

GOVERNMENT OF INDIA  
MINISTRY OF PORTS, SHIPPING AND WATERWAYS  
**LOK SABHA**  
**UNSTARRED QUESTION NO- 2062**  
ANSWERED ON - 02/08/2024

**DEVELOPMENT OF INDIAN SHIPPING**

2062. SHRI VISHNU DATT SHARMA:

Will the Minister of PORTS, SHIPPING AND WATERWAYS be pleased to state:

पत्तन, पोत परिवहन और जलमार्ग मंत्री

- (a) whether the Government is cognisant of the need to develop Indian shipping line of global standards, as rising freight costs have highlighted domestic firms' dependence on global shipping companies;
- (b) if so, whether the Government is cognisant that rising freight cost and high dependency on foreign companies has exacerbated the supply chain crisis in the country as the Indian shipping lines have a minor share in global trade;
- (c) if so, whether the Government has taken steps to address this issue of national importance; and
- (d) if so, the details thereof and if not, the reasons therefor?

**ANSWER**

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

(a) to (d) Yes Sir. The Government has undertaken several initiatives to enhance the capacity and competitiveness of Indian shipping lines, thereby reducing reliance on foreign shipping companies and addressing the issue of escalating freight costs. The following steps have been taken by the Government to develop Indian Shipping lines:

(i) Right of First Refusal (ROFR):

It grants Indian-flagged vessels for the priority to match the lowest bid offered by foreign-flagged vessels thereby raising the demand for Indian flagged vessels. 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 are the revised hierarchy of ROFR:

- a. Indian built, Indian flagged and Indian owned

- b. Indian built, Indian flagged and Indian IFSCA (International Financial Services Centre Authority) owned
- c. Foreign built, Indian flagged and Indian owned
- d. Foreign built, Indian flagged and Indian IFSCA owned
- e. Indian built, foreign flagged and foreign owned

(ii) Subsidy support to Indian shipping companies:

The subsidy scheme for the promotion of flagging of merchant ships in India was initiated in 2021 with a budget of ₹1,624 crore to be disbursed over five years. This scheme aims to provide subsidies to Indian shipping companies participating in global tenders issued by Ministries and Central Public Sector Enterprises (CPSEs) for importing government cargo such as crude oil, LPG (Liquid Petroleum Gas), Coal, and Fertilizers.

(iii) 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.

These initiatives have boosted the shipping sector's contribution to India's economic growth. The Indian tonnage over the last decade has been consistently increasing. As of June, 2024, 485 Indian-flagged vessels with 11.95 Million Gross Tonnage (GT) operate in Overseas Trade. Additionally, 1041 vessels with 1.7 Million GT are engaged in Coastal Trade. Further, 4 vessels of 45,604 GT have been acquired under Indian Controlled Tonnage. Overall, 1,530 vessels are Indian-flagged with 13.7 Million GT. With the rise in Indian tonnage, there has been a shift in business preference towards Indian-flagged vessels over foreign-flagged ones.

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