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Ministry Of Shipping, Road Transport & Highways

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Dear Friend,

This has reference to my letter dated 9th August, 2004 placing the draft policy for the Maritime Sector (Ports, Merchant Shipping and Inland Water Transport) on our web site. We also held an interactive workshop on the Draft Maritime Policy with various stakeholders on 29th October, 2004 in Mumbai under the chairmanship of Hon'ble Minister of Shipping, Road Transport & Highways. The response has been overwhelming. Based on the inputs/feedback received from the stakeholders as also various parties who have the interests of our maritime sector in mind, the Draft Policy has been modified/refined wherever considered necessary. The modified policy draft has now been placed on the web site.

2. I take this opportunity to thank you all for the valuable contribution towards finalizing the policy.

Yours sincerely,



(D.T. Joseph)

DRAFT POLICY (MODIFIED) FOR MARITIME SECTOR
(Ports, Merchant Shipping and IWT)

Government of India
Ministry of Shipping, Road Transport & Highways
Department of Shipping
February, 2005

TABLE OF CONTENTS

Section	Subject	Page No.
I	OVERVIEW	1-5
II	PORTS	6-23
	<i>INTEGRATED DEVELOPMENT</i>	6
	<i>NATIONAL SEA-WATERWAYS</i>	7
	<i>MINOR PORTS AND OTHER ISSUES</i>	8
	<i>CONNECTIVITY</i>	9
	<i>DREDGING POLICY</i>	10
	<i>LAND POLICY</i>	11
	<i>SINGLE POINT MOORINGS</i>	12
	<i>PRIVATE SECTOR PARTICIPATION</i>	12
	<i>D.G. PORTS</i>	14
	<i>SEZ</i>	15
	<i>SUPPLY CHAIN MANAGEMENT</i>	15
	<i>EDI</i>	16
	<i>MANPOWER/TRAINING AND INDUSTRIAL RELATIONS</i>	16
	<i>FINANCIAL AND FISCAL INITIATIVES</i>	19
	<i>INTERFACE WITH TRADE/ USER INTERESTS</i>	20
	<i>INTERNATIONAL COOPERATION</i>	20
	<i>OTHER ISSUES</i>	21
III	SHIPPING AND MARITIME TRAINING	24-36
	<i>DEVELOPMENT & AUGMENTATION OF INFRASTRUCTURE</i>	25
	<i>ORGANISATIONAL AND INSTITUTIONAL ISSUES</i>	27
	<i>MANPOWER AND TRAINING</i>	29
	<i>FINANCIAL AND FISCAL ISSUES</i>	31
	<i>INTERFACE WITH TRADE INTERESTS</i>	33
	<i>INTERNATIONAL COOPERATION</i>	34
	<i>SAILING VESSELS</i>	35
	<i>FISHING VESSELS</i>	35
	<i>CHARTERING AND CARGO SUPPORT</i>	36
IV	SHIPBUILDING AND SHIPREPAIR	37-40
	<i>POLICY INITIATIVES</i>	38
	<i>INFRASTRUCTURAL INITIATIVES</i>	38
	<i>FINANCIAL AND FISCAL INITIATIVES</i>	39
	<i>INTERNATIONAL COOPERATION</i>	40
	<i>SHIP-BREAKING</i>	40
V	INLAND WATER TRANSPORT	41-45
	<i>POLICY THRUST</i>	41
	<i>FAIRWAY AND INFRASTRUCTURE DEVELOPMENT</i>	42
	<i>ORGANISATIONAL IMPROVEMENTS</i>	43
	<i>TRAINING AND MANPOWER</i>	43
	<i>FINANCIAL AND FISCAL PACKAGE</i>	44
	<i>INTERNATIONAL COOPERATION</i>	44

I. OVERVIEW

1.1 INTRODUCTION

1.1.1 Infrastructure plays an important part in fuelling economic growth. In particular, transportation is a critical infrastructure, as it has backward and forward linkages for connectivity of production centers and markets, at home and abroad.

1.1.2 The importance of maritime infrastructure in facilitating international trade is well recognized. It is observed that about 95% by volume and 70% by value of the country's trade is carried on through maritime transport. Having regard to the current level of India's share in global merchandise trade at around 0.67%, the strengthening of the maritime infrastructure would have a favorable impact on the country's trade front and also on economic growth. The country's long coastline of around 7517 kms spread on the western and eastern shelves of the mainland and also along the Islands is a natural resource capable of being harnessed for the country's trade and tourism development.

1.1.3 The maritime sector of the country encompasses, inter alia, ports (major and non-major), shipping (overseas and coastal), inland water transport, Aids to Navigation, besides trained manpower engaged in the operations of the maritime sector, on board and ashore. The entries relating to the development of maritime ports are in the Seventh Schedule of the Constitution of India and therefore under the purview of the Centre and the States as well.

1.1.4 Policies of the Central Govt. regarding the maritime sector have in the past addressed issues of mismatches of capacities and traffic at major ports, acquisition of shipping tonnage for facilitating cargo carriage, the need to encourage inland water transport and positioning of Aids to Navigation as warranted from time to time. The programmes in each of these sub-sectors had been structured as part of Plan schemes of

the Ministry of Shipping (in the present form as also in the erstwhile Ministry of Transport/Ministry of Surface Transport).

