

**Minutes of the 119<sup>th</sup> Meeting of the National Shipping Board  
held at “Conference Hall”, Mumbai Port Trust  
on 31<sup>st</sup> May,2012**

The 119<sup>th</sup> Meeting of the National Shipping Board (NSB) was held under the Chairmanship of Capt. P.V.K.Mohan on 31<sup>st</sup> May, 2012 at Conference Hall, Mumbai Port Trust. List of those present in the meeting is enclosed at **Annexure – I**.

**2.** Shri Rajeev Gupta, Chairman, MbPT welcomed the Chairman, NSB, members of the NSB and the special invitees. He expressed hope that the arrangements made for the meeting were satisfactory. He further stated that the past meetings of the NSB had been very enlightening and was sure that the present meeting would also be most useful.

**3.** Thereafter, Chairman, NSB in his opening remarks, welcomed the Hon'ble Members of the Board and special invitees and thanked Shri. Rajeev Gupta, Chairman, MbPT for the excellent arrangements made for conducting the meeting. He informed that the Hon'ble MPs could not be present at the meeting due to political compulsion on account of the 'India Bandh' today. He, briefly outlined issues such as, training slots onboard the vessels, issuance of **tax free** bonds worth 5000 crores for development of ports in this financial year and the PPP projects, though slow at one-time, are now on the fast-track and also are being monitored by the PMO. He further informed that the ban on 25 year-old vessels has been notified in the Gazette and is now implemented. He requested the DG (Shipping) to provide a list of approved P&I Clubs to ports so as to preempt the agents/port-users from bringing in such ships at the ports.

4. Capt. Khatri, Member Secretary, NSB informed that on the agenda of the meeting today was a presentation on the various initiatives on IWAI, discussion on setting up of Indian Maritime Service (IMS) to be kick-started by Shri. D.T.Joseph, former Secretary, Shipping, discussion on deployment of armed guards on Indian ships, presentation on major ports vis-à-vis minor ports and also a presentation by MbPT on up-gradation of navigational aids and training to VTS operators and supervisors.

**5. Confirmation of minutes of the 118<sup>th</sup> NSB meeting :**

a. Shri D. Shetty, Jt. DG (Shipping) pointed out that there was factual inaccuracy in the composition of the **committee to study 'cost to user'**. He stated that the composition of the committee is set as: Chairman of a Port and one representative each from IPA and from SCI. However, his name appears as a member of the committee.

On request from the members, Shri Ajeya Kallam, Chairman, IPA agreed to chair the committee with Chairman, New Mangalore Port Trust and representative of SCI as its members.

Accordingly, a revised composition of the committee would be issued.

b) During 118<sup>th</sup> meeting, a detailed discussion had taken place on the subject of deployment of CISF in Indian ports. However, Para 8 of the minutes states feasibility of CISF deployment on Indian merchant ships. Therefore para 8 stands amended and to be read as; 'Deployment of CISF at airports may be examined for the feasibility of CISF deployment in *existing and new ports.*'"

With the aforesaid amendments, the minutes of the 118<sup>th</sup> NSB meeting were confirmed in order.

**6. Review of Action Taken Report :**

**a) To constitute a three members Committee of one port chairman, rep of SCI and MD, IPA, to study in detail the “cost to user” at various ports and submit a report by the end April, 2012.**

This issue is addressed at para 5(a) above.

**b) Port entry rules to be strengthened to ensure that all vessels in port are in possession of valid P&I insurance certificate.**

DG (Shipping) informed that the notification for the same has been drafted and approval is awaited. He further stated that the list of approved insurance companies would be put up on DG (Shipping)'s website for easy access.

**c) Deployment of CISF at airports may be examined for the feasibility of CISF deployment in existing and new ports.**

Shri Shetty stated that though the study of Airport Authority model for deployment of CISF is essential, it is also important to note that in 2<sup>nd</sup> and 3<sup>rd</sup> Tier cities, there are almost 44 civil functional airports to which CISF is extended. These exponentially sheer numbers need to be kept in mind while considering deployment of CISF to ports.

