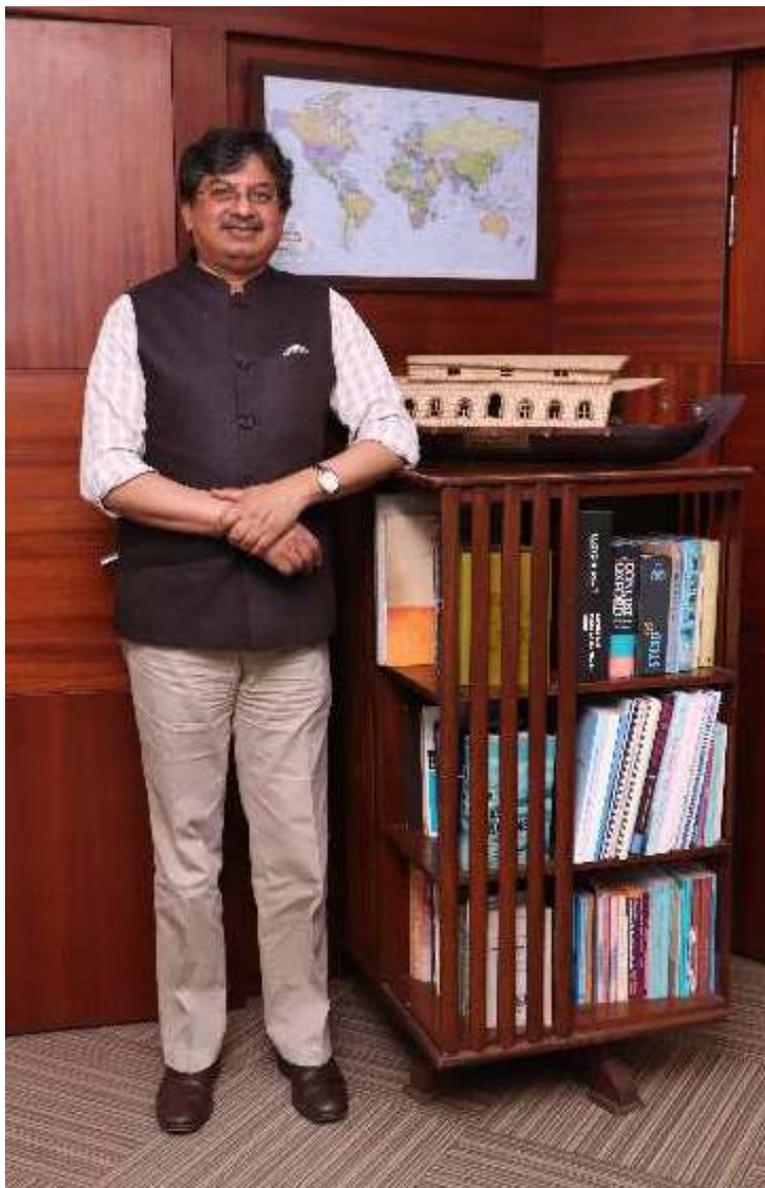


## DG Shipping: Reiterating Need to Draw A Maritime Knowledge Cluster & Link it with Blue Economy Industries

The shipping sector in India has undergone innumerable changes in the past few years. Though requisite technologies and laws are in place to promote the working of this sector, much more needs to be done on both the cargo and cruise fronts to ensure continued progress in this regard. A tête-à-tête with **Shri Amitabh Kumar, Director General of Shipping and Additional Secretary to the Government of India** reveals all that lies in store for India's maritime progress.



### Q. What are the Shipping Ministry's plans to increase the number of ships, both passenger and cargo, on Indian coasts?

There are varied requirements of ships around the Indian coast which can be broadly classified into three categories—cargo vessels, passenger vessels & offshore vessels and port craft.

The EXIM trade in all Indian ports is carried through Indian or foreign flag vessels without restrictions, except in case of PSUs. There is no shortage of vessels for EXIM trade. However, the coastal trade is hindered due to several restrictions and limitations emanating from geography, cabotage restrictions, costing, taxation, non-availability of cargo and disproportionate investment by the Government on other modes of transport, etc. There is a huge potential to increase movement of cargo from road or rail to sea, if some of these issues are resolved.

