

SIGNIFICANCE OF CABOTAGE LAW IN PORT DEVELOPMENT

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CABOTAGE

- ▶ What is Cabotage?
- ▶ Transport of goods and persons within a Country.
- ▶ Originally cabotage was concerned with shipping along coastal routes from one port to another within a country.
- ▶ Later its application was expanded to include aviation, railways, and road transport as well.
- ▶ It aims at protecting domestically owned shipping and economy and ensures safety in congested territorial waters.

HISTORY

- ▶ Cabotage derived from the French word caboter which means sail coastwise.
- ▶ First cabotage laws date back to 16th century when ships from Northern Europe travelling to and from Mediterranean sought to make their voyages more profitable.
- ▶ Making frequent stops along the coastline moving goods and passengers along the way.
- ▶ As a legal principle cabotage was first introduced by the French.
- ▶ The restriction to navigate on French ports by other ships was later extended to even Metropolitan countries and its overseas colonies.



- ▶ Countries use cabotage laws to protect domestic shipping from foreign competition.
- ▶ Coastal States depend on sea and its resources for economic development.
- ▶ States impose restrictions for various reasons including security purpose, protecting domestic economy etc.
- ▶ It has a significant role in strengthening national border security and prevent international terrorism.



NAVIGATION ACT, 1651

- ▶ The United Kingdom made laws regulating shipping of goods between Britain & its Colonies only to British ships.
- ▶ No goods shall be imported from Asia, Africa or America but in English ships.
- ▶ Objective was to prevent other countries from developing larger merchant fleets and also restrict domestic trade between ports within Britain to British ships.



Cabotage, Cabotage law & rights

- ▶ Cabotage- transport of goods and passengers from one port to another of the same country.
- ▶ Cabotage law- the law governing cabotage, restrictive or relaxed.
- ▶ Cabotage rights- the right of foreigners and foreign vessels to participate in the transportation of goods and passengers in another country.



OBJECTIVES

- ▶ Each country apply cabotage laws depending on their objectives, national interests and local situations.
- ▶ Cabotage protected coastal trade and restricted it's trade to national vessels which were owned by national shipping companies.
- ▶ To protect and safeguard national maritime industry development.
- ▶ To ensure national security and defense.
- ▶ To improve national economy. Prevent depending on foreign vessels and foreign companies.
- ▶ To provide more opportunities to own citizens.
- ▶ To provide regular service in less important trade routes.

- ▶ In a **strict or protected maritime Cabotage policy regime**, the elements of restriction are that domestic shipping trade is restricted to ships “built, owned, crewed or operated” by citizens of a country.

FULLY PROTECTED CABOTAGE REGIMES:

- ▶ USA, Peru and Japan.

CONTROLLED PROTECTIONIST POLICIES:

- ▶ France, Germany, Italy, Greece, Portugal, Spain, Finland, Sweden, Lithuania, Slovenia, Bulgaria, **Romania**, Croatia, Angola, Morocco, Libya, Tanzania, Kenya, Turkey, Russia, Jordan, India, South Korea, Myanmar, Thailand, Vietnam, Taiwan, Canada, Mexico, Cuba, Honduras, Nicaragua, Costa Rica, Panama, Venezuela, Brazil, Uruguay, Argentina, Chile, Colombia, Ecuador, Philippines, New Zealand.

PARTIALLY PROTECTED POLICIES :

- ▶ Mozambique, Malaysia, Indonesia, China, Egypt.

- ▶ Cabotage law can be said to be **relaxed or liberalised** if the elements of restriction are not strictly enforced and there are some measures of foreign participation in the ownership or building of the vessels used and in the nationality of the operators involved in a states coastal shipping.

CONTROLLED LIBERALISED POLICIES :

- ▶ Australia.

FULLY LIBERALISED CABOTAGE POLICIES :

- ▶ Belgium, the Netherlands, Denmark, Ireland, UK, Norway, Iceland, Malta, Cyprus, Estonia, Latvia, Poland, Nigeria, South Africa, Namibia, United Arab Emirates, Lebanon, Brunei, Cambodia, Singapore.

Reasons for adopting liberalised cabotage policies.

- ▶ Support the internationalization and the globalization of economic activities.
- ▶ Support the development of the national and international economy and activities.
- ▶ Support a country's export-oriented industrial strategy.
- ▶ Promote foreign direct investment within the national cabotage industry.

- ▶ Get access to the international shipbuilding industry or allow the ordering of vessels in the foreign market.
- ▶ Contribute to a level playing field among the different transport mode.
- ▶ Promote and enhance the cooperation among the different transport modes operator.
- ▶ Promote the development of an integrated and environmental friendly transport policy.