Capt. Khatri opined that considering the cost and availability for deployment of CISF, it would be prudent to allow the flexibility to the non-major ports to opt for either CISF or a private security.

Shri Sandeep Chandra disagreed and opined that standardization in security is most crucial. He stated that at the

end of the day, every port is subservient to the Constitution. It is vital that security in all ports be uniform as any discretion to ports in this regard can result in serious security lapses and important issues being caught up in myriad legal hassles such as jurisdiction etc.

Capt. D.J.Revar, Naval Staff (IW & Operations) pointed out that security aspect of ports is the responsibility of the ports alone and in this respect, the Paradip model should be followed. He stressed that issues to be considered in this respect are how well the security agency are equipped, whether they can be available in the vicinity for 24-hrs and whether they can be deployed on-board and on speed-boats. He also stated that since only CISF is authorized to carry arms in water, it would be the best choice.

Shri Kailash Negi, DIG Coast Guard stated that CISF is deployed at all the major ports and in fact, the threat to the non-major ports is much higher as they are unable to decide on their security. He stated that commercial interest should not overtake security concerns. Coast Guard/Navy cannot patrol port areas and felt that CISF being well-armed, is the best choice.

Dr. Shanti Patel stated that the major ports fell under the Government of India while the non-major ports are under management of the State. If any uniformity is to be brought in, a meeting with the Ministry to evolve a common rule that CISF alone shall provide security at all ports whether major/minor, is essential.

Shri Kallam stated that the major ports are covered under the Major Port Trusts Act, 1963 whereas the non-major ports are licensed by the State. The major ports take adequate concessional agreement which is binding on the parties, so that the private party has to abide by the direction of the port/Government. However,

that is not the case when states enter into agreements with the parties. Since the private parties are not legally bound, they do not abide by directions of the non-major ports. It is therefore necessary to tackle this issue separately and find a solution so as to bind the private parties that enter into agreement with non-major ports. Dr. Agnihotri, DG (Shipping) stated that the financial aspects need to be considered especially in view of the current economic downturn's negative impact on the profits. He also pointed out that the Arms Act has a bearing on the CISF personnel on Indian Ships. CISF is thus clearly more advantageous vis-à-vis the private security which is governed by the Private Security Act.

Chairman, MbPT reiterated that high cost of deployment of CISF is an important factor to be considered.

Chairman, NSB confirmed that all major ports have CISF and agreed that it would be prudent to deploy CISF in non-major ports so as to bring in uniformity and standardization in security of all ports.

**d) Income Tax Exemption for Indian Seafarers :**  
(Reference Para 5 (a) Minutes of the 118<sup>th</sup> Meeting)

Dr. Shanti Patel, drew attention to long pending issue of income tax exemption to Indian seafarers. He stressed that non resolution of this issue for such a long time has brought seafarers to a point of desperation. He submitted that there is no valid reason for seafarers to pay income tax and no other country is levying such a tax on the Seafarers. He reminded that seafarers do not need any investment and yet bring in precious foreign exchange and willingly serve the country. Levying of income-tax thus amounts to serious injustice being perpetuated on them. He stated that before the seafarers' agitate, the Board would be well-advised to take up the

matter with the Hon'ble Finance Minister through the Ministry of Shipping.

Shri S.Hazara, President (INSA) and Chairman & MD, SCI, stated that it is pertinent to recognize the fact that Shipping is unique in its commercial competitiveness and vastly different from any other business venture due to which a unique tonnage tax is given to shipping which, it may be noted, has not opened any Pandora's box. Shipping is treated differently worldwide. Indian seafarer on foreign flag must therefore be considered outside the income tax net. In China, Greece and several other countries, there exists a special provision as regards income tax of seafarers and it is not understood why similar provision cannot be extended to Indian seafarers.

