing opportunity in the offshore sector in India.

The session on "Port and Infrastructure development needed to meet the growth demand" clearly brought out a case for establishing transshipment hubs in India. But they required good connectivity to evacuate cargo, factor in economy of scale, proximity to main shipping lines, quicker handling and competitive cost. Presentations afforded close look at how some of the flourishing and efficient ports worldwide operated.

In the panel discussion on 'Building for the future' Raghavan Ashok, Country Manager of ABS put up a strong case for incorporating ship designs and adhering to operational changes. He explained how economical and regulatory challenges could be overcome and that ship building led to generating industrial growth. "Safety and quality are paramount to the growth of the Indian ship building industry," he emphasized.

While Robert Allan, Executive Chairman of Robert Allan Ltd explained at lengths the types of vessels that found use for various types of cargo transport in coastal waters, Thomas Korsdalen, Managing Director of Middle East/India, Pareto Securities AS on the other hand highlighted the global ship building scenario especially of rigs.

One thing the India Shipping Summit 2011 has brought to the fore is that it is time for retrospection, reposition our strategy, select the best business model that best suits our objectives and get set to meet the challenges. It is not always that fortune comes knocking at our door.

**Reach as important as depth when handling the ultras: Getting a giant container ship alongside is just half the job. The loading process is equally important.**

When container shipping is raised at any gathering of industry people, the issue of overcapacity is usually the number one topic.

The amount of available container capacity is a big deal, of course, and the glut in supply is depressing freight rates on the major east-west trades.

A major contributor to the oversupply, or to the future oversupply, comes in the form of ultra large ships or 10,000 TEUs and up. Around 160 of these vessels are on order, with 111 ships above 7,500 TEUs.

This invariably leads a discussion on shipping towards channel and berth depth, as the giant ships will need more than 50 feet of water. In the US, this is a major problem and ports on both sides of the continent are trying to obtain funding to dredge their way clear by the time the Panama Canal expansion project is completed in 2014.

But there is another equally pressing topic to discuss - or even better, to address - by ports around the world. Deepening channels and berths is only the first step towards accommodating the ultra large container ships. Step two is erecting the crane equipment capable of extending its reach 23 containers wide.

Without the huge cranes in place, the larger vessels will not be able to be turned around quickly. Slow steaming may keep the ships at sea for longer, but having the ship overstaying its welcome will play havoc with schedules.

As a crane maker put it recently, the ships cost US\$200 million each and that is a lot of money to have sitting around being slowly offloaded.

Cargo volumes are down at the moment so now is the time for the ports in Asia to boost investment in the 23-wide crane equipment. And not just the big hub ports, either. Even the smaller ports should be looking at upgrading their cranes because when a 10,000-plus TEU ships hits a string it can send ships cascading down. They will serve as feeders, and many are above 7,500 TEUs.

According to the crane maker, of the 4,900 STS cranes in service last year, only 1,000 were capable of reaching past 22 containers. It's no surprise that half of them are in Asia.

But some urgent investment is required, and as the ultra large ships begin floating into service, the topic of conversation around the shipping table will quickly shift from the ships to the shore.

### **Pipavav Shipyard set to deliver their first vessel: India's largest private ship builder will hand over their first vessel soon**

After some hiccups Pipavav Defence and Offshore Engineering Company Limited will finally be giving delivery of their first vessel later this month. India's largest shipyard at the Gulf of Cambay in Gujarat on the West coast has been flush with order having signed contracts with several overseas ship owners, Indian state run organizations as well as the Indian Navy. After much talk of early deliveries the shipyard will soon be making a series of ship deliveries.

Speaking to MarPro Cmde M. Jitendran, Chief Executive Officer of Pipavav Defence and Offshore Engineering Company Limited stated, "The first ship, a 75,000 tonner break bulk carrier, built for Norwegian ship owners is ready for delivery and has been brought alongside the jetty since last week. We will be making the delivery by the end of October 2011. Another vessel is also getting ready for delivery and should be handed over soon thereafter."

Pipavav Shipyard has signed a contract with the Indian Defence Ministry to the tune of \$ 660 million for the design and construction of naval gunboats for the Indian Navy. In addition, an approval has been granted for the initiation of its second dry dock. Pipavav Shipyard has also become the first private shipyard to receive the warship production license from the Indian government. Pipavav Shipyard will soon initiate the construction of naval gunboats and offshore patrol vessels for the Indian Navy.