Reasons for adopting strict cabotage policies

- ▶ Strict Cabotage policy implies that;
- ▶ The controlling shares of shipping companies must be, at least 51 per cent, in hands of nationals.
- ▶ The vessel ownership must be, at least 51 per cent, in hands of nationals so that vessels bought by those companies belong to a national fleet.
- ▶ Shipbuilding and repairs are performed by national companies.
- ▶ Vessels are obliged to be registered under the national flag and crewed in total or partially by nationals.
- ▶ Cabotage is seen as a strategic industry and for this reason needs to be protected.
- ▶ Develop a policy of nationalism where the cabotage fleet is built up for prestige and strategic considerations.
- ▶ Control the quality of vessels employed in the provision of cabotage services.
- ▶ Protect the national flag, national fleet and national owners.
- ▶ Support cabotage for reasons of national security or defence purposes.

- ▶ Guarantee that cabotage vessels fulfil with the international and national legislation.
- ▶ Economic increase in the value of the cabotage contribute to the balance of payments.
- ▶ Guarantee the viability of national cabotage companies.
- ▶ Promote the development of the national shipbuilding industry.
- ▶ Protect an infant cabotage industry until it is sufficiently strong to compete in the international market.

- ▶ Make cabotage services available to remote areas in a country's territory, which otherwise would not be commercially viable.
- ▶ Protect the employment of national crew/preserve maritime job.
- ▶ Support cabotage to serve certain trades such as those serving the islands.

JONES ACT

- ▶ U.S has a strict cabotage regime.
- ▶ Sec.27 of the Merchant Marine Act “all goods transported by water between United States ports be carried on the United States flag ships, constructed in the United States, owned by United States citizens and crewed by United States citizens or United States permanent residents.
- ▶ American Passenger vessel Service Act, 1886 provide similar restriction for carriage of passengers
- ▶ “ No foreign vessel shall transport passengers between ports or places in the United States either directly or by way of a foreign port, under a penalty of \$300 for each passenger so transported and landed.



INDIAN WAY

- ▶ India does not have a separate cabotage law per se like many States. But it has the cabotage policy referred to under Sections 406 and 407 of the Merchant Shipping Act, 1958.
- ▶ Section 407 refers to the licensing of ships for coasting trade wherein it is mentioned that only Indian vessels are permitted to carry on the coasting trade (i.e., trade within the ports of a country) in India except when there is licence granted to a foreign vessel for the said purpose, by the Director General.
- ▶ This means the usual trade within the ports has to be carried on by the Indian flagged ships. But whenever there is no availability of Indian flagged ships, the foreign flagged ships can be employed for the purpose of trade, only after obtaining licence as mentioned above.

RELAXATION

- ▶ On May 21st 2018, the Ministry of Shipping under the Government of India has issued a notification lifting restrictions on foreign registered vessels on transportation of loaded or empty containers between Indian Ports. Earlier, this was the prerogative of only the Indian registered shipping lines which paid taxes and were governed by Indian laws.
- ▶ As per the new relaxation, the Ministry of Shipping is focussing on developing the transshipment hubs in India. Considering that the hub-and-spoke models all over the world are acting as steady and sustainable models of international marine trading, it is crucial that the Indian ports also provide for transshipment hubs on par with global ports. With the new relaxation, foreign vessels engaged in transportation of EXIM containers and empty containers need not require a licence anymore to carry on the coasting trade.
- ▶ With this appreciable move as, it is expected that there will be significant reduction in the freight rates, making the Indian trade more competitive, thus leading to healthy competition among the shipping lines.
- ▶ India can attract cargo from the foreign destinations thereby reducing the transshipment costs at a foreign port.
- ▶ According to the Indian Government, opening the doors for foreign vessels is likely to boost profits at the local ports.

ROMANIA

- ▶ Southeastern European Country that shares borders with Bulgaria, Hungary, Serbia, Ukraine, Moldova.
- ▶ World's 47th largest economy by GDP and has growth rate of 7% as per 2017.
- ▶ Romanian coastline of the Black Sea is between Midia head at the north and Old Vama at the south, having a length of 245 km.
- ▶ Romania connects river Danube rises from the southwestern part of Germany to black sea which is a vital commercial and transportation route.



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- ▶ Main industries are electric machinery, textile and footwear, mining and timber, metallurgy, construction, chemicals, food processing, petroleum refining, etc.
- ▶ It is a developing country and is the largest producer of electronics in Europe.
- ▶ Also a leading destination for Foreign Direct Investment.
- ▶ Export partners are Germany, Italy, France, Hungary and UK.
- ▶ Major exporting products are vehicles, machinery, chemical goods, electronic products, electric equipment, pharmaceuticals, transport equipment, basic metals, food products, rubber and plastic.
- ▶ Import partners are Germany, Italy, Hungary, Poland, China and Netherlands.