1.1.5 The liberalization in economic policies initiated in the 1990s provided the impetus to the maritime sector whereby private public partnerships have been encouraged in provision of port and handling facilities; side by side, the emergence of non-major ports through proactive policies of some of the maritime States have also ushered in a steadily growing share of maritime traffic handled at these ports, especially through private investment and by units for captive use of jetties and terminals.

1.2 APPROACH

1.2.1 Based on the experience of over 50 years of development efforts mainly by the Union Government and also by select maritime States and the potential of the maritime sector in facilitating economic growth, it is felt that the policy framework regarding ports, shipping, Shipbuilding and inland water transport should be purposive to induct modern technology and achieve increased levels of synergy and coordination. The policy would address not only issues for strengthening the sector through synergies of initiatives of the Centre and the States but also encourage the flow of investments into the sector - for up gradation of infrastructure and for modernization of facilities in respect of maritime ports, shipping and IWT sectors. In addition, the policy would help assure the status and efficiency of fixed and mobile maritime infrastructure and as a concomitant, ensure that investments in human capital optimize the country's factor and resource endowments. As part of this comprehensive strategy towards building a vibrant and responsive maritime sector, reliable contractual procedures with built in safeguards would also be positioned, wherever required, to encourage competition. The prevalence of an independent judicial system of the country assures a transparent and healthy operational environment. Wherever required, favourable fiscal reliefs would also be provided.

1.2.2 Considering the fact that cargo movement from different modes within the country utilize more than one mode of transport to reach the maritime port for exports (and vice versa in respect of imports) and the increasing recourse towards picking up and reaching the cargo at the door of origin/destination, the need for synergies amongst the different modes of transport for such multi-modal transportation is well established. This would require rationalization of the provisions of Multi-Modal Transportation of Goods Act, 1993, to support easy transportation and documentation through different modes of transport.

1.2.3 At the present juncture, the policy for maritime sector would also need to emphasize the complementary roles of the modes in sharp contrast to merely competitive functioning. The supplementary, and sometime competing, modes of transport like road, rail, air and pipelines need to be integrated with water transport. Policy on a common platform encompassing the entire transport network spanning different modes and addressing critical issues such as pricing, timely deliveries and cost effective service need to be positioned. In short, a holistic approach would have to be adopted with due emphasis on the role and affectivity of maritime transport.

1.2.4 The policy will guide the sector till 2025.

1.2.5 Part of the finances for implementation of this policy will also be raised through the levy of a nominal maritime development cess for a period of 10 years say at a modest rate of 5 paise per kilogram of foreign going cargo passing through the Indian ports and two paise per kilogram for coastal and low value cargo.

1.3 OBJECTIVES

1.3.1 The Policy for the maritime sector would emphasize the importance of cost effective movement of cargoes, transparency of decisions on objective considerations in matters of investment decisions, the efficiency of operations of the infrastructure as well

as the relevance of core competent maritime personnel. The programmes under the Policy would address the following: -

- (i) Modernizing the existing ports and upgrading their facilities in order to bring them on par with the leading ports of the world.
- (ii) Developing new ports in order to fully utilize the vast coastline of the country and the available draft for deriving the maximum economic advantage.
- (iii) Promoting hinterland connectivity to ensure least-distance access of the country's cargo to the ports and also offer choice of ports in the region and terminals inside the ports to Trade.
- (iv) Fostering Port specialization and inter-port complementarity for overall optimization of port facilities and the efficiency at the Ports.
- (v) Facilitating the increased flow of private investment, both domestic and foreign, and at the same time ensure a competitive environment that would preclude prospects of emergence of monopolies.
- (vi) Providing for institutional safeguards for the port infrastructure provider (public authorities/private sector – be it domestic or foreign/joint ventures) regarding investments and ensuring compliance of service standards to the users.
- (vii) Promoting multimodal transport in the interest of time and cost efficiency.
- (viii) Facilitating the acquisition of Indian tonnage for securing a significant share for the country in world tonnage and for increasing the share of Indian bottoms in the carriage of the country's overseas traffic through cargo support to Indian flag vessels.
- (ix) Promoting and strengthening shipbuilding, ship-repair and ship-breaking activities including promotion of indigenous ship design and research.

- (x) Providing the necessary infrastructure for turning out qualified Indian maritime personnel of globally acknowledged excellence to benefit from the growing demand of both foreign and Indian flag vessels for such human capital.
- (xi) Developing and integrating inland waterways to the national transport network comprising of maritime outlets as well as other points of interface with other surface transport modes.
- (xii) Building appropriate institutions to support Training, R&D and other activities necessary to sub-serve and sustain the Shipping and Port sectors.
- (xiii) Assuring the state of the art Aids to Navigation at the country's coastline with a view to encourage increased flow of coastal and overseas maritime traffic at Indian ports.

II. PORTS

2.1 Ports provide an interface between the ocean transport and land-based transport. In the initial years, the traffic was being handled mostly at major ports. However, over the years, non-major ports have also witnessed growth in traffic. The growth in the cargo handled at Indian ports has increased from a level of 19.38 million tonnes (major ports) in 1950-51 to around 457.96 million tonnes (major and non-major ports) by 2003-04. The share of traffic at major and non-major ports stood around 345 and 113 million tonnes respectively.

