

We expect India's trade to grow at a rapid pace from the current 1000 MTPA to 2500 MTPA by 2025

There is an ardent need to develop India's maritime infrastructure to ensure increased movement of cargo through coastal shipping and use of the country's inland waterways. Keeping this in mind, the Union Ministry of Shipping has unveiled a roadmap that would cater to India's projected cargo traffic of 2,500 MMTPA by 2025.



Shri Mansukh Mandaviya, Union Minister of State for Shipping (I/c)

The Sagarmala project launched by the government in 2016 has been designed to harness the maritime and waterways potential of the country. Three years down the line, where have we reached and what potential is being tapped in the coming years?



A lot of potential is left untapped in maritime logistics. The Sagarmala Programme, the flagship programme of the Ministry of Shipping, aims to harness the benefits associated with the country's long coastline of 7,516 Km that allows increased cargo transportation through the seas and inland waterways.

- Under the Sagarmala Programme, 610 projects have been identified so far which are expected to mobilize more than Rs. 7.8 Lac Cr of infrastructure investment;
- Out of the 610 projects, 118 projects (Cost: Rs. 24,926 Cr.) have been completed and 375 projects (Cost: Rs. 4.34 lac Cr) are under various stages of implementation and development;
- The total Port capacity has increased from 1716 MTPA in 2015-16 to 2406 MTPA in 2018-19;
- The average Turn-around Time (TAT) at Major Ports has reduced from 87 hours in 2015-16 to 60 hours in 2018-19;
- Operating surplus at Major Ports has increased from Rs. 4296 Cr. in 2015-16 to Rs.6530 Cr. in 2018-19;
- Coastal shipping volume has gone up from 83 MTPA in 2015-16 to 120 MTPA in 2018-19;
- Multiple Ease of Doing Business initiatives have been undertaken. These include:
 - A centralized web-based Port Community System (PCS) has been operationalized across all Major Ports, which enables seamless data flow between the various stakeholders through a common interface. An upgraded version PCS1x has been launched in December 2018;
 - Deployment of Drive through container scanners is now being undertaken at Major Ports to facilitate the quick evacuation of cargo;
 - Elimination of manual gate forms;
 - RFID-based gate access;
- The National Technology Centre for Ports Waterways and Coasts (NTCPWC) has been established at IIT Chennai to act as a technology arm of the Ministry and provide technological support to ports, IWAI and other related institutions;
- The Centre for Inland and Coastal Maritime Technology (CICMT) is being set-up at IIT Kharagpur for developing technology for building ships for coastal and inland waterways;
- A roadmap for 3300+ MTPA of port capacity to cater to 2500 MTPA of cargo, 7000+ kilometres of roads and 8000+ kilometres of rail line for port connectivity, cargo movement of 370 MTPA through domestic waterways and industrialisation of 2200 acres of port land by 2025 has been prepared.

Several landmark events have occurred in the recent past in terms of enhancing the multi-modal transportation model in the inland waterways. Could you kindly elaborate the measures implemented?

Logistics costs in India constitute about 14% of total GDP, which is much higher than in developed economies at about 6-8%. The adoption of multimodal transportation by integration of road, rail and inland waterways can lower logistics cost for individual cargo parcels. Moreover, by aggregating cargo into larger parcels, economies of scale can be channelised to further lower the per unit logistics cost.

To encourage multimodal transportation on National Waterway (NW)-1, IWAI is developing three multimodal terminals where road, rail and IWT converge. The details of such terminals are given below:

- **Varanasi Multimodal Terminal:** Till date, Phase 1 has been completed and inaugurated by the Hon'ble Prime Minister on November 12, 2018. The selection process for the concessionaire on PPP mode for Operation, Maintenance and Development (Phase 2) is in advanced stage. The scheduled bids submission date is September 09, 2019;
 - **Sahibganj Multimodal Terminal:** The Phase1 of this project is near completion and may be inaugurated in September 2019. The selection process for the concessionaire on PPP mode for Operation, Maintenance and Development (OMD) (Phase 2) has been initiated;
 - **Haldia Multimodal Terminal:** This project is scheduled to be completed by December 2019;
- Apart from these, the IWAI is planning to develop two freight villages adjacent to Varanasi and Sahibganj Multimodal Terminals to improve the integration between various supply chain elements, especially, various modes of transportation. It will also facilitate logistics cost (and time) optimisation for shipper and freight forwarders by offering the option of multimodal logistics and cargo aggregation. Such freight villages provide modal choice to the shipper and increase efficiency in logistics supply chain by reducing logistics cost and time;
- The land acquisition process for both the freight villages have been initiated.

