

Background Note
India's Maritime Infrastructure: Challenges and Prospects
UGC Centre for Maritime Studies, Pondicherry University
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Introduction:

India is on the cusp of maritime revolution. Major policy measures to transform the maritime profile of peninsular India are underway. A new Maritime India indeed is evident going by the constructive activities around the coasts. Governments, central and state, are involving public and private agencies and stakeholders to reshape Indian shipping industry to serve the broader economic objectives of the country.

It is true that India suffers from a poor and archaic infrastructure base. This drawback is a major impediment retarding the growth patterns. The World Bank report on global infrastructure ranks India well above 130 of the 160 countries surveyed. Development of Indian infrastructure is therefore a major priority because infrastructure is the backbone of a country economic development and growth. As India adopted growth-led economic policy serious plans are afoot to develop strong and long-term transport infrastructure and logistics. With advancement in exploration technology, deep-sea mining, huge potential for exploration of hydrocarbons, petroleum, natural gas, rare earth metals, the demand for ports and shipping services is one of important maritime strategies. The indirect potential of shipbuilding industry in employment generation and contribution to GDP can hardly be emphasized.

Shipbuilding capacity:

India has an enviable record of shipbuilding dating back to the Indus civilization over the centuries. Indus people were great navigators and the legend is that they were the first to assemble shipping components with iron bolts and tools. How would India along with China accounted for 65% of global trade in the pre-European era without a robust sea-going merchant ships! Colonial era replaced the India's global rank in service of the imperial trade and strategic interests. Post-independence, India took some policy steps aimed at increasing the shipping tonnage so much so that the Llyods Register ranked "India from 1987 hovering around 13th place in world shipbuilding nations." India has the 15th largest merchant shipping fleet in the world, owning more around 800 ships.

Though the country's volume of foreign trade is registering a reasonable growth rate, 8-10% per annum, its tonnage is not able to cope with increasing foreign trade volume. Share of Indian ships in carrying the national cargo in fact has declined from about 40% in 1987-88 to 14% in 2005. Hence, there is an urgent need to fill this gap by increasing Indian merchant fleet and reduce dependence on foreign ships. Major policy initiative is imperative to enhance Indian tonnage.

India has twenty-three shipyards, of which seven are under administrative control of the central government, two with state governments, and the rest in the private sector. The present shipbuilding capacity of India is only 2.8 million DWT, which is small according to global shipbuilding standards and inadequate given the country's requirements. While, productivity levels of Indian shipyards are low, compared to Korean and Chinese yards, a fair degree of improvement has been witnessed for the last few years. The current uptrend in the global shipbuilding industry and the government's shipbuilding subsidy has also enabled the sector to post robust growth and script a turnaround, since until recently, most Indian shipyards were incurring losses.

At present, India has only about 0.3 percent of the global shipbuilding market share whereas China has acquired a twenty percent share. A cost-effective labour force and the availability of ancillaries have helped China to capture a significant market share. India is now trying to replicate China's success owing to a growth in domestic manufacturing sector and the improving skill profile of its labour force. Indian corporate and shipyards plan to invest over 170 billion rupees over the next five to seven years, which has the potential to take India's share to over three percent to five percent of global shipbuilding. Players in the industry have developed investment plans and accessed capital markets to raise funds for their capital expansion.

The average age of Indian ships is over sixteen years compared to a global average of around twelve years. To reduce this disparity, Indian companies need to acquire younger fleets. At the same time, Indian companies would have to increase their fleet size to gain market share. Recent government initiatives like introducing tonnage tax and improving the processes for acquiring vessels have increased shipping tonnage. India has advantages in terms of cheap labour cost, established steel industry and skilled manpower and know-how technology, but did not have inadequate domestic capacity resulting in strong demand for shipbuilding and ships repairs. Currently India's containerization is only twenty-five percent against the

global average of sixty to seventy per cent. In other words, it is required to concentrate on new container port and inland transport infrastructure to enhance the containerization. The maritime agenda focuses on an increase in port capacity from one billion tones to 3.2 billion tones, which will enhance its global shipbuilding from one percent to five percent, an increase Indian seafarers from around six to nine percent.

India requires a vibrant and strong shipbuilding industry for economic as well as strategic reasons. For a country that is predominantly peninsular in nature with a coastline of 7516.5 km and 1197 islands, India's shipbuilding capabilities which have not kept pace with its economic development, market demand and human resource potential need to be addressed.

Major policy shift in 1997 by Indian government to allow private sector participation in ship building may help close the demand-supply gap for shipping availability. It needs to be examined whether further policy initiatives like the major *India Port* decision in 2016 would augments the Indian ship construction and modernization effort; issues in public-private partnerships; role of FDI in the Indian ship construction and the nature of overall government control on the national ship transportation activity.

