



Department of Industrial Policy  
and Promotion

Ministry of Shipping

# Ports & Shipping

**Achievements Report**

December 21, 2016



**MAKE IN INDIA**

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# Ports & Shipping Sector

The Indian maritime industry is an integral part of the country's trade and commerce. It supports 90% of India's trade by volume. India's has a coastline of 7,517 kms with potentially navigable waterways of 14,500 kms. 12 major and 200 non-major ports are dotted along the coast.

Over the last two years, **a host of policy and regulatory reforms by the Government has resulted in capacity building and service delivery improvement.**

## Growth trends during 2014-16:

1. An **additional capacity of 94 million tonnes has been added to Major Ports in FY 2015-16**, which has been **the highest ever capacity addition.**
2. The **cargo handled** by major ports **went up by 6.27%** in FY 2016-17 (Apr-Oct) to 370.04 million tonnes (MT) compared to 348.21 MT during the same period previous year.
3. The **turn-around time** in ports has been **reduced by 5.33%** and the **preberthing detention has decreased** by 13.4%.
4. **56 New Projects** worth INR 25000 crores have been awarded during the last two years, which will create an additional port capacity of 317 million tonnes per annum.

## Policy Initiatives & Investments

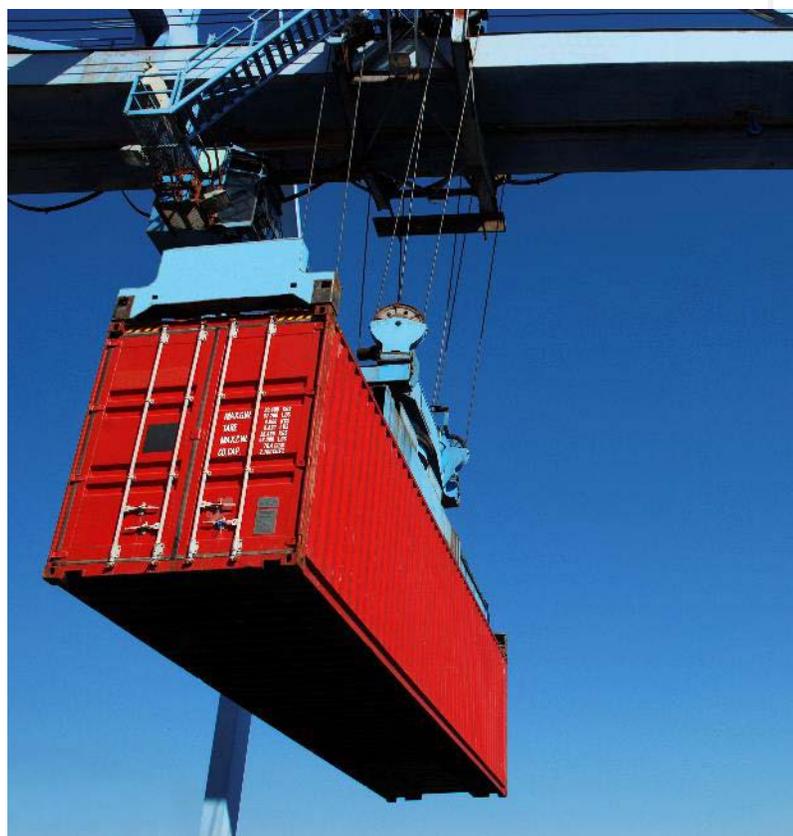
- **FDI Policy:** Foreign Direct Investment (FDI) of up to 100 per cent allowed under the automatic route for port and harbour construction and maintenance projects.
- **Ship building and ship repair policy** approved in December 2015 provides a boost to the shipbuilding and ship repair industry.