To reduce the cost of coastal transportation, the DG Shipping had framed River Sea Vessels (RSVs) rules with relaxed construction and manning requirements and has now allowed inland vessels to move along Indian coasts in a 5 NM corridor. To increase the supply of specialised cargo vessels, the government has removed cabotage restrictions on such vessels for a period of five years. Similarly, cabotage has been relaxed for carriage of empty & EXIM containers, agricultural commodities, fertilisers, etc. Simultaneously, the process for issuing licences for foreign flagged vessels chartered by Indian entities has been simplified to enable chartering of vessels.

Passenger vessels are being predominantly used for inland water operations. The Directorate has issued guidelines for the registration of RSV passenger vessels and small pleasure crafts and yachts of 24 metres and less. It is now in the process of issuing guidelines for registration of bigger pleasure craft/yachts. The Ministry has also granted cabotage relaxation for cruise ships. As a result, several small to medium sized passenger vessels have now started operating in Gujarat, Goa, Maharashtra, Kerala, A&N Island and West Bengal. Cabotage relaxation on cruise ships has helped frequent visits by cruise ships and their movement from one Indian port to another.

About the availability of the third category of vessels, India has nearly 973 Indian flagged offshore vessels and ports craft that have benefitted from the policy of the 'right of first refusal'. These vessels are great strategic assets for offshore exploration and commercial exploitation of our Exclusive Economic Zone (EEZ).

I am happy to inform that due to the relaxation of regulatory guidelines to reduce the capital and operating costs of coastal vessels, reduction on taxation on bunkers and in port charges, etc., the number of Indian vessels has gone up from 1302 in 2016 to 1430 till date.

The Government has now tasked the Asian Development Bank (ADB) to undertake a study to identify cargo which can be shifted from Rail & Road to Shipping. Discussions have also started to integrate the country's inland waterways with coastal shipping. Availability of additional cargo due to this exercise will also result in addition to Indian tonnage.

### **Q. How is the Port Community System (PCS) expected to improve port efficiency?**

The Indian Port Community System (PCS Ix) is an integrated single platform & single window system for all the stakeholders (27) in maritime and land transportation sector, i.e., public and private bodies. It emphasizes real-time tracking of information on consignment, API-based connectivity, latch on facility, interactive dashboards, link with other international platforms and data lake. There will be integration of Port Operating System and Gate System with RFID. It will give live updates and status check at port about berthing schedule, vessel at berth, sailed vessels, expected vessels, detailed vessel information, shift-wise details (loading and discharge status) and gate transaction, etc. It will help in providing real time notifications and alerts by SMS and email. It aims to provide a one stop for online payments by wallet option for purchase and sales and reports by data visualization templates. It will give e-berthing meeting by providing a collaborative platform for port and vessel agents. It will also support direct data entry for the customers (CHA) for faster movement at the port gate and seamless tracking solution for the truck trailers for faster turnaround time.

Thus, it will contribute substantially in improving the Ease of Doing Business, Trading Across Borders and Logistics Performance Index Ranks.

### **Q. The Recycling of Ships Bill 2019 has been passed. What speed do you envisage at which the ship recycling industry will grow?**

The Government has taken a very progressive step by acceding to the Hong Kong Convention and by enacting the Recycling of Ships Act, 2019. The shipowner is responsible for environmentally sound shipping during the entire course of a ship's life cycle. It is important that the organisations engaged in the ship recycling process create an enabling environment to allow the ship owners to discharge their responsibility.

There was a perception in the Western world that though Indian ship recycling yards offer a cost advantage due to the low labour cost, they do not conform to the international standards in terms of environmental protection and safety, security and welfare of their workers. This perception inhibited some shipowners from coming to India for ship recycling, as they feared that they would be held accountable for any possible environmental degradation during the recycling of these vessels. With accession to the Hong Kong Convention and enactment of Recycling of Ships Act, 2019, India has sent a clear message to the international shipping community of its commitment to adopt the best international practices in the ship recycling industry. Today, a majority of the Alang Ship Recycling Yards has have obtained certification of compliance to the Hong Kong Convention. The Government has provided facilities for testing of water, incinerator, garbage disposal sites, training school and housing complex for workers and a super speciality hospital.

Adherence to international standards will encourage the ship owners to bring the vessels to India for ship recycling. While it is difficult to give an exact number, it can be said with a fair amount of certainty that the business will increase because of these measures.

We are now in the process of framing of rules and creation of online systems for smooth implementation of the Recycling of Ships Act, 2019.