2.2 At present the 12 Major Ports (Kolkata/Haldia, Paradip, Visakhapatnam, Ennore, Chennai, Tuticorin, New Mangalore, Cochin, Mormugao, Mumbai and Jawaharlal Nehru and Kandla) handle about 75 % of maritime cargo of the country. With infusion of new technology and capacity-building, the congestion at Indian Ports witnessed in the 1990s has reduced in some places and operational efficiency has also improved leading to capacities being marginally ahead of demand. However, with the projected growth of traffic and growing containerization, there is need to expand the capacities in the sector through investment from both public and private sectors.

2.3 The policy proposes to adopt a holistic approach for the development of port sector covering aspects of integrated development, connectivity, organizational and institutional arrangements, etc.

2.4 DEVELOPMENT AND AUGMENTATION OF INFRASTRUCTURE:

2.4.1 Integrated Development

2.4.1.1 Management of existing major ports and their facilities will be addressed through comprehensive master plan for each port taking into account environmental aspects. The Master Plan in respect of cargo handling shall inter-alia also include the requirement of forward/or backend linkages such as the CFSs required around the concerned port, adequacy or otherwise or road and rail linkages etc. Berths will be planned for future needs only in line with such master plan of the port concerned.

Synergy will be established with agencies providing road and rail connectivity to ports, with a view to ensuring smooth backward integration in ports infrastructure including through development of satellite cargo handling facilities (dry ports) in hinterlands and dedicated rail and road net work between ports and dry ports within a specified distance around the port say 100 to 200 kms.

2.4.1.2 Upgradation and augmentation of facilities in existing ports will be given priority.

2.4.1.3 Major ports to plan their capacity to a level of 30 % above the projected traffic

2.4.1.4 Since problems faced by individual ports differ, these would have to be tackled and further growth planned depending on the specific requirement and not on a one-size-fits-all policy. In this, substantial changes that have occurred in the operating and urban environment around the older ports and the shift of traffic towards the new emergent ports in the vicinity would also have to be factored in. (For Example, Mumbai and Chennai ports have to come to terms with the role of JNPT and Ennore ports, respectively. Similarly, Kolkata Dock System will have to reconcile with shift of major share of its cargo to Haldia Dock System. This would call for suitably redesigning the future of the old colonial ports, if need be, through organizational restructuring, entry into non-traditional areas of activity by the ports etc. Large manpower with these old ports and the real estate have also to be set on a clear course for rationalization, and development, respectively. Ports of Kandla, Vizag and Paradip face challenges of different nature and have to upgrade and modernize their manpower, management and asset-base, including berths, equipment and draft. Ports like Cochin, Mormugoa and Mangalore face limitations of commodity composition and customer base).

National Sea-Waterways

2.4.1.5 National Sea-Waterways (on the lines of National Highways) along the coast would be developed; this would be funded by the Central Government and provision made for maintenance of channel depths and breakwaters at major ports in the

first instance. Extension of the scheme to ports other than major ports will be considered in course of time.

Minor Ports and Other Issues

2.4.1.6 In order to avoid unhealthy competition and to protect the territories of major ports, no new minor port may be carved out of the territory of a major port. Similarly, no minor port, or a part thereof will be converted into a major port without the consent of the respective State Government. Criteria will be prescribed for declaration of minor ports as major ports.

2.4.1.7 Possibility of extending financial support for the development of minor ports, including for improvement in draft, breakwaters, road and rail connectivity to, and development of coastal shipping in minor ports will be explored. Efforts will be made to develop at least one minor port on each coast through Central Government funding.

2.4.1.8 As the policy envisages integrated development of facilities in the port sector covering both major and non-major ports, synergies would be developed for avoiding unhealthy competition.

2.4.1.9 Development of ports would take into account the need for ensuring equitable geographical development, optimal utilization of existing assets and avoidance of unbalanced growth of individual ports.

2.4.1.10 Development of new facilities within existing ports and new ports, as necessary, will be encouraged.

2.4.1.11 With a view to optimize the use of presently available handling equipment at different ports, inter-port transfer of assets including to minor ports, would be permitted at book value, as earlier decided by the Maritime States Development Council.

2.4.1.12 Mechanism to coordinate the development between major ports and minor ports will be strengthened. Maritime States Development Council (MSDC), under the Chairmanship of the Union Minister for Shipping and comprising all Ministers dealing

with ports in the States as Members, has been constituted on the basis of an administrative order. This will be converted into a statutory advisory body and membership will be expanded to include representatives from trade and commerce. Recommendations of the Council, if not implemented, will be brought back to the Council for its information and directions.

2.4.1.13 A centralized cell will be set up in the Indian Ports Association to secure and analyze the data for major and non-major ports for regular monitoring to serve as inputs for making policy adjustments, whenever need arises.

2.4.1.14 Trans-shipment of Indian cargo taking place outside the country at present, will be encouraged to be handled at Indian ports through concerted measures. These would include increasing the draft available at Indian Ports, rationalization of port-dues, providing differential levels of tariff for different sizes of vessels or for different cargoes to attract mother ships to berth at Indian ports.