Some of the salient features are:

- **Financial assistance equal to 20% of contract price or the fair price**, whichever is lower, will be granted to shipyards for a period of at least ten years commencing from FY 2015-16. This rate will be reduced by 3% every three years and will be given for all types of ships.
- All Government departments/agencies, will undertake bulk tendering to procure vessels, with deliveries starting from 2017-2018. Right of First Refusal granted to Indian shipyards for such orders till 2025.
- **Preferential procurement:** From 2025 onwards only Indian-built vessels will be procured by Government departments/agencies for Government/own purpose. Similar relaxation/benefit will be applicable for repair of vessels.



- **National Waterways (NWs) Act 2016** to promote inland waterways for trade came into effect on April 12, 2016. It has declared **106 new waterways as NWs**, in addition to the five existing NWs notified earlier. After the Techno Economic Feasibility (TEF) study and Detailed Project Report (DPR) commissioned on each of the NWs, 37 NWs are planned be taken up for development in the next three years by Inland Waterways Authority of India (IWAI). Work has been awarded for 5 NWs and tendering for award of projects on the remaining 32 NWs is to be undertaken in the next three years (Nov'16 – Dec'18).



- **NW-1 (River Ganga)**, work awarded under the Jal Marg Vikas Project **for construction of Multimodal** Terminals at Varanasi and Sahibganj and Navigational lock at Farakka and award of work for Multimodal Terminal at Haldia is in the final stage.
- **NW-2 (River Brahmaputra)**, Ro-Ro transportation between Dhubri and Hatsingamari has commenced and slipway facilities are being **constructed at Pandu**.
- **NW-4** award for tender for dredging of shoals between Vijaywada and Muktiyala on River Krishna is in the final stage.
- **NW-5** work for development of fairway in the non-tidal stretch between Erada and Padanipal has been awarded. Tendering for award for projects on the remaining 32 NWs to be undertaken in the next three years will begin from November, 2016 and go on till December, 2018.



The new **Berthing Policy** that came into effect on August 20, 2016 aims to reduce berthing time and overall turn-around time of ships, standardize anchorage charges etc. across major ports.

- **Major ports to facilitate movement of dry bulk/general cargo coastal vessels with priority berthing facilities. It includes allocation of at least one berth** and concessional port charges, irrespective of whether the vessel is berthed on priority or on normal basis. Priority berthing would be in addition to the dedicated berth for handling of coastal thermal coal already existing in Major Ports, if any.

**Award of Waterfront and Associated Land policy** was approved on July 27, 2016.

- Under the policy, Port Dependent Industries (PDI) will be granted **concessions for setting up dedicated facilities in Major Ports** for import/export, storage of cargo before transportation to their destination, for a maximum period of 30 years. Provisions have been made for the allocation of waterfront and land to Port based industries including Central/State PSUs on a captive basis.

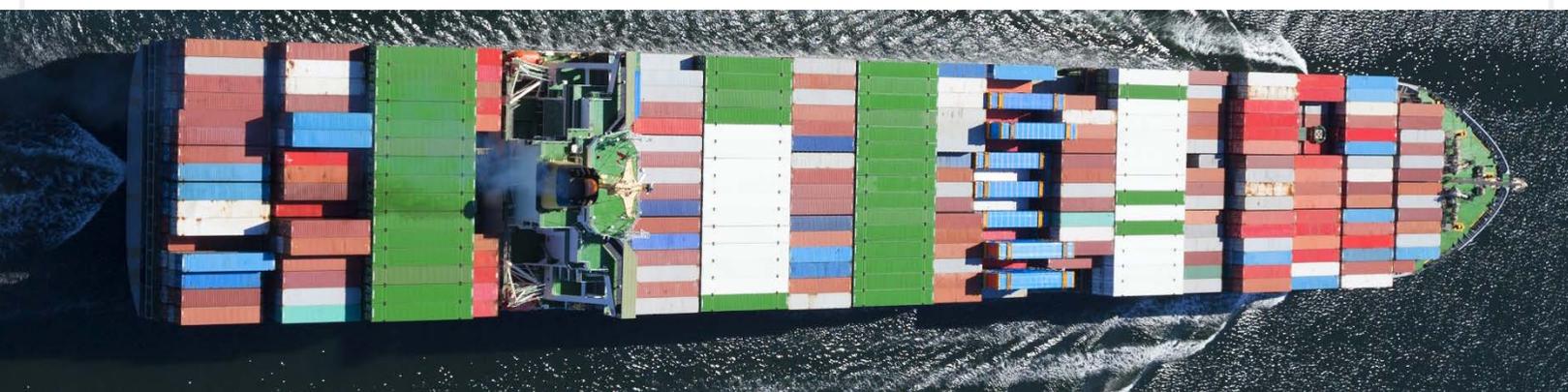
To provide further impetus to the sector, the Cabinet approved the '**The Merchant Shipping Bill, 2016**' in November 2016. It proposes separate rules for coastal vessels to develop & promote coastal shipping, introduction of welfare measures for seafarers etc.

