

GOVERNMENT OF INDIA
MINISTRY OF PORTS, SHIPPING AND WATERWAYS
LOK SABHA
UNSTARRED QUESTION NO. 1825
ANSWERED ON 11/02/2022

INDIA'S SHARE IN INTERNATIONAL SHIPPING SECTOR

1825. SHRI P.C. MOHAN:

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

- a) whether despite having a large coastline, growing domestic market and international seaborne trade, deep-rooted maritime traditions and skilled seafarers, India continues to have a smaller share in the international shipping sector;
- (b) if so, the details thereof and the reasons therefor alongwith the steps being taken to increase this share;
- (c) whether India is a net importer of shipping services especially ship finance;
- (d) if so, the magnitude of these imports and the steps being taken to reduce these imports; and
- (e) the steps being taken to build India as a ship building and repairing hub?

ANSWER

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

- (a to e) (i) India has an increasing merchant marine fleet of 1493 vessels, both on foreign going and coastal operations, with a combined Gross Tonnage of 13 million (approx.). Nearly 95% of India's overseas trade by volume is carried through maritime transport and approximately 92% of these goods are carried through foreign flagged vessels.
- (ii) As per Review of Maritime transport, 2021 by United Nations Conference on Trade And Development (UNCTAD), India ranks 19th globally by dead weight tonnage and accounts for about 1.25% of the total global dead weight tonnage.
- (iii) The reason for smaller share of Indian shipping inter-alia appears to be, higher cost of finance in India and higher tax regime/duties levied on Indian ships as compared to other maritime nations.
- (iv) The other reason which may affect the competitiveness of Indian shipping appears to be the age profile of the Indian flag merchant shipping vessels. The majority of vessels are around 20 years vintage. This reduces the competitiveness of Indian vessels in international market as compared to their foreign counterparts. The increasing size and sophistication of merchant ships and port facilities require heavy capital investment, which is one of the major problems faced by Indian shipping industry.
- (v) The following are the steps taken to make Indian ships more competitive and enhance the share of Indian shipping in the International shipping market;

Ship Building Financial Assistance Policy (2016-2026):

Government of India has approved the Financial Assistance Policy for Indian Shipyards on 9th December 2015, for grant of financial assistance to Indian Shipyards. Only those vessels shall be eligible for grant of financial assistance, for which the construction commences subsequent to the signing of valid contracts. Vessels which are constructed and delivered within a period of three years from the date of contract are eligible for availing financial assistance under the policy. For specialized vessels, the delivery period can be extended till six years. Financial assistance shall be @ 20% of the contract price, actual receipts, fair price (whichever is least) to Indian shipyards. Under the policy, the financial assistance extended would be reduced by 3% every three years.

Revision of the criteria for Right of First refusal(ROFR):

The criteria for granting the Right of First Refusal in chartering of vessels through tender process has been revised, for promoting tonnage under Indian flag and ship-building in India, so as to make India a Atma-nirbhar/self-reliant Bharat, in terms of tonnage and ship-building in India. The following is the revised hierarchy of RoFR;

- Indian built, Indian flagged (Indian owned);
- Foreign built, Indian flagged (Indian owned);
- Indian built, foreign flagged (foreign owned).

This is to promote demand of Indian built and Indian flag vessels as the Indian built and Indian flag vessels will have the priority in chartering and will also provide additional market access and business support to ships built in India.

Subsidy support to Indian shipping companies:

A scheme for the promotion of flagging of merchant ships in India by providing Rs.1624 crore over a period of five years as subsidy support to Indian shipping companies in global tenders floated by Ministries and CPSEs has been approved by the Cabinet. The rate of subsidy support will be based on age of the vessel. The scheme is to encourage entrepreneur to register ships under Indian flag.

In addition, the Government has taken various initiatives for promotion of shipbuilding in India.

(vi) The Shipbuilding Financial Assistance is provided to Indian Shipyards in order to promote the Indian Shipbuilding Industry and to enable them to acquire global Shipbuilding Contracts while competing in International Markets. Shipbuilding Financial Assistance Policy for Indian Shipyards has been approved for 10 years for shipbuilding contracts secured between 01.04.2016 and 31.03.2026 (including these dates). Financial assistance is granted to Indian Shipyards equal to 20% of the lower of "Contract Price" or the "Fair Price" or "actual payments received", whichever is least, for a period of at least 10 years commencing 2016-17. This rate of 20% will be reduced by 3% every three years. Budget of Rs. 4,000 crore has been approved by the Government of India.

(vii) For acquisition of any type of vessel/ repair of vessel by Government Department/ Agencies including Public Sector Undertakings (PSUs) through global tendering process, Ministry of Ports, Shipping and Waterways existing policy of RoFR would continue to be implemented. This again is a major policy to create demand.

(viii) Similarly, the Ministry has promulgated a SoP for procurement/charter of Tugs by Major Ports in India as per which Tugs required for services of all Major Ports shall be built in Indian Shipyards as per standardized designs published by the IPA.

(ix) As part of infrastructure augmentation dry-dock ship repairs, Cochin Shipyard Limited (CSL), a PSU under the administrative control of this Ministry, is embarking on substantial infrastructure expansions as given below:

- International Ship Repair Facility (ISRF) at Cochin Port Trust Premises
- CSL-Mumbai Ship Repair Unit (CMSRU)
- CSL-Kolkata Ship Repair Unit (CKSRU)
- CSL-Andaman & Nicobar Ship Repair Unit (CANSRU)