2.4.2 Connectivity

2.4.2.1 With increasing unitization of cargoes, either in the form of containers or through ever-increasing ship size for single commodities, the evacuation and handling of cargoes have become critical for the port functioning. Therefore, the resultant connectivity issues will be addressed. Apart from according priority to rail and road connection to the ports, the port authorities would be encouraged to participate in the equity of Special Purpose Vehicles (SPVs)/Joint Ventures (JVs), formed to provide hinterland connectivity.

2.4.2.2 National Highway Authority of India (NHAI) will be the nodal authority to address issues relating to provision of road connectivity to ports including rising of finances therefore.

2.4.2.3 Monopoly situations in areas of port connectivity, such as is enjoyed by CONCOR or any private tolled road, will be suitably addressed to enable competition as well as improvement in quality and efficiency of such linkages.

2.4.2.4 National Dedicated Freight Rail Corridor will be set up starting from Northern Indian hinterland to Southern India, which would be linked with the various ports. The proposed corridor would be operated in the private sector and it would have its own rolling stock, locomotives, signalling system, stations etc. but will follow the standards laid down by the Railways.

2.4.2.5 Special Purpose Vehicles (SPVs) will not be allowed to develop into monopolies. The policy would provide for bringing in additional investors and competition, as may be warranted.

2.4.2.6 For ensuring that benefits of competition are available to users of ports/terminal facilities, safeguards would be provided to ensure that terminals which are operated by private parties/sector set up through SPVs do not become captive facilities but continue as public utility.

2.4.2.7 Setting up of Container Freight Stations on identified areas will be encouraged to avoid problem of connectivity arising out of uncoordinated spread of CFSs.

2.4.3 Dredging Policy

2.4.3.1 Presently most of the dredging requirements of Major Ports particularly maintenance dredging are met by the Dredging Corporation of India. Measures will be taken to promote Indian dredging industry including the private sector so as to provide competitive dredging at the least cost.

2.4.3.2 Major Ports will also be required to contract out maintenance dredging for a long term of say three years, which will encourage private companies to procure dredgers and equipments, besides enabling ports to obtain competitive rates.

2.4.3.3 In the medium term of about 5 years, Major Ports, excepting Kolkata, will be required to invite tenders for their dredging requirements, instead of giving the work on nomination basis. Right of first refusal will be provided to Indian dredging companies to match the lowest foreign tender, without differentiating between a public company and

a private company, provided their bids are within a prescribed band. Such preferential treatment to Indian companies will be provided initially for a period of five years, so that they can grow and compete with foreign dredging companies.

2.4.3.4 Indian private dredging companies will also be provided conducive fiscal regime to facilitate their growth. Efforts will be made to get exemption for first five years from any additional percentage of tax when they form a joint venture.

2.4.4 Land Policy

2.4.4.1 The Land Policy for Major Port Trusts shall ensure that

- i. Full powers are delegated to the ports for leasing of land upto 30 years and that the lease rent is reasonable.
- ii. The land is allotted following the tender procedure for all fresh allotments excepting in certain identified areas where it could also be allotted on nomination basis.
- iii. Allotment of land is generally on upfront premium basis. However, Port shall also have the flexibility of allotting the land on annual lease rental basis under certain circumstances.
- iv. Ports shall be allowed to renew lease in favour of sitting occupants even though the original lessees are no more occupying the premises.
- v. Ports shall be allowed to sublet/partially sublet the leased premises subject to fulfillment of certain conditions.
- vi. Change of use of leased land would be permitted subject to fulfillment of certain conditions.
- vii. Dispensing with the Minimum Guaranteed Throughput (MGT) requirement, in those cases, which were finalized in the past, would be allowed subject to fulfillment of certain conditions.
- viii. For renewal of leases, a simple transparent system will be followed.
- ix. Port land will not be given for religious purposes/activities.
- x. Port may acquire land alongside the port to develop a port city from which land may be allotted to port related services.

2.4.4.2 Major Ports are permitted to prepare innovative plans for their assets to ensure their optimum use.

2.4.5 Single Point Moorings (SPM)

2.4.5.1 With the increasing demand of crude oil requirements of Indian oil industry, the infrastructure facilities at Major Ports of the country need to be strengthened for handling crude oil. In view of this, the policy for establishment of SPMs would be facilitative; it is also proposed that a private SPM need not necessarily be within either major or non-major port limits.

2.4.5.2 Ship-to-ship transfer (STS) operations of crude oil will be encouraged.

2.4.6 Private Sector Participation:

2.4.6.1 Private Sector participation in major ports and the modalities governing the same will be laid down in clear and comprehensive terms. Areas for private sector participation will be expanded to include equipments, floating crafts including tugs and moorings. Cost-plus approach for laying down tariff by TAMP will be studied and improved upon to adopt reasonable methods of earning profit by the private investor. Gradually cost-plus approach will be replaced by normative approach, starting at first in container-handling facilities. Monopolies of any sort will be prevented and competition encouraged.