Containerisation of maritime transportation brought revolutionary change in seaborne trade. Though India is far behind compared to some of the advanced container ports like Shanghai and Singapore, strong measures to build container terminals in India ports are underway. Beginning with the Jawaharlal Nehru Port Trust (JNPT) at Navi Mumbai, several other east and west coast ports are containerized. All ports today are mandated by the Ministry of Shipping to build container terminals. Yet, Indian ports suffer from container congestion.

In short, containerization has brought revolutionary change in shipping technology and it also led to *intermodalism* which quickens cargo delivery to doorstep through various modes of transportation (road/rail/ inland/waterway/air/sea). Today, a seaborne country like India's maritime transportation is judged by its efficient cargo loading, movement and delivery by quickest means. Exporters and importers are brought much closer through the doorstep delivery of their cargo by containers.

Ever since India first introduced containerization in 1973, there has been a fairly steady growth in using containers for moving fast foreign-bound cargo, particularly after the market reforms of nineties. Yet, by global standards Indian container ports

have a poor record. Among the top 30 container ports of the world (2007), India's Jawaharlal Nehru Port is ranked twenty ninth. There is, thus, greater need to improve container facilities at most of the Indian ports, if the national economy is to fast integrate with global economy. Policy inputs, constraints, private ownership, foreign participation and standardization are some of the issue areas of complex character that merit through examination.

Intermodalism synergizing road, rail, inland rivers and sea ports is receiving serious policy attention by India. Since more than 90% of India's foreign trade is seaborne there is earnest effort to development maritime infrastructure under *Sagarmala* India's major port development policy. Building and improving coastal shipping facilities is only a part of the overall development of maritime infrastructure. As the volume of trade- domestic and foreign – is growing in volume, connecting the ports to inland production and trade hubs assumes importance. Ports are increasingly becoming transit facilitators connecting hinterland cargo transfers with international destinations. In other words, development of all-weather roads, railway networks, inland waters and air lift connectivities are all integral components of a sound maritime infrastructure.

Important policy moves are initiated by India in recent years to integrate shipping activities with inland transport networks. *Sagarmala*, Golden Quadrangle, East Coast Corridor are some of the latest policy decisions to build intermodal transportation for facilitating easy and quick connectivity to the ports and vice versa. A recent example of multimodal service is the decision in 2016 to connect JNPT to Indore and Manmad by road-rail link to drastically cut down the container traffic movement time. International maritime connectivities are also receiving the government attention. Some of the recent such measures include the Multimodal road-river-port project connecting India's Northeast with Myanmar's Rakhaine coast in the Andamans. Chennai Port, under its *Mission Resurge* introduced dedicated RoRo (Roll-on-Roll-off) service to Colombo to improve export volumes.

Port Logistics are arteries of a good shipping service. World over premier ports like Singapore and Malaysia have prioritized improving port logistics as key component of their advanced maritime infrastructural services. Basic purpose of maritime logistics is to deliver goods at least cost in shortest time. Not a mean job. Efficient transportation, warehousing, inventory management, packing, and information are the key elements of a good shipping trade system, resulting in cutting down marine freight costs. While developed countries have succeeded in bringing down freight

costs to around 4%, Indian figure stands out as high as 10%. How best and what policy measures are imperative to enhance quality of Indian maritime logistics deserves through enquiry.

There are other major issue areas of maritime infrastructure that merit urgent policy attention in India. Fortunately current trends suggest positive policy drives to reorganize Indian shipping industry to serve as an efficient engine of the national economic objectives. *India Port, International Maritime Summit*, first ever Indian initiative to bring global maritime stakeholders to Mumbai in April 2016, are sure indicators of growing collective consciousness to strengthen Indian maritime sector.

In view of the above, the UGC Centre for Maritime Studies, Pondicherry University, Pondicherry, proposes to organize a two day seminar on **India's Maritime Infrastructure: Challenges and Prospects** during 23-24 February 2017. Experts–policymakers, scholars and bureaucrats would be invited to facilitate a debate on India's role in maintaining good order at sea (in the Indian Ocean). The proposed seminar will highlight serious debate on the following issues/areas leading to useful policy suggestions.

1. Maritime infrastructure: Ship building; repair, ship recycling
2. Port development – Sagarmala and other policy initiatives
3. Land-sea connectivity
4. Financing shipping industry: Investment patterns- domestic and global – policy regime and Role of private sector
5. Indian Containers and shipping trade system

Output: The seminar proceedings would be published in the form of a volume. It would facilitate different stakeholders including policy planners/ makers, bureaucrats, naval personnel, statesmen and researchers to know about various issues related to India's Maritime infrastructure.