Chairman, NSB stated that the suggestion is well-taken and informed that recent report of M/s Ernst & Young in the matter further adds favorable weight to the argument. He stated that Honb'le Shipping Minister will be requested to lead a delegation to the Minister of Finance.

## **6. Agenda Points:**

### **a) Presentation on recent IWAI initiatives and future plans:**

Shri S.S. Mishra, IWAI, gave a presentation on IWAI highlighting the initiatives, challengers, advantages and success achieved by the IWAI. Shri Mishra stated that it was challenging that the IWAI is not yet considered as competitive. This, even though the IWAI has several advantages, an important one being the operating cost being less than Roads and Railways. Another added advantage is that it also does not leave any carbon-footprint. Amongst its many successes is the subsidy, it has obtained for fertilizers which was earlier enjoyed only by the Roads and

Railways. Shri Mishra requested that wide publicity be given to the initiatives of the IWAI in transportation of coal, foodgrains, cement.

Shri D.T. Joseph noted that though the protocol agreement between India and Bangladesh is for 50:50 share in traffic, in reality, Bangladesh is handling much more which meant that the IWAI Act needed to be suitably modified to provide for the same. The Chairman, MbPT stated that the reason for the disproportionate ratio is the inherent high management cost in India as compared to the economical operational cost in Bangladesh.

Shri Mishra stated that trade needs to be promoted and requested that support of the government be garnered.

Shri Chandra endorsed the views put forth by Shri D.T. Joseph stating that the purpose of protocol is lost if there is such vast disproportion. Shri D.T. Joseph underlined that it was necessary to give some concession to increase the trade. The Chairman, MbPT suggested that the technical standards could be relaxed, the cost of labour reduced and a more user-friendly approach be taken. Dr. Shanti Patel stated that the time-frame and manner of implementation needs to be clearly charted out as also who will provide the necessary finance for the same. Shri Mishra stated that they have opted to float Tenders. He regretted to state that the banks invariably require more than 100% collateral which was a major hindrance. He further informed that IWAI also needed assistance to raise funds to dredge the bunders.

**b) Setting up of IMS – Broad contour:**

Shri D.T. Joseph informed that the recommendation to set up IMS was earlier proposed in September, 2002. At that time, DoPT did not allow to proceed further as it had reservations due to the

required 'critical mass' being 200 for setting up a new all India service and number of existing cadre being less than 200 and also there being no uniformity in qualification of the existing technical officers. However, he further informed that since 2003-04, DoPT is more flexible. He stated that the need for IMS is unquestionable. Under the present global scenario in the Shipping industry, there is a definite need for visible, high profile, dedicated and trained professionals at the helm.

He stated that in order to aid setting up the IMS, data needs to be collected in terms of posts, common qualifications required, exchange of posts, whether there should be one comprehensive cadre or two or three separate verticals, etc. He also informed that it is generally seen that by the time an officer (deputed to shipping sector from an all-India service) gains some knowledge and experience in a particular post, he is shuffled to another sector and all his knowledge/experience is lost.

The Chairman, MbPT stated that certain standards at the entry level need to be defined and for which the Nautical and engineering streams are universally represented. Port Engineers, Lighthouse Engineers, Marine Engineers in the port engineering field may also need to be considered. He informed that at present, there is no incentive for officers to take up posts in far-off locations or other states. With IMS, this problem can be resolved as the mobility would accelerate their growth.

Shri Kallam noted that the setting up of IMS will take care of the dearth of knowledgeable persons holding key positions in shipping/ports. The Chairman, MbPT suggested that 7-8 posts may be offered from the existing officers of the DGS and Ports for deployment in the Ministry and those with less domain exposure

may be assigned general and administrative functions while those with wider domain exposure may be assigned functions such as rule-making and law-making which have serious importance in the Ministry.

Shri Shetty wished to know whether the Recruitment Rules would need to be harmonized first. Chairman, NSB replied that this could be taken up at a later stage.