2.4.6.2 Since private sector investment is expected to lead to efficiency and competition, it is necessary to ensure that these result into tangible benefits to the users in terms of cost reduction. The policy would endeavour to ensure quality service at lowest cost and bring in both inter-port as well as intra-port competition so that users have a choice not only among ports but even amongst operators within the same major port. In case there is only a single terminal/facility at a particular major port, it would have one operator. However, wherever the second terminal is to be set up at the same major port, or first terminal in an adjacent major port e.g. JN Port and Mumbai, Chennai and Ennore ports, the existing terminal operator would be excluded to ensure competition. If there

are a minimum of two private operators in any major port, no restriction would be placed on the existing operators to bid for the subsequent terminal, subject to the condition that a single private operator will not be allowed to operate more than two terminals at the same major port including terminals at adjacent major port.

2.4.6.3 In the case of container terminals, minimum quay-length is required to optimize utilization of the facility. Hence, a quay-length of 1000 meters in a straight line will be considered wherever possible for one container terminal in future. Existing private terminal operators, while eligible for a second container terminal, would have no rightful claim for any additional quay-length if the present quay-lengths in their existing terminals are less-than 1000 meters.

2.4.6.4 Concession agreements with private operators, in future, would include a clause on scope to handle operations outside the terminal in certain emergencies such as strikes/breakdowns etc. so that Trade is not put to inconvenience.

2.4.6.5 As captive berths of break bulk or dry bulk cargo for large users could lead to concentration of control in very limited private foreign or private domestic companies, this possibility will be discouraged. As in US, EU, Japan or China, there would be differentiation between captive terminals and common user terminals, for development of both types depending upon the needs.

2.4.6.6 Generally port projects will be awarded through tender route. However, assets may be leased out on nomination basis, particularly for captive facilities. In such cases, revenue sharing will be preferred over royalty payment. Preference to Indian parties may be given.

2.4.6.7 Port Infrastructure Up gradation Fund to leverage private investment will be set up.

2.4.6.8 In case of lease of existing facilities, it will be obligatory on the part of the lessee that surplus workers are taken on the rolls by the successful bidder; workers' emoluments with the lessee will not be lower than the emoluments they were getting in

the port. Ports will be entitled to design a policy for workers who refuse to exercise the option to move over to the private terminals, considering that the work for which they were employed by the Port does not exist any longer.

2.4.6.9 As regards Minimum Guaranteed Throughput (MGT), it will be open for the concerned port to decide whether to lay down MGT or otherwise; however, penalty for failure to achieve MGT may be made flexible.

2.5 ORGANISATIONAL AND INSTITUTIONAL ISSUES:

Directorate General of Ports

2.5.1 Having regard to the growing importance of maritime transport and the criticality of port infrastructure, a separate Directorate General of Ports functioning under the Ministry of Shipping (on the same lines of the presently functioning Directorate General of Shipping looking after issues concerning shipping sector) would be constituted. Such an authority would be set up after examining the modalities and the scope of activities that would be consistent with the provisions in the Concurrent List of the Constitution. Its mandate would include overall framework of port development and its implementation for all Ports (including non-major ports, private ports/terminals and fishing ports) in the country. Certain functions of routine and regulatory nature, hitherto performed by the Department of Shipping will be assigned to DG Ports. DG Ports will also be the link between the Central Government on the one hand and the maritime states and ports on the other hand.

Port Trusts

2.5.2 The existing organizational structure for major ports (Port Trusts constituted under the Major Port Trusts Act) would be improved. Wherever considered necessary, corporatisation would be affected through suitable enabling legislative amendments to the Major Port Trusts Act, 1963.

2.5.3 Since maritime ports are essentially service providers, the present arrangements for representation of user interests as trustees in major ports would be reviewed to enhance the levels of their participation.

2.5.4 The institutional/administrative arrangements for Ports other than major ports would also be studied to make them flexible for growth. Corporatisation of the all ports administered by respective State Govt. would be pursued so that these ports do not remain as departmental undertakings of the State Maritime Boards. All the Maritime States would be required to set up Maritime Boards to become eligible for any assistance from the Centre.

2.5.5 As successful functioning of ports in existing competitive environment would depend on quick decision-making, adequate powers would be delegated to the port authorities so that business decisions on day-to-day matters are taken at the port level, leaving only policy issues to the Central Govt. for guidance or decision.

2.5.6 Special Economic Zone (SEZ):

2.5.6.1 Select ports, clearly delineating the land and water area limits, will be declared as SEZs (in consultation with the Ministry of Commerce). The land requirement for SEZ in ports will be suitably modified. The Deputy Chairmen of such ports will be declared the Development Commissioners for the notified SEZs. Private capital will be allowed to develop the infrastructure for setting up of the SEZ within the port. Efforts will be made to incorporate these provisions in the SEZ Act.

