

GOVERNMENT OF INDIA
MINISTRY OF PORTS, SHIPPING AND WATERWAYS
LOK SABHA
UNSTARRED QUESTION NO. 1624
ANSWERED ON 11/02/2022

FLAGGING OF FOREIGN CARGO SHIPS

1624. SHRI MOHANBHAI KALYANJI KUNDARIYA;
SHRI DIPSINH SHANKARSINH RATHOD:

Will the Minister of PORTS, SHIPPING AND WATERWAYS be pleased to state?
पत्तन, पोत परिवहन और जलमार्ग मंत्री

- (a) whether the Government has invited ship owners from all over the world to flag their ships as 'Government Cargo Transports' in India to avail benefits of 'Make in India' Policy;
- (b) if so, the details thereof;
- (c) whether there is any possibility of additional investment in Indian flagged ships to boost their tonnage capacity; and
- (d) if so, the details thereof ?

ANSWER

MINISTER OF PORTS, SHIPPING AND WATERWAYS
(SHRI SARBANANDA SONOWAL)

(a&b) Yes Sir. The Policy of the Government is to promote flagging of ships in India. Indian Shipping Sector is on a path of steady growth, and promotion of investment by entities eligible to register the ships, for increasing Indian tonnage has been a stated policy of the Government. As per the existing policy, 100% FDI is allowed in Indian Shipping. However the foreign entities can flag ships in India provided they have set up an Indian Subsidiary.

(c&d) Yes Sir, there is possibility of additional investment in Indian flagged ships to boost their tonnage capacity and details are mentioned below: -

- i. More than 90% of the Indian EXIM cargo is carried on foreign flag vessels. There are, therefore, huge possibilities of investment in Indian flag tonnage.
- ii. Government of India has approved the Ship building Financial Assistance (SBFA) Policy for Indian Shipyards on 9th December 2015 for grant of financial

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assistance to Indian Shipyards for shipbuilding contracts signed between April 1, 2016 to March 31, 2026. The above policy caters for domestic orders and export orders, in accordance with the guidelines issued in this respect. The Shipyard is provided financial assistance upon delivery of the qualified vessels. Under the SBFA policy, Ministry of Shipping is providing financial assistance of 20% of contract price, actual receipts, fair price (whichever is least) to Indian shipyards for contracts signed between 2016-2026 to promote the Indian shipbuilding industry. Under the policy, the financial assistance extended would be reduced by 3% every three years. This attracts the companies across the globe to build their ships in Indian shipyards resulting in a lot investments happening in the shipping sector.

iii. The Directorate has issued a Circular vide DGS Circular No. 02 of 2021 for revised Right of First Refusal (RoFR) hierarchy. As this circular Indian built, Indian flagged & Indian owned vessel will get the highest priority. The next in hierarchy are Foreign built, Indian flagged & Indian owned and Indian built, Foreign flagged & Foreign owned vessels. This will promote demand of Indian built vessels as the Indian built vessels will have the priority in chartering and will also provide additional market access and business support to ships built in India.

iv. In order to promote the objective of Aatamnirbhar Bharat, the Government of India has on 14.07.2021 approved a scheme to provide Rs. 1624 crore over a period of five years as subsidy supports to Indian Shipping Companies in global tenders floated by Ministries/Department/Central Public Sector Enterprises (CPSEs), for import of Government Cargo.