Chairman, NSB stated there is unanimous agreement that the IMS should be set up at the earliest and for that a Committee under the chairmanship of Shri D.T.Joseph be formed and Shri Joseph may co-opt as many members as required while the secretariat assistance to be financed by the IPA. Chairman, NSB was also pleased to inform that the MoS had already given an informal 'go ahead' to propose setting up of IMS.

**c) Presentation on Major Ports Vs. Minor Ports:**

Shri Kallam made a presentation highlighting the issues vis-à-vis major and non-major ports. He explained that as of now non-major ports are handling about 40% of the cargo and major ports are handling 60% of the cargo. Given the rate of development of minor ports, all too soon they will go ahead of the major ports. The reason for the fast development of minor ports is the absence of government control. He informed that in a totally surprising move, the government has made it mandatory that security clearance is a pre-requisite for all dredging contracts for major ports. This has further delayed the dredging of the major ports by several months. The major ports are also constrained by the tariff as fixed by TAMP. Autonomy is the need of the hour if the major ports are to keep pace with the minor ports.

Shri Kallam further explained that unlike in India, in other countries there is no ban on acquisition of land. But even this is grossly violated in case of minor ports. He stated that the state government is very liberal in its criteria for sanctioning of projects of minor ports whereas for major ports, obtaining clearance is a time-consuming and cumbersome process. To top that, minor ports are exempted from Stamp Duty and are given several concessions such as less waterfront related charges, no restriction of labour employment, non-interference of the State government in port activities etc. This is not the case for major ports, thereby rendering their functioning more and more difficult.

Dr. Shanti Patel stated that the need of the hour is that Port Trusts be given complete autonomy. Presently, even for simple decisions, approval of the Ministry is required. A single person cannot be appointed without permission of the Ministry. He asked how the ports are to be run with a ban on recruitment since 1984? Without complete autonomy, major ports cannot compete with the minor ports. He emphasized that the MPT Act has become obsolete from business point of view. To be competitive and even to survive, the MPT Act needs to be amended urgently. Minor ports function well as they have the discretion to appoint who they think will do the best job. The same is required in the major ports. A standard of performance can be set, and if it is not met, then the concerned officer may be dismissed. A national policy may be drawn to judge the performance from time to time. To accomplish this, full autonomy of the ports is a pre-requisite and if necessary, even the Constitution may be amended.

Shri Anil Devli, INSA pointed out that credit goes to the government ports for development of container ports in Kandla and Mumbai and the idea of priority berthing for containers, which has

proved extremely beneficial to the trade. The valuable contributions of the government ports to the progress of the country cannot be negated. He further stated that there exists great discrimination against Indian flag vessels vis-à-vis private ports. Transparency in operations is therefore much needed. The container feeder cargo vessels are also charged SSR. In fact, Indian operators are openly told not to bring in their vessels. He, therefore, sought support of the IPA to end such discrimination.

The Chairman, MbPT stated that MoS cannot simply amend the MPT Act. However, more delegation powers must be conferred on the ports if they are to be effective. Major ports have powers to sanction expenditure upto Rs. 50 crores only. Even to purchase a dredger, it takes months to get the requisite permission. Thus, though ports may be efficient, they are unable to deliver. There is provision under the Act that the Board has to follow the directions, instructions and advice of the Ministry. This puts the Chairman/Board in a quandary whether to only blindly follow the Ministry or his/its own right approach. A few more years of this, and the major ports will be in serious trouble affecting the shipping trade. To bring in a corporate style of functioning, it is necessary that ports be given the same powers as a mini-ratna companies. This can help overcome long delays in implementing projects, held up for want of financial sanction. It was also pointed out that the huge number of minor-ports were a breeding ground for anti-social elements. Since the minor ports are not in the State List but Concurrent List, the Union government can take action against this. The Chairman, MbPT said that at the rate the minor ports were mushrooming, the minor ports would overtake major port not in 2020 but in 2014-15 itself. As a first step towards autonomy, it would help to move from DoPT to DPE structure.