2.5.7 Supply Chain Management:

2.5.7.1 As supply chain management has a direct bearing on the trade and the economy, a suitable mechanism will be evolved to consider and initiate action on developments affecting the supply chain management. In this regard, the Ministry will take proactive steps so that it is consulted for its views before decisions are taken such as those concerning:

- i) Setting up/closing down of an ICD.
- ii) Suspension of service by railways.
- iii) Special treatment for perishable goods/reefers.
- iv) Alteration in war risk premium etc or in marine insurance.
- v) Increase in Terminal Handling Charges.
- vi) Increase in fees relating to documentation on transport to or from ports
- vii) Freight forwarding/consolidation and de-consolidation

2.5.8 Electronic Data Interchange (EDI):

2.5.8.1 Electronic Data Interchange (EDI) will be implemented at all the major ports of India. In the first phase, the ports, where containers are handled, would be covered. In the second phase, EDI will be implemented in all the remaining ports and for all the remaining cargoes e.g. liquid and dry bulk. It will be taken up for implementation in operational minor ports and private ports also as per requirement.

2.5.8.2 The EDI will cover areas of internal computerization, port-customs interface, port-bank-port users interface and port-port users interface.

2.5.8.3 A uniform and common web based EDI solution greatly reducing the scope of human interface in delivery of services will be implemented for the port sector to ensure that the port users do not have to visit the Port for transacting routine business. The system would standardize messages within the country and also internationally. A repository of information will also be built and regularly updated for the benefit of Port users.

2.6 MANPOWER/INDUSTRIAL RELATIONS AND TRAINING :

2.6.1 Rationalisation of manpower in major ports.

2.6.1.1 Comprehensive plan will be prepared for rationalization of the workforce in major ports and the Dock Labour Boards.

2.6.2 Dock Labour Boards

2.6.2.1 At present Dock Labour Boards are functioning at Calcutta, Visakhapatnam and Kandla. The Bombay Dock Labour Board has been superseded. The Dock Workers {Regulation of Employment (inapplicability to Major Port Trusts)} Act 1997 provides for merger of Dock Labour Boards. To provide for interchangeability of Dock Workers with Port Workers, the existing Dock Labour Boards will be merged with the respective Port Trusts.

2.6.3 Productivity Linked Reward for Port Workers:

2.6.3.1 The present scheme of payment of Productivity Linked Reward is based on certain productivity parameters which are calculated on all India basis. However, the scheme needs to be made more realistic so that the reward is actually linked to the productivity. As the payment is made out of the resources of the Port Trusts and since each Major Port Trust is an independent entity, the Productivity Linked Reward would be calculated on the performance based on productivity parameters of individual Port Trusts.

2.6.4 Training:

2.6.4.1 The training of port officers and employees would be given due importance. There would be induction/foundation courses for new entrants and departmental promotees. The curriculum of training programme would be designed to cover multifarious activities carried out at a port. Refresher courses would also be conducted at regular intervals to keep pace with the latest developments. Successful completion of training courses would be made mandatory for promotions to higher levels. Training Institutions will be encouraged to collaborate with their well-reputed counterparts abroad for upgrading skills of both trainers and trainees.

2.6.5 Recruitment & Promotion:

2.6.5.1 In order to facilitate mobility of manpower from one port to the other, appointments at senior levels will be effected through a composite method where eligible officers from all Major Ports fulfilling the criteria would be considered. Recruitment and promotion rules of such appointments shall also be standardised.

2.6.5.2 Policy for development of a pool of officers from various streams for manning senior managerial position in maritime sector preferably for a minimum period of 15 years will be formulated.

2.6.6 Pension

2.6.6.1 In order to provide fair and equitable treatment, pension in the port sector would be on the lines of pension scheme in the Central Govt.

2.6.7 Incentives

2.6.6.1 The performance of the port officers/personnel of the ports would be monitored by the respective ports regularly and incentives in the form of award/memento for each year would be awarded.

2.6.8 Stevedoring

2.6.8.1 The policy on stevedoring will be laid down. The system by which workers are employed by stevedores will be liberalized. Rational manning norms would be developed. Workers will be given incentives only on actual work done, considering the cargo-handling equipment used for carrying out the work. Time and motion studies will be carried out in each port as early as possible of the work done by the labour with the cargo-handling equipment for different commodities, and wages will be worked out based on such studies beginning with next financial year. The stevedores will be permitted to bring in additional manpower, in addition to port/dock workers, from open market, if necessary.

2.6.9 Ports will adhere to prescribed health and safety standards.

2.6.10 As a general policy, the endeavour will be to have Secret Ballot in all Major Ports for electing representatives of labour for appointment as Trustees on the Port Trust Boards. If in an individual Major Port, Unions having majority support agree for implementing Secret Ballot the concerned Port Management can go for Secret Ballot. However, once Secret Ballot is implemented, Port will not revert to Check Off or any other method for selection of Labour Trustees.

2.7 FINANCIAL AND FISCAL INITIATIVES :

2.7.1 Private Sector Participation

2.7.1.1 Guidelines are already in force regarding private sector participation in port/terminal facilities. Having regard to the immense potential for development of facilities at ports on the Indian coastline, private-public partnerships would be encouraged. The decision-making powers of Port Trusts in financial matters would also be reviewed from time to time, as warranted.

2.7.2 Tariff

2.7.2.1 The fear of private investors that increase in efficiency and productivity might result in reduction of tariff by TAMP will be addressed; also increase in efficiency and productivity would be rewarded.

