

RECENT DEVELOPMENTS OF SHIPPING INDUSTRY & PORTS IN INDIA

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Introduction

According to the Ministry of Shipping, around 95 per cent of India's trading by volume and 70 per cent by value is done through maritime transport.

India has 12 major and 200 notified minor and intermediate ports. Cargo traffic, which recorded 1,052 Million Metric Tonnes (MMT) in 2015, is expected to reach 1,758 MMT by 2017. The Indian ports and shipping industry plays a vital role in sustaining growth in the country's trade and commerce. India is the sixteenth largest maritime country in the world, with a coastline of about 7,517 km. The Indian Government plays an important role in supporting the ports sector. It has allowed Foreign Direct Investment (FDI) of up to 100 per cent under the automatic route for port and harbour construction and maintenance projects. It has also facilitated a 10-year tax holiday to enterprises that develop, maintain and operate ports, inland waterways and inland ports.

Market size

Cargo traffic handled by India's major ports increased 5.1 per cent year-on-year to 315.4 million tonnes (MT) during April-September 2016. In terms of composition of cargo traffic, the largest commodity was P.O.L. (37.1 per cent), followed by coal (23.4 per cent), container traffic (19.6 per cent), other cargo (11.9 per cent), iron ore (5.66 per cent) and Fertilizer and FRM (2.5 per cent).

The country's major ports handled a combined traffic volume of 586.29 million tonnes during April 2016-February 2017, up from 550.45 million tonnes during same period last year, while containerised cargo tonnage rose 3.7 per cent to 10.5 MT during August 2016. During April-June 2016, the ports had handled a combined volume of 2.12 million TEUs, which is roughly around 70 per cent of the country's overall container trade.

The government has taken several measures to improve operational efficiency through mechanisation, deepening the draft and speedy evacuations. In FY 2015-16, the Indian Port sector witnessed capacity addition of 94 Million Tonnes Per Annum (MTPA), which is the highest in the history of major ports.

The Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry, reported that the Indian ports sector received FDI worth US\$ 1.64 billion between April 2000 and December 2016.

Investments/Developments

The Indian Minister for Shipping, Road Transport and Highways, Mr Nitin Gadkari, announced a massive investment in India's ports and roads sector, which is likely to help boost the country's economy. The Indian government plans to develop 10 coastal economic regions as part of plans to revive the country's Sagarmala (string of ports) project.

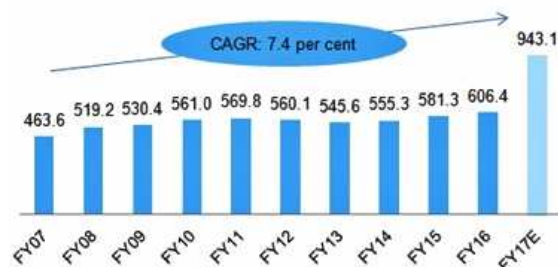
The zones would be converted into manufacturing hubs, supported by port modernisation projects, and could span 300–500 km of the coastline. The government is also looking to develop the inland waterway sector as an alternative to road and rail routes to transport goods to the nation's ports and hopes to attract private investment in the sector.

- Reliance Defence and Engineering Ltd (RDEL) has signed a contract with the Ministry of Defence for the design and construction of 14 fast patrol vessels (FPVs) for the Indian Coast Guard, at a cost of Rs 916 crore (US\$ 137.4 million).
- Tata Steel has signed an agreement to purchase 51 per cent stake in Creative Port Development (CPDPL), which has a concession agreement with the Odisha government to develop a 10 million-tonnes-per-annum (mtpa) Subarnarekha port at Chamukh village in Balasore district of Odisha.
- India's largest container handling port Jawaharlal Nehru Port Trust (JNPT) has signed an agreement to raise US\$ 400 million from State Bank of India and Development Bank of Singapore, to improve the infrastructure required for doubling its existing capacity to 9.85 million twenty foot equivalent units (TEUs) annually.
- Inland Waterways Authority of India (IWAI) and India Ports Global Private Limited (IPGPL) have signed a Memorandum of Understanding (MoU) for implementation of three additional works worth Rs 476 crore (US\$ 71.4 million) in the Kaladan Multimodal Transit Transport Project (KMTTP) in Myanmar.
- The India Ports Global Pvt Ltd plans to set up a Special Purpose Vehicle (SPV) in Iran with participation from private Iranian and Indian firms to develop and operate the Chabahar port project, which is expected to give India a sea-land access route into Afghanistan through Iran's eastern borders.
- Mr Julian Michael Bevis, Senior Director of Group Relations, Maersk Line India Pvt Ltd, has expressed confidence in Government of India's policies like Sagarmala project, and stated that the company is keen on taking Indian ports on lease.
- An expert panel of the Union environment ministry has recommended approvals for projects worth Rs 20,500 crore (US\$ 3.07 billion) in the aviation and port sectors.
- Minister of Road Transport and Highways, and Shipping, Mr Nitin Gadkari is hopeful of bringing a 'blue revolution' in five years which will include developing eight major ports,

making 27 industrial clusters, developing rail and road connectivity with ports and will entail investment of around Rs 400,000 crore (US\$ 60 billion)