Pipavav Shipyard has the largest dry dock in the country and is capable of accommodating ships of up to 400,000 DWT. It is the only shipyard in the private sector with modular construction facilities. The shipyard has strategic tie-ups with foreign partners including SAAB Dynamics, Northrop Grumman and UK's Babcock Group for defence production. Pipavav Shipyard currently has an order-book of about \$1.5 billion. As a result of the revival of the offshore industry the company recently clinched an order from the state-run Oil and Natural Gas Corporation (ONGC) for 12 offshore support vessels worth \$110 million

Pipavav is in the process of adding another dry dock adjacent to the existing facility on the south western coast of Gujarat, at a cost of around \$230 million.

Recently Pipavav formed a joint venture with the state owned Mazagon Dock which builds warship and submarines for the Indian Navy. However, following complaints from Pipavav's rivals, including L&T and ABG Shipyard and reports of lack of transparency in the deal, the India's defence ministry stepped in and put the joint venture formation on hold. According to sources the JV is likely to take off only when the ministry puts in place new rules for JVs with defense establishments.

### **'Sagar Kavach' begins, causes traffic**

**jams:** PANAJI: The Coast Guard began its two-day Sagar Kavach operation on Thursday to examine their preparedness and alertness in securing the state's coastal belt, causing inconvenience to the public who were stuck in traffic jams for long.

People who were already tired of waiting in long queues at petrol pumps, due to fuel shortage in the state, cried hoarse during peak office hours on Thursday morning as they were stuck in traffic jams at several places in North Goa due to the nakabandis at crucial points as a result of a coastal security exercise.

Due to increased traffic jams, senior police officers decided to remove barricades that were placed at crucial points, even as police continued to be posted at crucial points. The barricades were placed at strategic locations at about 6 am on Thursday and they were removed at about 11am on instructions from senior officers.

"We received complaints of traffic jams at several points due to the nakabandis, due to which we decided to remove the barricades to ensure smooth flow of vehicular traffic. Our aim was not to put people to discomfort, but as part of the scheme issued to the coastguard, we have to have nakabandis at strategic locations," said a senior police official.

"Locals had been requested to take note of "Sagar Kavach" exercise during which 'nakabandi' will be held causing slow movement of the vehicular traffic. People have been requested to bear with the inconvenience," the official added.

Sagar Kavach is a maritime security exercise being conducted off the Mumbai coast to check whether the standard operation procedures (SOP) are in place after 26/11. Navy and Coast Guard are part of the annual operations. Patrol vessels of the Mumbai police and police force from other districts participate in the drill. In North Goa, nakabandi was held at Santa Monicajetty in Panaji, at Banastarim, Agasaim, O'Coqueiro junction at Porvorim, Nerul, Calangute, Parra, Arpora, Chopdem, Patradevi and Naibaug. To ensure smooth flow of traffic, barricades were removed at Santa Monica jetty in Panaji, at

Banastarim, Agasaim, O'Coqueiro junction at Porvorim, Nerul, Calangute, Parra, Arpora and Chopdem by about 11am. People entering into the state at the check posts were frisked.

Security was beefed up in the coastal areas and around starred hotels.

The Sagar Kavach exercise is undertaken to work out all modalities for undertaking regular joint operations and for agencies to practice and have their security operation plans in place. It is jointly conducted by the Indian Coast Guard, the Indian Navy, the Central Industrial Security Force, the Mormugao Port Trust, the Goa police and the state departments such as fisheries, tourism and Captain of Ports and also the hotels, casino and boat operators are roped in.

## **SITREP: the Plot Thickens at DOT and Marad:**

It has been an interesting autumn at the U.S. Maritime Administration and for its Department of Transportation parent, as well. Little in the way of good news is to be had for anyone; much less the U.S. domestic waterfront itself. The abrupt departure of at least two high ranking Marad officials and overt speculation by the DOT Secretary himself about his next move, post-Obama, leave transportation industry stakeholders - at best - uncertain about what happens next. And like the ambitious high-speed, \$50+ billion rail agenda aggressively pushed forward by the President, the train wreck that waits just around the corner for Marad is all but certain to take place.

As Transportation Secretary LaHood parrots the party line, blaming the GOP for its reluctance to back a new infrastructure program that largely ignores the waterfront and makes even less sense on so many other levels, his maritime administration has fallen deeper into disarray. Last week, and to the utter dismay of virtually everyone associated with the U.S. Merchant Marine Academy at Kings Point, LaHood (that's right LaHood; not Marad Chief Matsuda) announced the reassignment of academy superintendent Rear Admiral Philip Greene to the Department of Transportation Chair at the National Defense University. According to reliable alumni sources, Greene, the second superintendent in the last year to leave the Kings Point post, did not leave of his own accord. Reportedly, his tenure there was marked by deep disagreements with Marad senior leadership as to how the nation's federal merchant marine school should be run.