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Economic Resources

- ▶ The economic resources are agriculture, fishing, industry, services, gas and natural resources, biotechnology.
- ▶ Romanian companies operate over 700 ships in which 400 are registered in Romania.
- ▶ Each year 105 million tones of goods and 1 million passengers are transported by sea.
- ▶ 52% of export and import in Romania is by Marine transport.



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Ports in Romania

- ▶ There is a total of 39 ports in Romania.
- ▶ The important ports are

On the black sea,

Port of Constanta, port of Mangalia, port of Midia, port of Sulina

On the Danube-black sea canal,

Port of Basarabi, port of Luminita, port of Ovidiu, port of Medgidia

On the Danube River

Port of Bechet, Port of Braila, Port of Calafat, Port of Calarasi, Port of Cernavoda, Port of Corabia, Port of Drencova, Port of Drobeta Turnu Severin, Port of Galati, Port of Giurgiu, Port of Isaccea, Port of Moldova Veche, Port of Oltenita, Port of Orsova, Port of Tulcea, Port of Turnu Magurele, Port of Zimnicea



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- ▶ Romanian ports play an important role in export and import of the country.
- ▶ Provides safe and efficient transport system and helps in improving economic prosperity of the country.
- ▶ The most important port in Romania is the port of Constanta.
- ▶ The Port of Constanta is interconnected with Danube route known as the 7th Pan European Corridor.
- ▶ Midia and Mangalia are the satellite port which are part of the Romanian maritime port system under the coordination of the maritime port system.



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Port of Constanta

- ▶ The Port of Constanța is located on the western coast of the Black Sea, 332 km from the Bosphorus Strait and 157 km from the Sulina Branch, through which the Danube river flows into the sea.
- ▶ The connection of the port with the Danube river is made through the Danube-Black Sea Canal, which represents one of the main strengths of Constanta Port.
- ▶ Constanta Port is both a maritime and a river port.
- ▶ The Port of Constanta is the largest on the Black Sea and the 17 th largest in Europe.



- ▶ It is a transshipment point for the cargo sent from or bound to the landlocked countries in Central and Eastern Europe.
- ▶ The Port of Constanta has a dedicated barge terminal in the Southern part, close to the connection with the Danube.
- ▶ Constanta Port has a handling capacity of 100 million tons per year and 156 berths, of which 140 berths are operational.
- ▶ Starting January 1st 2007, the Port of Constanta has become a Free Zone.
- ▶ The development of Constanta Port has been favoured by its geostrategic function as relay among the European markets, on the one hand, and of South-East Asian and the Black Sea markets, on the other.



- ▶ Romania links the Danube-Main-Rhine axis with the ports at the Black Sea, the Eastern Mediterranean and the Near East and hence with any of the world's harbours.
- ▶ The Danube-Black Sea Canal is a navigable canal in Romania, which runs from Cernavoda, on the Danube river, to Constanta and to Navodari, on the Black Sea.
- ▶ The main branch of the canal, with a length of 64.4 km, which connects the Port of Cernavoda with the Port of Constanța, was built between 1976-1984
- ▶ Transshipment service in the Black sea ports, which connected by barge transportation to hinterland countries in Europe, through the Danube and Rhine rivers.
- ▶ Serving countries with no direct access to sea such, Austria, Hungary, Slovakia, Serbia, Czech more.



- ▶ Romania's geographical position links it essentially to the Black Sea, which thus becomes the main gateway to Europe and the main Caspian-Pontic interface with the West.
- ▶ Situated in the central zone of the geopolitical system of intra-continental seas, Romania can become the "Eastern key" to NATO and EU relationships with Russia, Asia and the Arab states.
- ▶ Romania possesses the necessary infrastructure to take over, store and transport the energy resources, it being a real partner in the alliances it belongs to.
- ▶ Romania has been actively involved in strengthening trade relations, public and telecommunication works and environmental protection stimulating cultural exchanges and granting political support to the Republic of Moldova, Ukraine, Georgia, Azerbaijan and Turkey on the world stage.



EU REGULATIONS

- ▶ A regulation is a legal act of the European Union that becomes immediately enforceable as law in all member states simultaneously.
- ▶ Cabotage is governed by Regulation (EC) 1072/2009 as of 14 May 2010. This regulation replaced Regulations (EEC) No 881/92 and (EEC) No 3118/93, as well as Directive 2006/94/EC.
- ▶ Regulation (EC) 1072/2009 was the common rules for access to the international road haulage market.
- ▶ The access to market in the carriage of goods by road within the community to OR from the territory of a member state passing across the territory of one or more member states was regulated by Regulation (EEC) 881/1992.



