

LOK SABHA

USTARRED QUESTION NO. 6249
TO BE ANSWERED ON 5th APRIL, 2018
SHIPBUILDING INDUSTRY

6249. SHRI SHIVKUMAR UDASI:
SHRI DIBYENDU ADHIKARI:

Will the Minister of SHIPPING be pleased to state:

पोत परिवहन मंत्री

- (a) the present status of domestic shipbuilding industry in the country;
- (b) whether the Government proposes to encourage local shipbuilding industry and if so, the details thereof;
- (c) the initiatives taken/being taken by the Government to encourage shipbuilding industry in the country;
- (d) whether it is a fact that the financial assistance to Indian Shipyard/PSUs has constantly been decreased during the last four years and the current year;
- (e) if so, the details thereof, and the reasons therefor; and
- (f) the budgetary allocation made and funds utilised during the said period, year-wise?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF SHIPPING
(SHRI PON.RADHAKRISHNAN)

(a): There are 8 public sector and 20 private sector shipyards in India. Out of the 8 public sector shipyards, 2 are under the administrative control of Ministry of Shipping viz. Cochin Shipyard Limited, Kochi and Hooghly Dock and Port Engineers Limited, Kolkata. 4 are under the administrative control of Ministry of Defence viz. Garden Reach Ship Builders & Engineers Limited, Kolkata; Goa Shipyard Limited, Goa; Hindustan Shipyard Limited, Visakhapatnam and Mazagon Dock Limited, Mumbai. The remaining two are under the administrative control of respective State Governments viz. Alcock Ashdown (Gujarat) Limited, Bhavnagar, Gujarat and Shalimar Works (1980) Limited, Kolkata. Among Public Sector shipyards, Cochin Shipyard Limited and Hindustan Shipyard Ltd are major shipyards. Among private sector shipyards, L&T shipyard and Reliance Defence and Engineering shipyard (formerly Pipavav shipyard) are major shipyards. Cochin Shipyard Limited (CSL) has shipbuilding capacity of (1,10,000 DWT) followed by Hindustan Shipyard Ltd (70, 000 DWT). Cochin shipyard has built double hull aframax tankers of 95,000 DWT and is currently building India's first indigenous aircraft carrier. L&T shipyard has built defence vessels and complex cargo vessels. Pipavav shipyard has the largest dry dock facility (662 meter long) in India and shipbuilding capacity of 400,000 DWT, with capability to manufacture large size Bulk carriers, defence warships, offshore vessels etc. At present, India has around 0.66% of global market share in shipbuilding.

(b) & (c): Government of India has approved a policy for encouraging Indian shipbuilding and ship-repair industry on 09.12.2015, including financial assistance for shipbuilding and relaxation of domestic eligibility criteria. Further, Infrastructure status has been granted to stand-alone shipyards by Ministry of Finance on 13.04.2016. Salient features of the initiatives taken by the Government of India are given in Annexure-I.

(d) to (f): Details of variations in budgetary allocations under the old subsidy scheme (2002-2007) and the new Financial Assistance Scheme (2016-2026), and reasons thereof are given in Annexure-II.

Salient features of the initiatives taken/being taken by the Government to encourage shipbuilding industry in the country are as under:

(i) Financial assistance policy for shipbuilding:

To promote Government of India's 'Make in India' initiative and to encourage domestic shipbuilding by providing a level playing field vis-a-vis foreign shipyards, the Government had approved the Shipbuilding Financial Assistance Policy for Indian Shipyards in December 2015. An initial budgetary requirement of Rs. 4,000 Crores for a period of 10 years from 2016-17 to 2025-26 (plus 3 years or more, as the case may be, for spill over cases) was projected for the policy.

Under the policy, financial assistance @20% of the "Contract Price" or the "Fair Price" as determined by international valuers, whichever is lower, is to be granted for any vessel built in India, subsequent to its delivery. Provided that, at the time of release of financial assistance, if the actual payment received for a vessel is lower than the contract price or fair price, such payment shall replace the contract price or fair price in the formulae for computation of the financial assistance. The quantum of financial assistance shall reduce by 3% after every three years of the policy.

(ii) Relaxation of domestic eligibility criteria/ grant of right of first refusal to Indian shipyards:

The Domestic Eligibility Criteria was also revised by the Government to ensure that all government departments or agencies procuring vessels for governmental purposes or for own purposes shall grant a Right of First Refusal (RoFR) for Indian Shipyards for such order till 2025. From 2025 onwards, only Indian built vessels are to be procured by these agencies for governmental purposes or for own purpose. Similar benefits will be applicable for repair of their vessels. Whenever acquisition of a vessel(s) is undertaken through tendering route, the qualified Indian Shipyards will have a "Right of first refusal" to enable them to match the evaluated lowest price offered by a foreign shipyard.

Technical qualification of Indian shipyards will be based on the infrastructure availability and capability of the shipyards to execute the shipbuilding contract, rather than on any prior experience.

(iii) Infrastructure status to standalone shipyards:

Infrastructure status would enable Indian shipyards to avail cheaper long-term source of capital and would enable the shipyards to reduce their cost disadvantage and invest in capacity expansion, thereby giving a boost to the Indian shipbuilding industry.

ANNEXURE-II

The budgetary allocation made and funds utilised during the last 4 years and current year, year-wise is given below:

Financial Year	Budgetary allocation made (Rs. in crore)	Funds utilised
2014-15	Nil	Nil
2015-16	43.0	Nil
2016-17	50	Nil
2017-18	10.0	Nil
2018-19	30.0	Nil

GOI had approved budgetary provision of Rs. 5200 Cr approx upto 31.03.2014 for liquidating the committed liabilities in respect of the old shipbuilding subsidy scheme (2002-2007). Since 16.06.2016, GOI is implementing the new shipbuilding financial assistance policy (2016-2026).

The variation in the budgetary allocations during the last four years and the current year is due to varying estimates for discharging committed liabilities under the old subsidy scheme and requirement of financial assistance under the new financial assistance policy.