### **Q. With a vast coastline, India has great potential for cruise tourism. However, barring a few domestic cruise vessels operating on Indian seas, we do not see much development. What steps are being taken to encourage a greater number of domestic cruise vessels and to develop Indian ports as famous tourist spots?**

The Ministry of Shipping has appointed the Mumbai Port Trust as a nodal point for development of cruise tourism in India. Mumbai has already emerged as the centre for cruise tourism in India. At least two cruise vessels 'Jalesh' and 'Angriya' have made Mumbai their home ports. As the Ministry has exempted foreign flag cruise vessels from the requirement of obtaining licences from DG Shipping, foreign cruise vessels have started scheduling port calls in India and voyages between Indian ports.



Major ports have started developing infrastructure for carrying passengers through cruise ships. Terminals have already been constructed at Mumbai and Cochin while a temporary terminal has been set up in Goa. Issues regarding immigration, local transportation, etc. have been sorted out. These measures have provided an enabling environment for increase in cruise tourism in India.

However, the full potential of cruise tourism can be realised in India only when some of the issues relating to taxation and infrastructure are addressed. Some of the actions that need to be taken in the short and medium term are removal of customs duty on consumables of cruise vessels in Indian waters, removal of GST on tickets, development of dedicated terminals at old ports and development of new destinations, improvements of guest experiences at the ports, development of ferry and passenger services in the islands of Lakshadweep & Andaman and Nicobar and use of information technology for immigration, security clearance, etc.

**Q. There are limited skill development initiatives at CEMS and CICMT. What are other plans for maritime research?**

A robust blue economy requires growth of four sectors in maritime domain, viz.

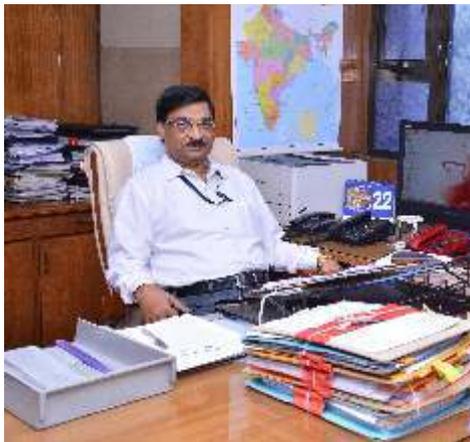
- (a) Ports and harbours
- (b) Shipping
- (c) Exploitation of economic resources of territorial waters, EEZ and continental shelf
- (d) Maritime security

The requirement of skilling and research is felt for all these four sectors. Any exploitation of economic resources in the ocean must be done in an ecologically sustainable manner and, hence, research in the field of maritime environment protection is also paramount. The skill requirement of the shipping sector has been handled well in India and more than 150 maritime training institutions have been set up to provide pre-sea and post-sea training for nautical and engineering officers, nautical and engine ratings and catering staff. These institutes provide requisite training for career progression too. However, an equally organised training environment for the port and offshore sector is not available. Similarly, pure research in the field of ship design, ship engines, alternate fuels, ship management systems, etc. is lacking in India.

This government, under the skill development program of the Sagarmala scheme has now started to focus on skilling and research in shipping related subjects. To impart knowledge and information on maritime law, three dedicated maritime centres have been setup at GNLU, Maharashtra National Law University and National Law University, Odisha.

India needs to set up a maritime knowledge cluster to bring together the scattered knowledge centres of today under one online platform and link them with the industries engaged in blue economy. This will help the researchers focus more on the industry's requirements.





## Indian Ports Association: Strengthening Ideas to Foster Growth & Development at Major Ports

Fast implementation of various initiatives under the Sagarmala Programme has resulted in the Indian major ports revamp their working methodologies.

**Dr. A. Janardhana Rao, Managing Director, Indian Ports Association** elucidates how increasing cargo demand and changing times have changed the way Indian ports work.

**Q. Allowing Ease of Doing Business is important. What are the major challenges that Indian ports are currently facing in implementing this model?**

As per the latest Ease of Doing Business Ranking (Doing Business 2020) released by World Bank, India ranked 63 among 190 countries improving its position by 14 ranks. As far as the Ministry of Shipping and ports are considered, it has a huge role to play in improving the Trading Across Border indicator ranking, thus, impacting overall EoDB ranking. Currently India is ranked 68 on the Trading Across Borders Indicator.