The Cabinet also approved '**The Major Ports Bill, 2016**' in December 2016 that **advocates for greater autonomy to port boards**. The port authorities will get the power to lease land for port-related use for up to 40 years and for non-port related use up to 20 years and the Centre's approval will be needed only for longer leases. Port Authority will be given powers to fix tariff, which will act as a reference tariff for purposes of bidding for PPP projects. PPP operators will be free to fix tariff based on market conditions.

### Major Investments & FDI Inflows

Total FDI equity inflows in Sea Transport and Ports sector was **USD 1.07 billion** during the two years from April 2014 to September 2016.

*Details of major foreign investments are provided in Annexure I.*





## Fiscal incentives

Incentives such as **Income tax exemption for infrastructure development** including ports, and a **10-year tax holiday** to enterprises engaged in the business of developing, maintaining and operating ports, inland waterways and inland ports are available. Further, during 2014-16, the Government has taken the following initiatives:

- **Discount of 80%** for two years w.e.f. September 20, 2016 on **vessel related charges (VRC) and coastal related charges (CRC)** for coastal transportation of vehicles through Ro-Ro Ships and other similar ships such as Ro-Pax, PCC, PCTC, PTC, etc. in Major ports.
- **Infrastructure status for shipyards was granted** in May, 2016 . This will enable Indian shipyards to avail cheaper long-term financing for Indian shipbuilding and ship repair industry.
- Budget 2016-17 provided the following tax incentives for the maritime sector:
  - Freight charged by shipping companies for import of goods into India has been excluded from the Negative List and permitted availment of CENVAT credit on inputs used for providing such service.
  - Transport service for export of cargo provided by Indian shipping lines has been zero rated w.e.f. March 1, 2016 along with the availability of CENVAT credit for inputs used in providing the service.
- **70% abatement of service tax** on coastal shipping making the fares at par with road and rail.
- **Central Excise duty on capital goods, raw materials and spares used for repair of ocean going vessels exempted.** Further, shipyards have been permitted to procure capital goods for ship repair of ocean going vessels at nil rate of duty as against the existing 12.5%.
- Financial assistance upto 50% of the cost of the Project subject to a maximum of INR 25 crore to Major / Non-Major Ports for construction/ up-gradation of exclusive coastal berths for coastal cargo, berths/jetties for passenger ferries and construction of platforms/ jetties for hovercrafts/ seaplanes in port waters.(December,2015)

### Customs and Central Excise Duties exempted on :

- **Bunker fuels**, namely IFO 180 CST and IFO 380 CST, used in Indian flag vessels carrying a mix of EXIM, empty and domestic containers between two or more ports in India.(September, 2015)
- **Inputs utilized for the purpose of manufacture of ships.**(November 2015)



## Infrastructure Development

**Sagarmala Project:** The ambitious Sagarmala project envisages a port-led economy through infrastructure development in ports and integration of ports with Special Economic Zones, Port based Smart Cities, Industrial Parks, Warehouses, Logistics Parks and Transport Corridors. **A total of 173 projects identified under the National Perspective Plan (NPP)** for the Sagarmala Programme, at an estimated investment of INR 4 lakh crore, has been initiated during FY 2016-17.