2.7.2.2 The functioning of TAMP would be strengthened so that uniform and transparent norms prevail in matters of tariff fixation as well as in prescription of quality of service for applicability to port authorities/terminal operators to ensure that the needs of the users of the facility and profitability to the facility provider are met.

2.7.2.3 Trade would be consulted before any charges affecting them are implemented at the Ports. For this purpose, if need be, amendments to the relevant

statutes will be made. However, there will be no control or regulation on shipping freight. Where shipping lines do business, which extends beyond the sea, that is, on land in India, they will also be subject to control like any other agent of any other mode of transport.

2.8 INTERFACE WITH TRADE/USERS INTERESTS:

2.8.1 Ports play a vital role in the EXIM trade. Delays at the ports have far reaching implications (both quantifiable and non-quantifiable) for the importers and exporters. It is, therefore, felt necessary to put in place a mechanism whereby the users and trade interests have a bigger role to play. Shippers' Councils and Port-Users' Organizations would need to be strengthened; on the lines of other federations, it is also possible to promote a Federation of Indian Maritime Organizations (FIMO). The policy would ensure that regular meeting with the exporters/importers at different levels are held besides making the consultations with the user and trade interests as mandatory before proposing any increase in the tariff.

2.9 INTERNATIONAL COOPERATION

2.9.1 Sister Ports

2.9.1.1 Major Ports will be encouraged to enter into sister port relationship with ports in other countries, particularly with those ports, which have similar features and with whom Indian ports share cargoes. Visits by officers of foreign ports will be allowed and prior clearance of Ministry of External Affairs/Ministry of Home Affairs will be obtained only where the foreigners are likely to stay for longer periods at Indian ports.

2.9.2 Membership of International Organizations

2.9.2.1 The Ministry of Shipping and the different Major Ports would take up membership of international organizations like International Association of Ports and Harbours (IAPH) & PIANC so as to remain updated with the latest happenings in the world.

2.9.2.2 Core competence of resource persons would be developed in various fields by exposing the selected persons to developments/events in the international maritime sector.

2.9.3 Security & Safety

2.9.3.1 ISPS Code: It will be ensured that Indian Ports adhere to IMO conventions in the area of security/ISPS.

2.9.3.2 Adequate facilities will be developed to deal with oil spill management in the ports.

2.9.3.3 Measures will be taken for wreck removal in the port areas as and when warranted.

2.9.3.4 Only those ships which have P&I cover, would be allowed to enter Indian ports.

2.9.3.5 Facilities would also be developed for dumping of waste etc.

2.9.3.6 Clean and dirty cargo will be handled on separate berths in the ports. Special facilities would be developed for handling of hazardous cargo.

2.10 OTHER ISSUES

2.10.1 Co-ordination with Other Transport Modes

2.10.1.1 Many countries have a single Ministry of Transport, covering all the modes of transport. Since it would be difficult in a large country like India, a permanent forum for ensuring inter-modal coordination would be set up where the policy-makers of all these modes of transport come together to learn from, and respond to, the latest transport technology and trends in the country and abroad.

2.10.2 Fisheries Harbours

2.10.2.1 At present fisheries as a subject comes under the Ministry of Agriculture. Since fisheries harbours so notified are also in the contiguous zone of regular maritime ports, it would be necessary to ensure that their functioning do not conflict. The policy for development of fisheries harbours would also form part of an integrated maritime policy.

2.10.2.2 Setting up of fishing harbours in major ports will be discouraged. In existing fishing harbours, the port's role will be limited and defined

2.10.3 Cruise Shipping

2.10.3.1 Cruise shipping is emerging the world over as a mode of tourism. With a long coastline dotted with beautiful tourist spots and beaches, India will be ideally suited for development of cruise shipping.

2.10.3.2 Promotion of cruise shipping will therefore get special attention. Ports will have the flexibility to offer concessional rates for promoting cruise shipping. Cruise terminals would be constructed and all facilities to promote cruise shipping will be carried out at the ports. These would be complemented by activities outside the port premises and would include planning and coordination with Tourism departments of the Centre and State to promote 'fly and cruise' type of tourism. The suitably planned cruise tourism itinerary could also include visits to World Heritage sites in India through suitably established linkages with other forms of tourism such as Palace on Wheels, or the Konkan Odyssey. Immigration and custom procedures will be simplified to promote cruise tourism to cover as many Indian ports as possible. Efforts will be made to get the immigration officers in different ports empowered to give the visa and stay permits on the spot.

2.10.3.3 Cruise shipping both foreign and domestic will be encouraged in a big way to promote tourism with attendant linkages of development of terminal facilities at ports and also of ship sails.

2.10.4 Bunkering from Indian Ports along the Indian coast line will be encouraged.

2.10.5 Powers will be delegated to Department of Shipping to grant Environmental Clearance and permissions under Coastal Regulation Zone Notification for port projects.

III SHIPPING AND MARITIME TRAINING

3.1 India at present is ranked 17th Maritime nation in the world. The total tonnage under Indian Flag has remained stagnant since 1996 at around 6 to 7 million GRT. The importance of Shipping can be gauged from the fact that the maritime trade is carried on through the shipping mode. In addition, shipping sector is an important foreign exchange earner; it also offers great potential for employment generation both at home and abroad on board and ashore. The sector needs focused policy support through simplification of procedures and providing cargo support to promote shipping and also to derive benefits of 100% FDI permissibility.