The Trading Across Borders Indicator records the time and cost associated with the logistical process of exporting and importing goods. Important factors that determine ranking include documentary compliance, border compliance and domestic transport for shipment of goods. Measures like modernisation, mechanisation and digital transformation and doing away with manual forms, etc. have been taken to reduce time and cost in EXIM trade and improve ease of doing business.

Indian major ports are working vigorously in implementing such high-tech solutions to ease the flow of cargo to and from the ports. We are continuously organising roadshows and stakeholder meetings and

consultations to ensure all stake holders are on board, understands the system and see huge value in adopting the same.

**Q. As new projects keep getting added to the Sagarmala Programme, to what extent has it affected the growth of India's major ports?**

The Sagarmala Programme is contributing hugely in the development of port infrastructure in India. The vision of the programme is to reduce logistics cost for EXIM and domestic trade with minimal infrastructure investment. Under it, various projects such as development of world class, deep draft container port at Vadhavan, development of deep-water terminal in the Eastern coast capable of handling super cape size vessels and adopting international norms in the bulk carrier in Paradip port, developing western dock in Paradip port with deep draft (20-22.5 m) for handling dry bulk capsize vessels, development of two new berths and mechanisation of three berths at Paradip and many other have been undertaken that will enhance the capacity of Indian ports and will making them globally competitive.

**Q. To what extent has the "Make in India" call driven the port sector's growth?**

Between 2013-14 and 2018-19, the capacity at Indian ports (major and nonmajor ports including) has grown from nearly 1400 MTPA to 2400 MTPA.

Since about 95 per cent of India's trade by volume is via the maritime route, there is a continuous need to develop India's ports and trade related infrastructure to accelerate growth in the manufacturing industry and to aid the "Make in India" initiative. Thus, ports are proactively working on building up their capacity so that the initiative is strongly supported by modern and efficient logistics network.

**Q. In which aspect of the ports' working and development, do you think that the PPP model would be unsustainable?**

The PPPs are contractual means to deliver public assets and public services. A contract may fail for many reasons. A good number of them are naturally related to the PPP characteristics and even to the essence of the project itself. But the contract must be ready to tackle many risks that can affect a project and are unavoidable in the most effective and efficient manner. The PPP concept fails when it does not properly allow the parties to deal with such circumstances; this creates imbalanced situations or produces early contract terminations that could otherwise have been avoided.

Also, value for money must be protected and maximised through the preparation and implementation process, and throughout the life of the contract. This involves a proper management of the process with suitable capabilities and



resources apart from the need to follow standard approaches and good practices. To make the PPP model sustainable for ports, government over the years has been continuously reforming the policies and guidelines in consultation with all the stakeholders and has been very empathic to the need and demands of private sector. Already, the government has amended the "Model Concession Agreement" that was approved by the Cabinet in January 2018 with a view to obviate the problems being faced in execution of the PPP projects because of certain provisions of the earlier MCA. Also, the government is drafting guidelines for dealing with stressed PPP projects at major ports.

**Q. Please enumerate the factors that will enhance global EXIM trade through Indian ports.**

There are various factors that can enhance the global EXIM trade through Indian ports. For example, bilateral and multilateral FTAs can boost EXIM trade through the ports. Due to such agreements, India is exporting huge number of automobiles to Africa and Latin America. China's increasing labour cost and growing trade frictions with America can lead to shifting of manufacturing facilities to India by global manufacturing players that can enhance exports through Indian ports.

An anticipated increase in demand in consumption of petroleum production, coal, natural gas for power generation and fertilizer industry, production of steel, fertilizer imports, etc. leads to increase in imports through the ports. Similarly, an anticipated increase in surplus exportable items leads to the increase of exports. Growth in container traffic is envisaged to international trade growth, penetration of containerization and hub and feeder service structure. Further, measures taken for improving efficiency and reducing the time to export through technology can boost the trade through Indian ports. Rationalizing the tariff

structure and discount methods at major ports can also have a huge impact in growth of EXIM trade at these ports.

