



भारत सरकार / GOVERNMENT OF INDIA

पोत परिवहन मंत्रालय / MINISTRY OF SHIPPING

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Dated: 09.09.16

Shipping Development Circular No. 06 of 2016

Sub.: Advisory on the age norms for vessels to be engaged through tenders for Indian cargo by Indian public sector oil marketing companies as well as private companies - reg.

It has been brought to the attention of this office that certain charterers are issuing tenders inviting offers for vessels with restriction on age with reference to the type of vessel that can be offered/engaged/deployed thereunder. This has been noted particularly in the tenders for the supply of vessels for the carriage of POL products, LPG etc.

2. The Directorate General of Shipping [DGS], Govt. of India, facilitates and regulates the merchant shipping industry with regard inter-alia, to the operations of Indian flag ships in terms of the statutory requirements under the Merchant Shipping Act, 1958, as amended. The Indian flag ship-owners represented by their body i.e., the Indian National Shipowners Association [INSA] have averred that an immediate imposition of an age norm for Indian flag ships would cause immense difficulties to Indian shipping companies. It is feared that imposition of such age norms could lead to several Indian flag vessels facing the prospect of imminent unemployment & consequentially severely erode their financial validity, potentially leading to their possible shuttering down.

3. Two meetings were held, contextually with the representatives of the oil industry [Indian] as well as of ship-owners [Indian] to discuss this issue, holistically, in the office of DG Shipping, on 13.05.16 & 24.08.16. At these meetings the Indian oil companies indicated that the age norms were being prescribed not for the purpose of excluding Indian flag vessels, but as per the age restrictions imposed thereon by overseas terminals from which the oil cargo may be loaded. It has further been held that it is necessary that Indian flag vessels offered to them should meet the qualitative parameters in such a manner so as to avoid any disruption that may be caused to the supply chain of the Indian oil companies. The latter have also apprised that they intend to form a joint committee alongwith the

Indian flag ship-owners for identifying and initially agreeing on qualitative parameters to assist the evaluation of the operational performance of Indian flag vessels contracted to Indian oil companies.

4. It is the intention of this office, as the Indian flag merchant shipping industry maritime administration of India that vessels operated under the Indian flag meet the highest standards of safety and operation equivalent to any international standards. This office therefore appreciates the need of the Indian oil companies to be able to obtain & operate safe ships. At the said meeting held on 24.08.16, the oil companies have also indicated that a suitable advisory be issued to them by this office, reiterating the issues that could be related to the operations of high quality and safe ships under the Indian flag.

5. In view of the foregoing facts, the following advisory is issued, contextually;

- 5.1. As Indian vessels can operate at the Indian as well as foreign coasts as long as they are in possession of all valid statutory certificate required under the provisions of the Merchant Shipping Act, 1958 & applicable international maritime conventions, it may not be appropriate to limit the operations of Indian vessel on the ground of age.
- 5.2. Indian oil companies need to consider the preceding legal proposition. Therefore, it may not be appropriate for any age norm to be imposed, as the same may unnecessarily restrict Indian flag vessels which meet the statutory requirements under the aforesaid Central Act passed by the Parliament. Such a paradigm shift will jolt the confidence of the lending banks /financial institutions [FIs] on the maritime assets in an already difficult market situation and put severe strain on the cash flows and possible equity contributions of Indian ship owners. Further, the value of such assets may also decelerate drop down without justifiable reasons, attributable only due to such revised stringent age norms.
- 5.3. The oil companies are at liberty to set and devise such qualitative parameters as they deem fit, in consultation with the Indian flag merchant shipping industry and are necessary in order to ensure the highest standards of operation and safety in the International and coastal waters. They may devise such parameters in discussion with the Indian merchant shipping industry or in any other fair and equitable manner that they deem fit, so that the bonafide concerns of the latter & the industry are taken onboard.
- 5.4. Oil companies may institute a joint mechanism with the Indian merchant shipping industry to create a database of robust parameters and operational efficiency of such vessels chartered to them. This will ensure a

rational assessment of the performance as well as ease the imposition of penalties for vessels which fail to meet the prescribed performance standards for the vessels.

- 5.5. The oil companies are free to impose such age restrictions as may become necessary in order to meet the requirement of the overseas loading terminal(s) where such vessels may have to call. However, this may be done judiciously in a manner so as to aid the employment of the Indian flag tonnage.
- 5.6. If the oil industry wishes to impose age norms in the long term, such age norms may be imposed after providing the Indian merchant shipping industry with an adequate & reasonable [say about 5 years] notice of such an intention to engage younger tonnage. It will be appropriate if such decisions may be taken in due consultation & deliberation with the Indian shipping industry which may be provided a reasonable period for the purpose, so as to enable the latter a fair & just opportunity for the renewal of their old tonnage and for facilitating the acquisition of tonnage within the age that meets the requirements of the oil industry.
6. This is an advisory and it has been issued to encourage the harmonious & perspective growth & development of the Indian flag tonnage to enable it to increase its market share, and concurrently ensure that the Indian tonnage meets with the qualitative & operational requirement and parameters set by the oil majors and charterers worldwide.
7. This has been issued with the approval of the Director General of Shipping & Additional Secretary to the Govt. of India.

Yours Faithfully,


(Ash Mohamad)

Deputy Director General of Shipping-in-charge [SD]

To;

1. All Indian oil marketing companies.
 2. All Indian Ship owning companies through Indian National Ship-owner's Association & ICC Shipping Association, Mumbai.
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