- JM Baxi Group, an integrated logistics, services and transportation conglomerate, has initiated talks with Private Equity (PE) funds to raise around US\$ 150-200 million, which will be invested in its asset-heavy businesses such as port terminals and container handling facilities.
- DP World Pvt. Ltd, world's fourth biggest container port operator, plans to invest over US\$1 billion in India, which will be used for augmenting its port-related operations.
- Government of India plans to invest Rs 70,000 crore (US\$ 10.5 billion) in 12 major ports in the next five years under 'Sagarmala' initiative.
- Government of India is planning to set up low-cost non-major ports along coastline under the Sagarmala project and has asked all the 12 major ports to accord priority berthing to such vessels and to encourage quicker movement of cargo.
- Jindal ITF plans to invest nearly Rs 500 crore (US\$ 75 million) to further transloading operations in Haldia. The company, which already transports imported coal in barges to NTPC's power plants in Farakka and Kahalgaon from the Sandheads, plans to transload cargo at the deep-drafted location at Kanika Sands and transport it to Haldia.
- A memorandum of understanding (MoU) has been signed between the Inland Waterways Authority of India (IWAI) and Dedicated Freight Corridor Corporation of India (DFCCIL) to create logistics hubs with rail connectivity at Varanasi and other places on national waterways. The joint development of state-of-the-art logistics hubs at Varanasi and other areas would lead to the convergence of inland waterways with railways and roadways, thus providing a seamless, efficient and cost-effective cargo transportation solution.
- The state-run Shipping Corporation of India Ltd (SCI) is expected to purchase five vessels from the state-owned Cochin Shipyard Ltd. It is also likely to issue tenders to buy two used Liquefied Petroleum Gas (LPG) carriers as it looks to re-start ship purchases that were frozen after poor financial performance.

Cargo traffic at major ports (MMT)



Source: Ministry of Shipping, TechSci Research; Note: MMT – Million Metric Tonnes; CAGR – Compound Annual Growth Rate, FY - Indian Financial Year (April-March); E - Estimate

Cargo traffic is on the rise

- Stood at 606.37 MMT in FY16
- Increased at a CAGR of 7.4 per cent during FY07–17E
- Cargo traffic in 2017 at major ports is expected to reach 943.1 MMT
- During April to September 2016, 12 major ports in India handled 315.4 MT (Million Tonnes) of cargo, showing a growth of 5.1 per cent in comparison to the same time during previous year.

Government Initiatives

Some of the major initiatives taken by the government to promote the ports sector in India are as follows:

- The Union Cabinet has approved the proposal of Ministry of Shipping to replace the 'Major Port Trusts Act, 1963' by the 'Major Port Authorities Bill, 2016', which will empower major ports to perform with greater efficiency by having full autonomy in decision making and by modernising the institutional structure of major ports.
- The Ministry of Shipping plans to undertake development of 37 national waterways (NWs), out of the 111 NWs declared under the National Waterways Act 2016, in the next three years, which would have positive impact on reduction of overall logistics cost.
- The Union Cabinet has approved a new productivity-linked reward (PLR) scheme for 37,870 Port and Dock workers in all the Major Port Trusts for the years 2015-16 to 2017-18 at an annual cost of Rs 49.58 crore (US\$ 7.4 million).
- Mr Nitin Gadkari, Minister for Road Transport and Highways and Shipping, has stated that India would like to collaborate with Germany for projects worth Rs 1 trillion (US\$ 15 billion), aimed at enhancing port rail connectivity and identifying environment-friendly technology for scrapping of old vehicles.
- The Ministry of Road Transport and Highways and National Highways Authority of India (NHAI) plan to take up 82 highway development projects under the Bharatmala project, which would help in improving connectivity to both major as well as minor ports in the country.
- The Ministry of Shipping plans to install 160.64 megawatts (MW) of solar and wind based power systems at all the major ports across the country by 2017, thereby promoting the use of renewable energy sources and giving a fillip to government's Green Port Initiative.
- Mr Nitin Gadkari, Minister of Road Transport and Highways and Shipping, Government of India expects investment proposals worth Rs 1.2 trillion (US\$ 18 billion) in the shipping sector to be finalised during the upcoming two-day Maritime India Summit (MIS), scheduled to be held in Mumbai.

- The Union Cabinet is planning to propose amendments to the Multi Modal Transportation of Goods Act, 1993, with a view to increase transparency in the shipping and logistics sectors and to discourage container freight stations from overcharging both importers and exporters.
- The Government of India plans to amend the current Model Concession Agreement (MCA), by providing a better allocation of risks between the government and private firms, thereby encouraging investments in the sector.
- The Government of India plans to introduce a new framework on renegotiation of Public Private Partnership (PPP) contracts, which will allow renegotiations based on sector-specific issues, especially for national highways and ports, and provide greater flexibility to the parties involved.
- along the 720 km long coastline of the state, including development of creeks at Vasai, Jaigad and Rajapuri for integrated coastal shipping.
- The Union Minister stated that the Government of India has set an ambitious target to convert 101 rivers across the country into waterways to promote water transport and propel economic growth.
- The government plans to establish two new major ports, one at Sagar in West Bengal and the other at Dugarajapatnam in the Nellore district of Andhra Pradesh. Prime Minister Mr Narendra Modi has laid the foundation stone for the Fourth Container Terminal of Jawaharlal Nehru Port at Mumbai, which is expected to increase the existing capacity of the container terminal by more than twice.
- The Ministry of Shipping, in collaboration with Rajasthan government, has planned to develop an Inland Shipping Port at Jalore, Rajasthan.
- The Cabinet Committee on Economic Affairs (CCEA) has approved the Mechanisation of East Quay (EQ) Berths-1, 2 and 3 at Paradip Port on Build, Operate and Transfer (BOT) basis, under Public Private Partnership (PPP) mode, which will increase their coal handling capacity from existing 7.85 million tonnes to 30 million tonnes.

Road ahead

Increasing investments and cargo traffic point towards a healthy outlook for the Indian ports sector. Providers of services such as operation and maintenance (O&M), pilotage and harbouring and marine assets such as barges and dredgers are benefiting from these investments.

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