S.No	Project Archetype	Number of Projects
1	Port Modernisation	53
2	Port Connectivity	83
3	Port Led Industrialization	29
4	Coastal Community development	8

- **6 new mega ports** namely Vadhavan (Maharashtra), Enayam (Tamil Nadu), Cuddalore/ Shikazhi (Tamil Nadu), Machilipatnam /Vodarevu (Andhra Pradesh), Paradip South Satellite Port (Odisha), Sagar (West Bengal) have been identified to add 400 MTPA of cargo handling capacity.
- **Saurashtra (Gujarat) and Chennai (Tamil Nadu) have been identified for setting up Maritime Clusters.** Work on the master plans for these two clusters has commenced.

Andaman and Nicobar has been identified for setting up of a marine tourism and maintenance, repair and operation (MRO) cluster.

- Twenty-six port-rail connectivity projects have been identified as part of the NPP. These projects are expected to be completed by 2019-20. Twenty-two port-rail connectivity projects are currently being undertaken by Indian Port Rail Corporation Limited to provide last-mile connectivity to major ports. Out of this, work has commenced for five projects. Some of the Major port rail projects includes:
  - Development of heavy haul rail line from Ib Valley /Talcher to Paradip at a cost of nearly INR 3000 crore.
- Development of new rail track at Chennai port, Tamil Nadu.

Some of the other infrastructure enablement projects include:

- Transloading facility at Kolkata Port Trust with an investment of INR 252 crore.
- Modernization of Sasson Dock Fishing Harbor, Mumbai is underway.
- For deepening of draft to 18 metres to handle large vessels Major Ports are taking up Techno Economic Feasibility studies. Project at Mormugao Port has been initiated on an innovative PPP basis.



- Under the “Port Master Plan”, a total of 142 Port Modernization and 30 Port Connectivity projects to handle the cargo efficiently across 12 major ports have been identified. These identified projects will be developed phase-wise till 2035.
- A **Port based Special Economic Zone**, with an investment of INR 4000 crore is to come up at Jawaharlal Nehru Port Trust (JNPT) Port. The project which started in August, 2014 and expected to be completed in 3 years will create additional .15 million direct and indirect jobs

### Other initiatives

**Cochin Shipyard Limited (CSL) has delivered seven ships in FY 2014-15.** This includes six Fast Patrol Vessels for the Indian Coast Guard and one Platform Supply Vessel. CSL is taking up a project to construct a 1200 capacity passenger vessel for Andaman & Nicobar Islands.

**A direct container service was launched between Myanmar and India at Chennai Port in October 2014.** The fortnightly service will connect the ports of Chennai-Krishnapatnam-Yangon-Colombo and will enable the trade to reach these destinations quicker and at a reduced cost.

### Skill Development

Skilling in the sector has received a boost through the **JNPT-APEC Port Training Centre**. Established in February 2015, it serves as a world-class training centre offering training opportunities to officers from ports in India and neighboring countries. The first training course on Port Management was attended by 31 students from major and non-major Indian ports.

### Ease of doing business initiatives

- **Green channel for coastal cargo** has been established at major ports of Kolkata, Visakhapatnam, V.O.Chidambaranar, Cochin, New Mangalore, Mumbai and Kandla. This includes earmarked exclusive berths, storage areas and gates for coastal cargo outside the custom bonded area of the ports in order to facilitate swift movement of coastal cargo.

