NALSAR University of Law

Port and Shipping Development Programmes

By

Prof. P.V. Rao

National Fellow, ICSSR

Emeritus Professor of Political Science - UGC

Director (retd.), UGC - Indian Ocean Centre, Osmania University

Founder Editor, *Journal of Indian Ocean Region*, Routledge, UK

- 1. Policy reforms in port (also shipping) sector were afoot gradually after the country’s shift to market economy in 1992. One such earliest reform was amendment of the Major Port Trust Act of 1963, followed by further amendments to the same Act in 1996.
- 2. Both these amended Acts changed the powers of port trusts by granting more autonomy to each individual port. Also private sector participation in the port sector was allowed.

- 3. As Indian ports were very inefficient in cargo transportation, Sagarmala, a port modernization/upgradation plan was launched in 2015. Its four major objectives are:
  - a. port modernization
  - b. port connectivity enhancement.
  - C. port-linked industrialization.
  - D. coastal community development.
- 4. Many major ports are already building their port projects on PPP model right from 2009 or even before. Some of the projects built or under construction on PPP model are berth construction at mechanization of berths at Paradeep.
- 5. Yet, several problems like lack of organizational resources, poor project financing, lack of coordination between the port building and operating stakeholders. The Covid pandemic further compounded its execution.

Shipping Development

- 1. Indian shipping transportation and shipbuilding was not a major priority in the early five year plan periods. It was nearly a stagnant sector till eighties. Mainly road and rail transportation expansion was government’s chief priority. Whatever the budget allocation was made in the plan periods for shipping sector, it was mostly for port development.
- 2. The Indian Maritime Summit (2016) launched a new chapter of shipbuilding in the country. Government initiated steps to revive the 27 shipyards facing problems with capital investment commitment of Rs. 1 lakh crores. Private sector is actively encouraged in this enterprise. Government hence began the fast-track policy drive to improve national shipping sector.

- 3. Also incentives like subsidy of 30% to public and private shipbuilders, license waivers, cut in GST on fuel used by Indian vessels, and hiring them exclusively for bulk carrying, dredging and other offshore operations are the major incentives offerred to Indian shipping industry.
- 4. Topping above concessions government declared that only Indian vessels, but nor foreign hired vessels, will be engaged for bulk transportation, dredging and other offshore operations. Known as right of first refusal (RoFR), it is a shot in the Indian shipping industry’s arm because the preferential hiring of Indian owned vessels for the varied marine tenders by government and its affiliates is expected to spur production of more indigenous vessels.
- 5. Cumulative impact of above incentives stepped up the number of national ship yards built from 5 to 27, 8 under central and state ownership and 19 in private sector, raising employing of about thirty thousand people in the shipping sector. However, much needs to be done to encourage Indian shipping sector competitive with other Asian counterparts.