The cost effectiveness of the Indian merchant marine is presently not at par with the global trends. What steps is the Government taking to ensure Indian companies are competitive globally, both in terms of cost of construction and cargo movement?

The Government is committed to the sustainable development of Indian shipping industry. To make the Shipping industry more attractive and competitive, the Government has taken several measures for the sector. Some of them include:

- Government has reduced GST from 18% to 5% on bunker fuel used in Indian flag vessels
- The Government has removed licensing requirement for chartering of foreign registered ships by citizens of India, companies incorporated in India and Registered Societies to encourage coastal movement of agriculture and other commodities, fertilizer, EXIM transshipment containers and empty containers
- The Indian Shipping industry has been provided cargo support in the form of right of first refusal and policy of Free On Board (FOB) import is being followed for government owned / controlled cargoes
- The Government has taken a policy decision to allow shipping enterprises based in India to acquire ships abroad, and flag them in the country of their convenience
- The Government has brought parity in the tax regime of Indian seafarers employed on Indian flag ships vis-a-vis those on foreign flag ships
- Acquisition of all types of ships through import has been brought under the Open General License (OGL)
- To attract investment for the growth of this sector, the Government has allowed 100% Foreign Direct Investment (FDI) in the shipping sector

- With a view to provide a level playing field to the Indian shipping sector, the Government has introduced tonnage tax system, which has effectively brought down the tax liability of the shipping companies to a level comparable to the international level from the previous levels of the corporate tax regime.

In a recent study on coastal shipping, the various costs associated with ownership and operation of ships with an Indian flag have been compared with those in other countries. Additional policy measures that would ensure cost competitiveness are being worked out based on the recommendations of the study.



Movement of cargo domestically as also to neighbouring countries using coastal shipping is an innovative measure taken by the Ministry of Shipping. For the benefit of the readers, could you highlight the vision of the government in this regard?



The Sagarmala Programme also encompasses the idea of optimising the potential of inland waterways to transport cargo. The idea of allowing transportation of EXIM cargo through the inland waterways is in line with the vision of the Ministry of Shipping.

- The main vision of the Sagarmala Programme is to reduce logistics cost for EXIM and domestic trade with minimal infrastructure investment;
- Sagarmala programme aims to double the share of domestic waterways (inland & coastal) in the modal mix from 6% to 12%;
- The projected volume of cargo transported on domestic waterways by 2025 is expected to be 370 MTPA, which includes 220 MTPA of coastal shipping and 150 MTPA of inland water transport.

Amongst the many reasons that hinder our shipping companies from being competitive is the inadequate infrastructure at our ports in terms of jetties, adequate deep draft for vessels, cargo handling and rapid extraction facilities. The Sagarmala project was designed to specifically address these issues. What steps have been taken in the past three years towards development of our ports?



With a 7500-km coastline dotted with major and minor ports, there is always a need to modernise and upgrade the facilities for maritime trade. Considering the urgent need for an upgrade, the Ministry has instituted the following:

- Berthing Policy was released in 2016 after which benchmarking of port capacity with global standards was done. The declared capacity of major ports increased from 1066 MTPA to 1359 MTPA on 1st April 2017
- Under Project Unnati, the global benchmarks were adopted to improve the efficiency and productivity KPIs for 12 major ports. A total of 116 initiatives have been identified, out of which, 91 initiatives were implemented to unlock around 80 MTPA capacity
- Port Master Planning was carried out at 12 Major Ports and 106 port capacity expansion projects (Cost: Rs. 62,342 Cr) were identified for implementation over the next 20 years and are expected to add 765 MTPA to the major port capacity. Out of these 106 port master plan projects, 26 projects (Cost: Rs. 15,831 Cr) have been completed adding 161 MTPA and 35 projects (Cost: Rs. 17,023 Cr) are under implementation
- Ease of doing business initiatives include
 - Introduction of DPD and DPE to enable faster evacuation from ports
 - Changes to Model Concession Agreement to address issues raised by PPP operators
 - Installation of container scanners
 - Gate automation systems
 - Various IT initiatives

There have been several issues raised with regard to the safety environment, work culture and training of the work force at the Alang Ship Recycling facility. What steps have been taken by the government to address these issues?



The Alang Ship Recycling Facility has long been criticised for lack of proper employee welfare measures, thus, resulting in unwarranted accidents. Recently, the following steps have been undertaken by the Ministry of Shipping that include:

- To improve Alang's business environment and condition of the working condition of the workers, the Ministry of Shipping has sanctioned Rs. 30 crores for skill development of the workers focused on occupational safety and health training
- Workers undergo a 12-day skills training program before they can begin work in any shipyard. More than 4000 workers have already been trained
- The Indian Register of Shipping (IRS) is now conducting third-party assessments on the trainings being conducted.