Chairman, MbPT stated that the private ports, though hurting the government ports, must be studied to understand what it is that they are doing right to do so well. The private ports are more flexible and are always trying to cut costs, while the major ports are happy to do as they have been doing for years together, without bringing in any new change in its business methods/procedures. Citing the example of the number of CISF required, the Chairman, MbPT asked whether such a high number of 400-600 CISF was actually required. The major ports simply accept the numbers deployed. In the same situation, the private ports would bargain and negotiate to bring down the numbers of CISF they take on. In major ports there is a certain lack of diligence as responsibility is divided between Central government and the port.

Shri Atul Agarwal, MD, Mercator Lines, stated that instead of being jealous of the private or non-major ports, major ports must laud their development efforts and even support them. The major ports should instead take inspiration from the private/minor ports and instead of discouraging them by imposing stringent norms should focus on improving their own performance.

Shri Kallam felt that there should be a level playing field for all ports. To do that, Tariff restriction may be imposed, special incentives may not be given, etc. and working be streamlined. Capt. Revar stated that development without regard to security is a grave risk to the nation and reiterated that certain infrastructure facilities are indispensable for security.

**d) Deployment of armed guards on Indian ships:**

Capt. Khatri briefed the NSB on the recent deliberations at the 90<sup>th</sup> Maritime Safety Committee (MSC) meeting held on 16-25 May 2012 on the subject of armed guards. He informed that the MSC has finalised a circular (draft copy enclosed in the agenda papers) which provide guidelines for Private Marine Security Companies (PMSC) for deployment of armed guards on merchant ships. These guidelines would also serve the International Standards Organization (ISO) for developing International standards for the PMSC so that flag states may uniformly apply criteria for approving PMSC for their ships.

He further informed that India's proposal for ships transiting through India's EEZ to report the details of armed guards on their ships, to the Indian authorities, did not find much support at the IMO. This was due to the reason that such a requirement is not supported by International law. Similarly, the suggestion to report any incident, within India's EEZ, to the Indian authorities (MRCC) was not agreed to since it was felt that it was the discretion of the concerned flag state.

Shri Negi, DIG, Coast Guard pointed out that the ReCAAP is an organization of 16 countries which report to each other especially regarding carriage of armed guards. He underlined the difficulties faced by the Coast Guard when reports are not made to it. He reiterated the importance of intimating of such incidents to Coast Guard and said that the issue needs to be taken up again and again at the IMO.

Capt. Khatri informed that these issues including the subject of re-aligning the eastern limit of High Risk Area (HRA) from existing 78 deg East to 65 deg East would continue to be taken up at the IMO.

**e) Presentation on upgradation of navigation aids and associated safety & security issues of MbPT:**

Capt. Kohli, DC, MbPT gave a presentation on the latest development in safety navigational aids at MbPT and stated that after the incident of MV Chitra, virtual markers have been put in place. He suggested that legal sanctity for the virtual markers be obtained. Chairman, MbPT stated that the Harbour Craft Rules may be amended to incorporate that irrespective of the size, all crafts must comply with the safety navigational aids. He further stated that it should be made mandatory for all ports to be covered by insurance.

As regards to training, Chairman, MbPT stated that pilots are already trained in navigation but need additional training for learning the skills to respond to situations in a harbour. Capt. Surej, DGLL stated that VTS training is being imparted by DGLL and requested for suitable nominations for the training course commencing from 4<sup>th</sup> June 2012.

Chairman, MbPT pointed out that the present training is more of a reactive training in response to the incidents and suggested that a permanent training facility for the VTS operators be set up for imparting IALA standard training. Capt. Surej suggested that National Maritime Institute with support of Mumbai Port Trust may be set up. Capt. Surej further highlighted the need to set up the Competent Authority and a VTS Authority.

It was brought out that at times, ship Masters including the naval ships do not follow the advise of VTS operator and it is difficult to enforce the instructions in absence of any legal sanction behind them. Capt. Khatri stated that it is necessary to give harbor-specific training so that pilots are well versed with the local shipping environment and situations. He also stressed the need to

set up Competent and VTS authority so that legal issues are firmed up.