**Q. What activities are currently in the pipeline to push the idea of port-led development?**

There are slew of projects in the pipeline under the port-led development programme. Some of them are as under:

- Over 600 projects are under different stages of development, implementation and completion with total investment of more than Rs. 8.5 lakh crores.
- More than 90 projects worth about Rs. 15000 crores have already been completed and balance projects are to be completed in stages by 2035.
- Development of deep-water terminal in the eastern coast capable of handling super cape size vessels and adopting international norms in the bulk carrier at Paradip port.
- Development of world class, deep draft container port at Vadhavan (15 berths with total length 8680 m and 2 SPMs).
- Developing western dock in Paradip ports with deep draft (20-22.5 m) for handling dry bulk capsize vessels (1.8- 2.0 lakh DWT).
- Development of two new berths and mechanisation of three berths at Paradip with an estimated cost of Rs. 2800 crores with additional capacity of 50 MMTPA.
- The Indian government is reorienting ports like Mumbai, Goa and Chennai from cargo handling port to hub of cruise and recreational tourism.

**Q. What support do you expect from the government to ensure overall ports' growth and development during its second term?**

The priority for the government and ports is to expedite on-going projects and bring

in more investments into port-led development. Also, the major ports are taking a huge leap in digitalisation and automation transformation. These measures would help the Indian major ports compete with global ports and facilitate both EXIM and domestic trade. To ensure efficient and expeditious working of major ports, it is very necessary to overhaul the administrative setup of the port trusts. The Government is looking to pass a new "Major Port Authorities Bill" for modernisation of the institutional structure of the major ports so that they can perform efficiently in the competitive port sector and provide greater autonomy to the ports. I expect this would be done in the next session of the Parliament. Further, the government needs to make efforts and come up with a coherent policy for expediting long pending environmental clearances for projects under the state governments as per the NGT guidelines as delay in such clearances not only affects the project implementation, but also dampens the investors' confidence.

**Q. The passing of the Ship Recycling Act will increase the brand value of our Ships Recycling Yards located at Alang in Gujarat, Mumbai Port, Kolkata Port & Azhikkal in Kerala. How?**

The Ship Recycling Act, 2019 ensures environment friendly recycling process of ships and adequate safety of the yard workers. This Act paves the way for more global ships to enter Indian shipyards for recycling and boost employment and business opportunities. Now, ships to be recycled in India will need to obtain a "Ready for Recycling Certificate" in accordance with the Hong Kong Convention. Hoping for increased business, many recycling plots, especially at Alang in Gujarat, are also gearing up and obtaining the Statement of Compliance (SOC) with the Hong Kong Convention. India is a leader in the global ship recycling industry with a share of over 30 per cent of the global market. With



the passing of this Act, the share is expected to grow up to 60 per cent in coming years, thus, increasing the brand value of Ship Recycling yards of India.

**Q. Not much development can be seen in port-led industrialization despite the impetus provided by the government. What impedes businesses to set up their industries near the ports?**

As part of the port-led industrialization programme, 14 CEZs and 30 potential port-linked industrial clusters across three sectors, namely - Energy, Materials and Discrete Manufacturing were identified along the coastal states. Many projects such as development of a SEZ at JNPT and SIPC at Paradip are under progress. The SIPC at Kandla and CEUs at VoCPT and KPL are also under development. Whilst we may not have achieved the envisaged results, port-led industrialisation along coastal locations cannot be seen in isolation in view of the overall economic slowdown in the country. With government efforts in place, we hope to see confidence regaining and more investment coming in the industrialisation initiative under Sagarmala Programme. The Union government is also drafting the new institutional framework for the execution of CEZs in consultation with states and will soon finalise it.

**Q. During the Swachh Bharat Mission, the IPA ranked the major ports based on the cleanliness drive initiatives taken.**

To rank a port on Swachh Bharat Mission, a detailed questionnaire covering all the key parameters of the Green Ports

initiative was used as a tool for assessment. A team comprising of two members from the Quality Council of India (QCI) visited all the ports and conducted the assessment using handheld devices. Data regarding various parameters was collected at multiple stages using key data sources:

- Official Interview
- Direct Observation
- Stakeholders' Interactions

To collect relevant data, every port was divided into two major areas, viz., port and township areas. The port area includes operational area and other organisations whereas the township area comprises of residential and commercial areas.

The assessment of major ports was done on the following parameters in line with guidelines of "Swachh Bharat Mission".

- Sanitation and cleanliness
- Solid and liquid waste management
- Open defecation free status

**Q. During the Swachh Bharat Mission, the IPA ranked the major ports based on the cleanliness drive initiatives taken.**

- IEC and subsequent behaviour change
- Swachhta message dissemination
- Coastal cleaning
- Adoption of village/schools/communities for WASH (Water, Sanitation & Hygiene) improvement