Meanwhile, and while Marad seems intent upon exerting robust micromanagement at Kings Point - delivered from Washington, DC via telephone - Marad Administrator Matsuda watched with apparent disinterest this summer as the federal government issued a record number of coastwise waivers to allow foreign-registered tonnage to lift as much as 30 million barrels of crude oil from the nation's strategic petroleum reserve. The crude oil sale, intended as one part of a concerted effort to stem the rising cost of energy, is viewed by most energy insiders as little more than a publicity stunt, with little or no effect on prevailing prices. Adding insult to injury, the parcel sales were reportedly packaged so as to exclude (and exceed the cubic capacity of) available U.S. coastwise tankship assets. So much for a Democratic administration's pledge to support American labor.

Matsuda, who is on record as saying that a key part of the reason that U.S. shipping can't compete globally is - wait for it - the cost of a \$135 TWIC card, also frequently refers to the U.S. Maritime Administration as the nation's "Maritime Cheerleader." With little in the way of regulatory teeth to exert

influence anywhere else, it is no wonder that Marad meddles continuously where it can, often without the expertise to do the job effectively. If congress has its way, however, he will need to do a bit more "cheerleading" before the next coastwise waiver in the U.S. Jones Act trades is issued.

Congressmen Elijah E. Cummings (D - MD) and Jeff Landry (R - LA) last week introduced the American Mariners Job Protection Act (H.R. 3202), a bill with bipartisan support that, if passed, would increase government transparency surrounding the issuance of waivers allowing non-Jones Act-qualified vessels to carry cargo between U.S. ports. The bill would in essence strengthen Marad's now tepid involvement in the waiver process and increase accountability to congress and the general public. In the end, the effort might not prevent the next round of waivers, but it sure would increase Matsuda's face time with key federal leadership on the Hill. Those sorts of 'question and answer' sessions rarely go well for the Marad chief.

Separately, Marad's secretive effort to whittle down the nation's ghost fleets in Texas, Virginia and California is being carried out with little in the way of transparency and/or maximizing benefit to the taxpayer and often, is deployed on an uneven playing field which excludes qualified players from the disposal awards. We reported on these developments earlier this year on more than one occasion in this format. Very little, according to my well-placed sources, has changed in the interim.

DOT Secretary LaHood recently was quoted as saying that he anticipated "wonderful opportunities" in the private sector once he departs Washington - something he could do at the end of the current administration's first term. No doubt those opportunities will include offers from his friends in the rail or trucking sectors. On the other hand, I find it hard to believe that anyone on the waterfront is anxiously awaiting his arrival. As for Marad Chief Matsuda, the DOT Chief felt that this position was so important that he waited more than 18 months to put someone in that chair. The leadership from Marad has since rewarded him with performance that exactly reflects his interest in DOT's maritime modal arm.

That it has been a very difficult three years for the nation is not earthshaking news. That time frame (and how the federal government has tried to spend itself out of the mess) has left the domestic U.S. waterfront in its most tenuous position in more than 4 decades. Along the way, maritime labor also found out that its loyal support of a Democratic candidate didn't necessarily translate into a reciprocal transaction. I have no idea who will win the next presidential election, but for my money (what's left of it) and looking out over our 95,000+ miles of coastline, the current (appointee) crew at DOT can't depart soon enough.

There is a lot more to the story. I can't pretend to have an inside track to all of it, but enough reaches my desk to suggest that Marad's attention right now is anywhere but where it should be: promoting the commercial U.S. domestic maritime machine. But, that's never been DOT's focus in any event. They are too busy cleaning up the mistakes made over the course of the past three years to pay any attention. And yes, it is a train wreck.

## **Alion Awarded Canadian Shipbuilding Contract: Alion Part of Winning Team Awarded \$8 Billion Canadian Shipbuilding Contract. Technology Solutions Firm to Support Design and Engineering for Non-combat Vessels.**

Alion Science and Technology, an employee-owned engineering, R&D and operational solutions firm, is part of the team awarded

an \$8 Billion contract to construct non-combat-oriented vessels under Canada's National Shipbuilding Procurement Strategy (NSPS). Working with team lead Seaspan Marine Corp.(www.seaspan.com), Alion will provide ship design and engineering through its wholly owned subsidiary, Alion Canada of Ottawa, Ontario. Under the contract, the team will design and construct vessels that address Canada's long-range plans for non-combatant vessels. These include the Joint Support Ship, the Polar Icebreaker, the Offshore Oceanographic Support Vessel, and the Offshore Fisheries Science Vessels.