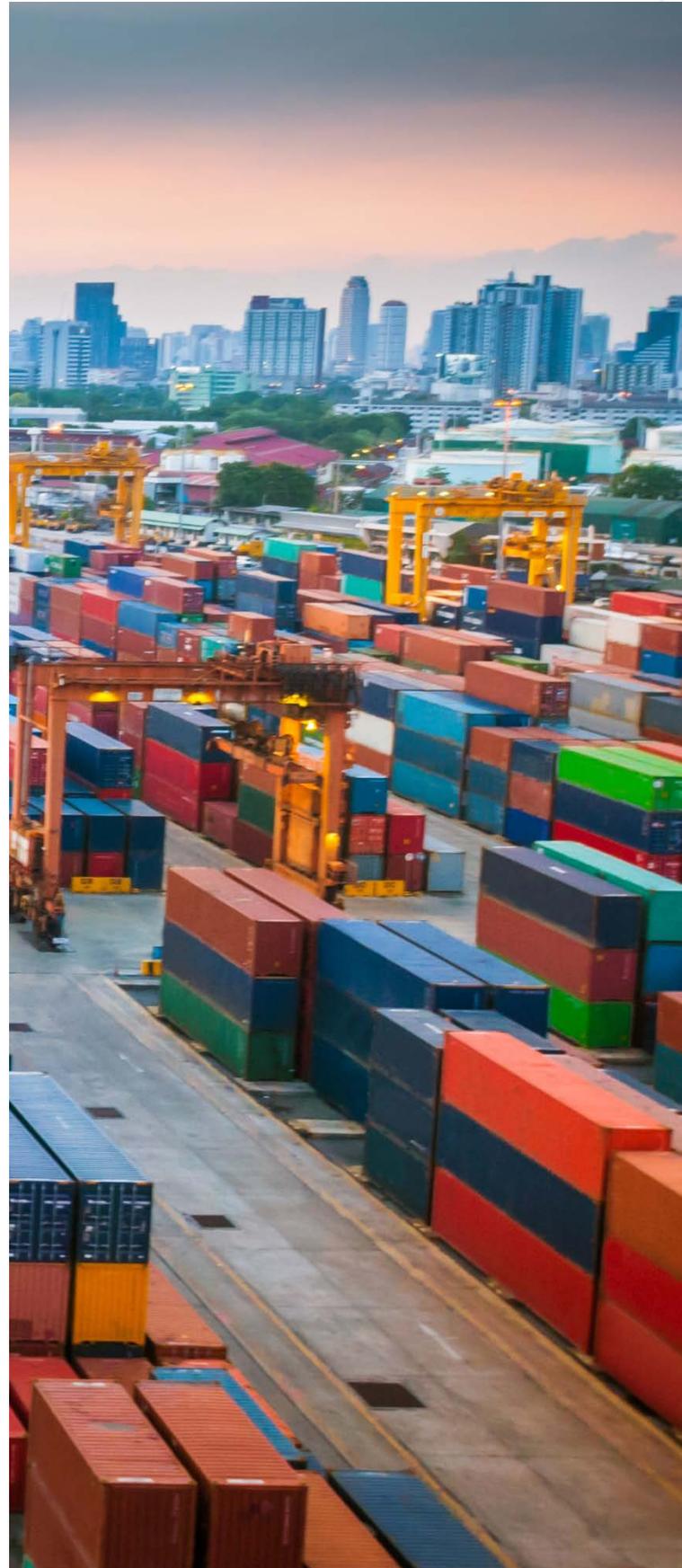




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- **Cabotage restrictions relaxed** for special vessels for a period of five years w.e.f. September 14, 2015. Prior to this, the cabotage policy in India allowed **first preference to Indian flagships** over foreign ships. With this relaxation, vessel operators will be allowed to bring foreign flagged vessels of these categories to ply on coastal routes.
    - The cabotage restrictions was further relaxed for ports which transship at least 50% of the container handled by them w.e.f. March 2016. With the relaxation, foreign vessels can now transport EXIM and empty containers from any port in India to transshipment port and vice versa, in addition to Indian vessels.
  - Indian ship owners allowed to acquire ships and flag them in foreign countries of their convenience.
  - Re-rolled steel from Ship Breaking can now be used in Shipbuilding activities such as construction of inland barges, river sea vessels (RSV Types 1 & 2) etc. This will help in bringing down the cost of construction.(February, 2015)
  - Procedure simplified to avail Customs and Central Excise duty exemption on procurement of goods for shipbuilding and ship repair. The new procedure requires only an intimation to be sent to the Excise Department.
  - Procedure to determine light dues for container ships has been simplified. TEU (Twenty feet Equivalent unit) unit of collection has now been adopted instead of net tonnage. Further, collection of light dues has been made online.(May,2015)
  - **Facility for online application and payment** of requisite fees for Registration of Ships, Issuance of chartering permission, Issue of registration certificate to transport operators, Issuance of fresh CDC(Continuous Discharge Certificate) and renewal/replacement/duplicate CDCs.
  - One-time trading license for shipping companies instead of the requirement of annual renewal of licence.
  - **Ship Repair Units (SRUs) are no longer required to register with Directorate General Shipping.** The concessions and facilities are to be extended to SRUs without registration.(February 2015)
  - Major ports can now sanction and incur expenditure on capital works upto INR 200 crore up from the previous limit of INR 50 crore.
  - Major Ports will reduce charges for cargo/vessels related services and will provide special discount during non-peak hours.