The IALA Trainers, who were invited for this presentation, stated that the trainees had responded very well to the training which included standard ship handling and voice communication procedures and he was pleased with the progress.

Capt L.K.Panda, Principal Officer, Mercantile Marine Department observed that ports will have to make rules and suggested that in case of disobedience to instructions of the VTS operator, the defaulter be made liable financially, or his vessel be detained or he be deprived of the jetty. Chairman, MbPT stated that a mandatory 3<sup>rd</sup> Party Inspection of records of VTS Authority is also required. It is necessary to set out the standards for equipment, inspection, technical aspect, certification of pilots, certification of VTS operators etc. Capt. Khatri recapitulated that IMO guidelines that clearly provide for two stage monitoring mechanism; a VTS authority at local port level and a Competent authority at national level. He also informed that in UK, every port has a VTS authority while the Competent authority is the Maritime administration of UK.

The IALA Trainer suggested that two codes need to be charted: (i) Code for VTS and (ii) Permanent Safety Code. The second Code is for port safety assessment which is on-going. It has been found to be successful in other countries and is highly recommended.

**f) Agenda submitted by Indian Navy:**

Capt. Revar pointed out that barges of 70-80 mtr. length are still operating in contravention of the Inland Vessels Act. He also made clear that after 26.11.2009, it is mandatory on all fishing

boats to be registered under the Inland Vessels Act. Dr. Agnihotri stated that it must also be mandatory on all vessels to be fitted with AIS. The Chairman, MbPT stated that Harbour Craft Rules be suitably amended.

Capt. Revar raised the issue of fishing lanes in harbour. DG (Shipping) stated that it had already issued instructions in this respect in 2009. Capt. Revar stated that it is not clear as to who will monitor, enforce and penalize those who do not follow the fishing lanes.

Chairman, NSB agreed that the ports should be held responsible for adherence to fishing lanes requirements and suggested that ports could take up this issue at the MSDC.

**g) Agenda items submitted by Dr. R. Rajamohan:**

On the issues raised by Dr. R. Rajamohan, following clarification was provided by the Chairman, NSB;

- i) Regarding deepening of Indian ports, the same has been planned already and further deepening will be done in a phased manner.
- ii) IPA is looking into appointing of a consultancy firm for research and analysis of data in shipping industry.
- iii) As regards declaration of Colachel and Koodankulam Ports as major ports, response of the Chief Minister, Tamil Nadu is awaited.

**7.** Concluding the meeting, Chairman, NSB appreciated the efforts of the IWAI. He complimented the interesting presentation made by Shri Kallam on major ports vis-à-vis minor ports. He directed the IPA to give wide publicity to the VTS Training and depute officers to Kandla unit of DGLL for the same.

He informed that the next meeting of NSB will be at Chennai.

**8. Resolutions of the 119<sup>th</sup> Meeting of the National Shipping Board :**

**(a)** Union Minister of Shipping be requested to lead a delegation to the Ministry of Finance for exemption of income tax to seafarers.

**( Action :- NSB )**

**(b)** CISF to be deployed at non-major ports to bring in uniformity of security in all ports.

**( Action :- Ministry of Shipping )**

**(c)** Detailed proposal for setting up IMS be prepared and submitted to Ministry of Shipping by a committee under the chairmanship of Shri D.T. Joseph.

**( Action:- Shri D.T Joseph )**

**(d)** IPA to depute officers to Kandla unit of DGLL for VTS training.

**(Action: IPA)**

**(e)** VTS Authority at local port level and Competent Authority at national level to be set up for monitoring VTS.

**( Action :- Ministry of Shipping / DGLL )**

**(f)** Autonomy for Ports to be considered on par with mini-ratna companies.

**( Action :- IPA / Ministry of Shipping)**

The meeting ended with a vote of thanks to the Chair.