

# Ship shape & BRIC fashion

## Federal Law makes waves in Russia while India deals with growing demand

**INMAR Legal associate Pavel Figurov tells ACQ that it's not all plain sailing when it comes to Federal Law in Russia**

The Federal Law On Amendments to Certain Legislative Acts of the Russian Federation Related to the Implementation of State Support Measures for Shipbuilding and Navigation was signed by Dmitry Medvedev on 7 November, 2011.

The Federal Law embraces two most important topics for Russian shipbuilders and ship owners. They are shipbuilding industry support and amendment of Russian International Ship Register (RISR) disadvantages.

Though the Federal Law is mostly well-done, it has some controversial moments that are likely to be settled in the future.

In order to support shipbuilding industry the Federal Law gives some privileges for shipbuilding and repairing enterprises having residential status in industrial economic zones, such as land and property tax remission.

Introduction of these provisions is believed to reduce the cost of shipbuilding and repairs at Russian shipyards that will allow them to compete on the same level with the foreign shipyards. Though it is necessary to note that shipbuilding industry is limited by Russian banks unwillingness to provide loans for shipbuilding in Russia on reasonable terms. For example, current loans in Russian banks have a fixed term of repayment (from 5 to 7 years) and high interest rate (exceeding 10% annually).

The Federal Law also provides special privileges for vessels constructed at the Russian shipyards after 1 January, 2010 (RISR registration of both ocean vessels and river and river-sea ones, coastal traffic permission for those ships, income tax remission concerning coastal traffic via those ships).

Additional privileges for newly constructed ships will undoubtedly motivate ship owners to give orders for ship building to Russian yards and their consequent registration under the Russian flag. But at the same time we believe the registration of all newly constructed ships particularly in the RISR to be incorrect.

International registration of all vessels (including river ones), even if they are never engaged in international shipments, contradicts the whole concept of an international register and the way those registers function all over the world. In conclusion we shall say that the Federal Law refers to very important questions and has a number of provisions with a potential to change the situation in shipping industry and RISR attractiveness, but there still are some improvements to be made.

**There's an increased effort for Indian ports and terminals to meet the growing demand in both infrastructure and capacity. ACQ spoke to Shardul Thacker of Mulla & Mulla who shed some light on this and other India Maritime issues.**

To efficiently handle the growing demand, the Ministry of Shipping in 2010 introduced a land policy for major ports to optimize revenue from land either for use by the Ministry of Shipping, Government of India or through the land leases. Pursuant to reports of the Ministry, steps are being taken to increase India's share in global ship building to 5 percent from the present 1 percent and to raise the share of Indian seafarers from the current level of 7 percent in the global shipping industry to at least 9 percent by 2015.

An income tax exemption of 100 percent is provided for a period of 10 years for port developmental projects. Jawaharlal Nehru Port Trust proposes to sign an MOU with a private sector consortium for development of Phase I of the 4th Container Terminal at a cost of INR 4,100 crore. The terminal is expected to handle 2.4 million twenty-foot equivalent unit. Twenty two projects worth over Rupees 60bn across major ports in India including construction of berths, mechanization of cargo handling, deepening of channels, quicker rail and road evacuation of cargo etc. are underway. The Government estimates an investment of Rupee 2,870bn by 2020 so that the 12 major ports and 200 ports if India efficiently handle 2.5 billion tons of cargo.

**Piracy** poses a significant threat for shippers/mariners. Security measures to combat piracy should include co-operation between nations through sea patrols, increased coordination between Coast Guard and Naval forces and training them in modern arms and surveillance, sharing information and reports on piracy and physical security training to shipmasters and seafarers transiting high-risk areas.

**Thailand's maritime partnership with India** to develop seaport would be an effective step in achieving India's 'Look East' Policy and Thailand's 'Look West' Policy. It would reinforce Indo-Thai relations, intensify economic links thereby expanding regional and bilateral markets for trade, investments and industrial development resulting in doubling bilateral trade to around \$14bn by 2014. It will enhance water connectivity between the two maritime neighbours and assist countering the common security threats such as terrorism, security of sea lanes of communication and piracy.



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