  - Parity in taxation for seafarers' employed on Indian flag ships vis-à-vis those on foreign flag ships. (August 2015)



- State Maritime administration have now the authority to register, survey and certify Indian fishing vessels of all sizes. Additionally, fishing vessels upto 24 metres in length have been exempted from annual inspection.
- **Manual Forms 11 and 13 replaced with e-form 13** at all three terminals at JNPT Port and other Major Ports. This enables customs authorization to be obtained online while accepting containers.
- JNPT has extended Direct Port Delivery facility to all its Accredited Client Programme (ACP) clients. The earlier conditions for providing DPD have been waived off.
- Direct Port Delivery (DPD) containers have been automated and container scanners have been installed to reduce time taken for operations and track the movement of containers at JNPT Port.
- **The Centralized Web-based Port Community System (PCS) has been strengthened as a single window system** to facilitate seamless exchange of data and messages between all the stakeholders of the port community. Custom IGM EDI message has been integrated with Terminal Operating System, along with bill of entry and out of charge messages.
- Logistic Data Bank Tagging for real-time tracking of container movement using RFID technology, has been operationalized at 4 terminals at the JNPT port.





# Annexure

## Annexure I:

### Major investments in Sea Transport sector during April 2014-September 2016.

Foreign Collaborator	Country	Indian Company	FDI (USD Millions)
NCY Equity Growth Investment	Mauritius	Sterling Port Ltd	263.23
Niche Investment Holdings Pvt Ltd	Mauritius	Sterling Port Ltd	178.65
PSA International Pte Ltd., PSA Bharat Investments Pte. Ltd	Singapore	Bharat Mumbai Container Terminals Pvt Ltd.(USD 107.42 Million) Chennai International Terminals Pvt Ltd (USD 25.72 Million)	133.14
Worldwide Emerging Market Holding Limite	Mauritius	Adani Ports And Special Economic Zone Ltd.	95.77
Universal Trade And Investments Limited	Mauritius	Adani Ports And Special Economic Zone Ltd.	68.16
Mundi Limited	Cyprus	Adani International Container Terminal Pvt Ltd.	57.26
Saab Aktiebolag I.E. Saab AB(Publ)	Sweden	Pipavav Defence Offshore Engineering Com	33.0
Omega TC Holdings Pte Ltd	Singapore	Tata Projects Limited	11.97
Tara India Holdings	Mauritius	Dighi Port Ltd	11.12
Wayzata Iii Indian Ocean Ltd	Mauritius	Seven Islands Shipping Ltd	10.99

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