There is a lot of potential in domestic cruise tourism. Is the Government taking any steps to rekindle this sector to tap its economic potential?



The Ministry of Shipping has turned its focus towards maritime tourism to promote domestic and international tourism. Some of the recent steps to rekindle the sector include:

- A national roadmap for development of cruise tourism has been made through an internationally renowned consultant, which has projected the possibility of phenomenal growth over 25 years in number of passengers from 0.2 million in 2016 to 4 million in 2041, increase in ship calls from 166 to 955 and passengers per ship from 1200 to 4100, employment potential of 2,50,000 persons from the existing 5000 persons and economic potential of Rs.35,500 crore compared to Rs. 712 crores in 2016
- Currently, ports of Mumbai, Goa, New Mangalore, Cochin and Chennai are primarily the ports of call for cruise lines. However, Coasta New Classica cruise has made Mumbai a home port in 2017-18 & 2018-19
- In addition, India's first domestic Cruise Ship Angriya, with best in-class amenities, has commenced operations between Mumbai and Goa on every alternate day. So far, this cruise ship has made 64 calls at each of the ports of Mumbai and Goa and 55798 passengers have been handled during 2018-19
- A task force under the joint Chairmanship of Secretary (Shipping) and Secretary (Tourism) was constituted in November 2015 for coordinated efforts to create an enabling eco-system for the development of cruise tourism in India
- Standard operating procedures (SOPs) have been revised and operationalized from November, 2017 at Major Ports. A monitoring Committee has been constituted to ensure smooth implementation of SOPs
- Foreign flag cruise vessels have been allowed to call at Indian ports without obtaining license from DGS and this facility has been extended until February 05, 2024
- To make India attractive to cruise passengers and to promote cruise tourism, e-visa procedure has been streamlined for quick immigration clearance. Passengers arriving with e-visa have been exempted from the requirement of biometrics

- Port charges have been rationalized at all major ports to attract cruise ships
- Port-level committees under the respective major ports' chairmen have been constituted to address manpower, coordination and logistic issues
- Cruise terminals with modern facilities have been constructed/being constructed at the five major ports as mentioned above.

Roughly 18% of the country's population lives in India's coastal areas. As an essential measure of coastal community development, what measures are you planning to impart skill sets in the communities living near the ports?



Coastal community development is an essential pillar of the Sagarmala Programme and its development is essential for the overall development of the maritime logistics sector would be futile. Considering the need to impart skills to the part of the population that lives along the coasts and relies on coastal resources for their livelihoods, the following steps have been taken.

- The Ministry has set an objective to ensure 100% availability of trained manpower in the port and maritime sector
- A skill gap analysis in 21 coastal districts has been undertaken by the Ministry and domain ministries & concerned state governments have been asked to implement the district action plans
- To address skill gap in ports and maritime sector in 21 coastal districts, the Ministry of Shipping will fund skill development under DDU-GKY to train 10,000 persons annually for the next three years. Till date, 1917 people have already been trained and 1123 placed
- A multi-skill development centre has been set up at JNPT and is now being planned at ChPT, CoPT and VPT. The centre will provide skill development in maritime logistics and placement to over 1050 students per year in port and maritime sector
- The Centre for Excellence in Maritime and Shipbuilding (CEMS) is the first of its kind initiative in Asia with a capacity to train more than 10,500 students in collaboration with Siemens and Indian Register of Shipping (IRS) and has been developed at a cost of Rs 765.9 crores
- It has two campuses operational in Vizag and Mumbai] with a Hub & Spoke Delivery Model for full-time and part-time training



SDCL will invest in projects aligned to Sagarmala Programme



Dilip Kumar Gupta, Managing Director, Sagarmala Development Company Limited

High logistics costs are an impediment to development. However, with the implementation of the Sagarmala Programme, the country's logistics sector is expected to turn around for the better. Under this flagship programme of the Union Ministry of Shipping, maritime logistics will be given preference as ports are now being developed and modernized to ensure increased cargo transportation through the sea route. The inland waterways are now in focus as the government focuses on improving multi-modal transport for faster cargo movement.