NSPS was devised as a long-term solution to develop Canada's maritime capabilities. The award is based on a 30-year roadmap for the development of new ship platforms. A second award covers the design and production needs for the country's military vessels. "NSPS is intended to provide enhanced security for our Canadian neighbors, which will also benefit us here in the U.S. and throughout the Western hemisphere. In addition, these programs will create thousands of new jobs, providing a boost to the global economy," remarked Bahman Atefi, Chairman and CEO of Alion. "This is a proud moment for Alion and our partners, and we are ready to begin."

"These new platforms are critical to meeting Canada's evolving requirements, from anti-terrorism strategies and curbing illegal activities to polar icebreaking and environmental research," explained Vice Adm. Scott Fry (USN, Ret.), Alion Sr. Vice President and Manager of the company's Engineering and Integration Solutions Sector. "Our naval architects, marine engineers and technical experts have the skills and experience to help ensure that these new ships are produced to meet Canada's requirements."

### **WCI: Abandon Obama's User Fee Proposal: Capital Development Plan Most Comprehensive Solution for Addressing Waterways' Infrastructure Funding, Construction Reform Needs.**

In a letter sent to Representative Jeb Hensarling and Senator Patty Murray, Co-Chairs of the Joint Select Committee on Deficit Reduction, Waterways Council Inc. (WCI) President and CEO Michael J. Toohey urged the "Super Committee" to nix the user fee provision in the Inland Waterways Capital Investment Act (IWCA). The Obama Administration included a user fee in its proposal that was sent to the Joint Committee as part of "The President's Plan for Economic Growth and Deficit Reduction." "The Administration's IWCA proposal will neither create economic growth nor meaningfully contribute to deficit reduction and should be rejected by the Joint Committee," the WCI letter said.

"The Administration's proposal wrongly suggests that a sub-cabinet official in the Executive Branch be delegated Congress' authority to establish and collect a tax --- in the form of a user fee --- that will increase costs for American consumers and make domestic commercial shipments less competitive in the international marketplace. The proposal was developed entirely without the participation of the commercial users of the inland waterway system who would be most directly affected by the proposal," the letter stated.

The Administration's proposal fails to include much needed

Corps of Engineers' project delivery improvement reforms that are necessary to prevent future cost-escalation and delayed project completion results at lock and dam modernization projects currently under construction. Two glaring examples of project delivery failure are the Olmsted Lock and Dam project on the Ohio River and the Lower Mon project on the Monongahela River. The Olmsted Lock and Dam project cost of \$2.1 billion is already \$1.3 billion over budget and another "significant" cost over-run has been identified by the Corps but not yet been made available to industry.

In place of the user fee provision, the WCI letter underscores the Inland Marine Transportation System (IMTS) Capital Projects Business Model or Capital Development Plan as the way forward that "would apply objective criteria to the prioritization of essential construction and major rehabilitation projects, revise current beneficiaries' cost sharing for these projects, reform the Corps of Engineers internal project delivery process, and suggest a revenue enhancement -- a thirty to forty-five percent increase in the existing diesel fuel tax -- to pay for these vital infrastructure investments," it said.

### **US maritime unions denounce flawed study of US-flagged ships:**

Four US maritime unions have criticised a recent government-sanctioned study of US-flagged shipping suggesting possible cost-cutting measures that they say would harm America's national and economic security as well as put US seafarers out of work.

In a statement issued on 7 November, the American Maritime Officers, International Organization of Masters, Mates and Pilots, Marine Engineers' Beneficial Association and the Seafarers International Union berated a report from the Maritime Administration -- requested by the US Congress -- comparing US- and foreign-flag operating costs.

They point out that the "highly contentious study" was carried out without any input from maritime labour. As a result, it "does not contain the information that congress and the administration would need to develop and implement meaningful maritime policy" that strengthens the US-flag merchant marine, provides jobs for US maritime workers and bolsters the economic, military and homeland security of the US.

The main conclusion of the study that US-flagged ships in the deep-sea commercial sector often cost more to use, "isn't news to anyone," say the unions. They argue that the Maritime Administration has excluded a significant segment of the maritime industry from its study and that its possible cost-cutting suggestions "are completely contrary to the overall best interests of the United States."

The unions say they "make no apologies whatsoever for the fact that our members make a living wage and receive health care and pension benefits" -- this was among the reasons why US-flagged ships cost more to run than those of other flags.

The unions also stated that maritime administrator David Matsuda should be held accountable for accepting and then releasing the report. They cited him for a "gigantic failure" in leadership.

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