- ▶ In the European Union (EU), maritime cabotage is regulated by Council Regulation 3577/92 (the Regulation).
- ▶ The Regulation applies the principle of freedom, and gives member states a right to provide maritime transport services to and from Member States ports.
- ▶ The Regulation liberalized the maritime cabotage market in the EU, and subsequently throughout the European Economic Area (EEA).
- ▶ On April 22, 2014, the European Commission passed its fifth report on the free right to provide maritime cabotage between Member States
- ▶ Article 1 of the Regulation liberalizes maritime cabotage in the EU, and EU ship owners have the freedom to operate between ports in another Member State. This freedom cannot be restricted, except in situations covered by the derogations specified within the Regulation and in “duly justified cases”.
- ▶ There are three explicit derogations to the freedom to provide maritime cabotage in the Regulation. Firstly, Member States have the power to impose manning rules on board ships smaller than 650GT, and vessels performing island cabotage services between two ports on their territory, Secondly, Member States may impose public service obligations and award public service contracts in order to ensure an adequate schedule of transport service to, from and between islands, Lastly, Member States may ask the Commission to adopt safeguard measures to remedy a serious disturbance of the internal market.



Cabotage policy in Romania

- ▶ EU member states which allow cabotage are: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden.
- ▶ The regulations was adopted to harmonize cabotage rules across the EU, was passed when the EU international road freight market was undergoing numerous changes.



ROMANIAN CABOTAGE POLICY

- ▶ Controlled protectionist cabotage policies
- ▶ Policies that protect the maritime cabotage industry, but which allow the entrance of foreign owners under controlled condition through the granting of permits or licenses.

- ▶ Before the regulations on cabotage, 23% of all heavy-goods vehicles in the EU ran empty.
- ▶ The legalization of cabotage leads to decrease in the number of vehicles running empty as the transport operators were able to optimize their routes
- ▶ Considering cabotage's benefit to transporters, their clients, consumers and the environment, the EU's comparatively relaxed stance on cabotage.



- ▶ In May 2017 the European Commission proposed amendments to current EU cabotage requirements, essentially looking to further relax regulations.
- ▶ Five years after Bulgaria and Romania joined the European Union, the countries road hauliers and shippers have the same rights as their counterparts in other EU countries.
- ▶ It was objected by a leading French Trade Organisation saying lower wages and social costs in the EU's newest members create an unfair advantage over domestic hauliers.
- ▶ The European Shippers Council, which backs the liberalisation of haulage, sees the extension of cabotage rights as good for commerce and the environment by maximising use of rigs on the road.



- ▶ In accordance with EU Regulation 1072/2009, cabotage is permissible in Romania after the completion of a laden international journey into the country, and after unloading of goods imported in that journey has been completed
- ▶ The regulations permit up to three cabotage operations to be undertaken in a period of seven days commencing on the day after the incoming goods were unloaded.
- ▶ If a haulier is undertaking his three permitted cabotage operations in different countries, and the vehicle enters Romania unladen, then only one cabotage operation is permitted, which must take place within three days of entering the country without a load.

- ▶ From the perspective of supply chain efficiency, maritime cabotage can be of interest to improve door-to-door services as it can enhance efficiency in the logistic supply chain, promote the carriage of larger cargo volumes at lower costs and guarantee service continuity.
- ▶ A number of other developing countries seem to have faced challenges in holding cabotage restrictions in order to build their supply-side capacity.
- ▶ Overall, it would appear that cabotage regimes in the developing countries have not been strictly applied and the use of waivers seems to be common practice.



- ▶ Relaxing cabotage restrictions can help improve maritime connectivity by linking the national, regional and intercontinental liner shipping services.
- ▶ Several developing countries have relaxed their cabotage regimes as part of their broader strategies to increase competitiveness, improve connectivity and adapt to the new context and emerging trends.
- ▶ Relaxing cabotage regulation can contribute to improve a country's liner shipping connectivity, achieving this objective is a function of several policy reform.



Cabotage in perspective

- ▶ Geographical proximity means that cabotage does not necessarily entail crossing the ocean
- ▶ The nature of cargo carried by vessels through coastal water systems may encompass containerized cargo, bulk, trailerized cargo or empty containers;
- ▶ Cabotage takes place through chartered vessels, providing operators with flexibility to adapt to market conditions and seasonality.
- ▶ Promote sustainable transport by moving away from more energy and carbon intensive mode of transport which leads to CO2 emissions.
- ▶ Ensures local shipping companies carry locally generated cargo to protect local waterways and ensure strategic deliveries and shipments.

**Cabotage relaxation could transfer Ports into major transshipment hub
Can create a level playing field
Also help reduction in freight rates and making trade more competitive.**

Ports can attract cargo originating from or destined to foreign ports leading to cargo growth.

Reduce supply chain lag time and transshipment cost at foreign ports.

Also address the problem of empty containers getting accumulated at some ports.



THANK YOU

The background features abstract, overlapping geometric shapes in various shades of green, ranging from light lime to dark forest green. These shapes are primarily located on the right side of the frame, creating a modern, layered effect against the white background.