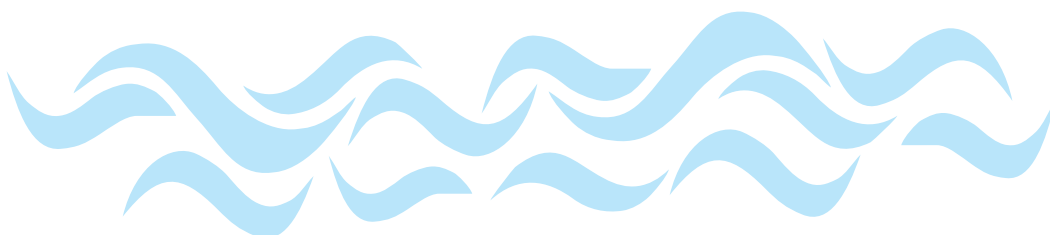
In an interview with the Sagarmala Post, Dilip Kumar Gupta, Managing Director & Director (Projects), Sagarmala Development Company Limited elucidates on his company's role in ongoing projects of the Sagarmala Programme and his views on the programme's viability.

What is the role of SDCL in the Sagarmala programme ?

Sagarmala Development Company Ltd, a schedule B CPSE under Ministry of Shipping, was incorporated in August 2016. The objective of the company is to fund projects through equity under the SPV framework. SDCL will make equity investments in projects which are identified under the four pillars of Sagarmala Programme namely Port Development/Modernization, Port Connectivity, Port Led Industrialization and Coastal Community Development. SDCL will invest in projects after a detailed assessment, subject to at least 12-13% returns on equity.

One of the objectives of SDCL is to develop projects from the National Perspective Plan. Please tell us something about these projects. ?

The projects listed under the NPP were at a very conceptual level. The respective project proponents (major ports, state maritime boards, project SPVs etc.) had to conduct further investigations including site selection, feasibility study, DPR preparation etc. before investment decision on these projects could be taken. SDCL has reached out to many project proponents and some of these project proponents have approached SDCL. Currently, SDCL has established working relationships with these project proponents and has commenced project development activities, viz., preliminary studies, site identification and selection, preliminary approvals and clearances, etc.



What is the pattern of raising funds from various agencies? Are these debt or equity borrowings? Which agencies have shown interest in funding the Sagarmala? Also, list the projects that you have raised funds for till date? ?

SDCL has an authorized capital of Rs. 1,000 crore, as per the cabinet mandate. This is the initial authorized capital which can be increased as per the requirements going forward.

SDCL has so far invested in four projects namely Krishnapatnam Railway Company Ltd, Rail Over Bridge projects in Vizag and Haldia port and Indian Ports Global Ltd (100% subsidiary of SDCL –for Chabahar Port operations).

In addition to these investments, around 40-45 projects are under evaluation. The investment will be done only after completion of detailed financial and legal due diligence of the projects. SDCL is investing in projects, which have the potential of delivering at least 12-13% returns on investments.

What is SDCL's participation in port-specific rail and road projects? Which projects are being funded by the SDCL ?

SDCL has so far invested in one rail project–Krishnapatnam Rail Company Limited.

The project involves:

- Single Railway line between Venkatachalam and Obulavaripalle – Phase-I
- Double Railway line between Krishnapatnam port and Venkatachalam – Phase-II

The railway line is about 70 km shorter than the existing railway line and, thereby, reduces overall logistics cost. Both the phases of the project have been completed and the commercial operation of the railway line started in June 2019. Similarly, to improve the cargo evacuation from the ports, SDCL has invested in Rail Over Bridge projects in Vizag port and Haldia Port.

Do you visualize any impediments that may stall the completion of projects in time? Kindly elaborate. ?

There are hurdles in every project. But, our country is in the mood of development right now. Undoubtedly, the land acquisition process poses a challenge in moving projects ahead, but state government support is always there for the development. Sometimes, resentments on environmental issues come up but efforts are made to maintain a fine balance between development and natural resources. Moreover, environmental challenges are not deemed as hurdles as sustainable development is the need of the hour.

You raise funds from agencies as debt or equity to fund project requirements. Which agencies have you approached so far? Also, list the projects that you have raised funds for till date? ?

No debt has been raised by SDCL as of now. However, as per MoA of SDCL, SDCL can raise funds from multilateral/bilateral agencies as per the requirements of the SDCL. As already mentioned, SDCL has an authorized capital of Rs. 1,000 crores, as per the cabinet mandate.

To what extent does SDCL provide equity support towards setting up of the SPVs? ?

As per normal practice, SDCL prefers to use the SPV route for funding of projects. SDCL can finance up to 49% of the equity requirement of the project.

How many SPVs have been funded since the inception of SDCL? Also, how many are in the pipeline? ?

Four SPVs have been funded by SDCL since the inception of the aforementioned projects. As already mentioned above, 40-45 projects are under evaluation process.