3.2 Coastal shipping is eco-friendly, cost-effective and fuel-efficient mode of transport. It can gainfully provide connectivity as well as transportation along the country's coastline and also to the islands of Andaman and Nicobar and Lakshadweep. The low share of cargo carried at present by coastal shipping (a mere 7%) in our country when contrasted with the shares in advanced countries accounting for as much as 30-40% of the total traffic, underscores the potential of coastal shipping as a viable mode. Since coastal shipping also has potential for employment generation, the provision of a favourable policy environment would catalyze growth and employment.

3.3 The policy in the shipping sector aims to expand Indian tonnage, maximize flow of investments (domestic and foreign) and assure the emergence of core competent and globally accepted maritime personnel. The thrust of the policy would comprise of the following: -

- (i) Replacing old vessels and adding new vessels to the Indian fleet.
- (ii) Provision of level playing field to shipping sector in terms of taxation and creating an environment whereby share of Indian bottoms in the EXIM trade grows

- (iii) Keeping in view the global shortage of about 5000 officers over 10 years, as projected in BIMCO survey, the country would endeavour to meet the requirements of trained maritime personnel worldwide and accordingly strengthen the human resource development component.
- (iv) The policy would promote coastal shipping to enable raising its share in the movement of inland cargo from 7% as of now to around 15% by the year 2025.

3.4 To achieve the objectives in this area, it is proposed to initiate action on issues covering augmentation of fleet and infrastructure, organizational and statutory arrangements, fiscal and financial initiatives, interface with trade interests, manpower training, issues concerning international co-operation, etc.

3.5 DEVELOPMENT / AUGMENTATION OF INFRASTRUCTURE:

3.5.1 Concerted effort would be made for positioning a favourable environment for expansion of Indian tonnage. A level playing field to shipping sector in terms of fiscal treatment would be assured; in addition, institutional and infrastructure strengthening and facilitating ship acquisition in both public and private sectors would guide the policy and programmes.

3.5.2 Priority would be accorded for replacement of old vessels in a time bound manner and also for acquisition of new vessels so that Indian fleet increases from the present level of around 7 million GT to 10 million GT in the next 3-5 years.

3.5.3 In line with the global experience where the containerized traffic is increasing, Indian shipping companies will be encouraged to increase their tonnage of container ships.

3.5.3A Acquisition of vessels of 1000 TEU to 2000 TEU capacity will be encouraged to promote feeder services.

3.5.3B Acquisition of heavy lift vessels will be promoted.

3.5.4 Policy for LNG Shipping will provide a regulatory environment for participation of Indian companies and transportation of LNG to India on Indian flag.

3.5.5 Offshore shipping policy will be finalized with a view to promote Indian tonnage in offshore supply vessels (OSVs) and also of activities, training and export of manpower with expertise in offshore shipping.

3.5.6 BBCD is a facilitative method of acquisition of ships whenever the financing cost is either very high or when External Commercial Borrowings are difficult. The existing BBCD policy would be reviewed in respect of issues concerning flagging of BBCD vessels, manning them, preference of BBCD vessels vis-à-vis foreign flag vessels in respect of cargo allocation etc. and would be rationalized. This together with suitably designed package of fiscal incentives could facilitate acquisition of additional tonnage through this route by the new as well as comparatively smaller investors.

3.5.7 The procedure of registration of vessels would be simplified and made user-friendly through suitable amendment of the relevant part of the Merchant Shipping Act.

3.5.8 Keeping in view ever increasing demand for passenger ships to the A&N and Lakshdweep Islands, additional ships of this category will be added to the fleet. The requirements of different ships will be standardized to make acquisition cost effective and fast.

3.5.9 Since rail and road are already saturated modes of transport, efforts will be made to promote Coastal Shipping by creating infrastructure for integrating shipping with other modes of transport.

3.5.10 Dedicated Terminals for coastal shipping will be constructed at ports so that coastal ships do not have to wait for berthing.

3.5.11 Minor ports will be developed with a view to promote coastal shipping through a centrally sponsored scheme.

3.5.12 The Aids to Navigation will be modernized to facilitate ship movements in Indian waters. Vessel Traffic Service (VTS) is proposed to be opened in increasing number in India to meet the needs of growing marine traffic. Such VTS will be established in eastern and southern regions and also in the Gulf of Khambhat to cater to increase navigational needs of marine traffic.

3.5.13 Provision of night navigational aids near the shore and port boundaries can lead to entry of more and more ships to the ports. Suitable scheme would be designed and operationalised for this purpose.

3.5.14 In order to have effective information system along the coast of India, coastal stations through BSNL or suitable agencies will be set up to receive messages from ships.

3.5.15 An integrated AIS network will be established along the Indian Coastline encompassing all users, regulatory and search and rescue authority for facilitating coastal shipping.

3.5.16 Static sensors will be established at ecologically sensitive area, which will be part of Particular Sea Sensitive Area (PSSA), and at those locations where traffic densities of fishing trawlers/boats are more and where an interactive Vessel Traffic Service is not required.

3.5.17 Wrecks in navigable channels outside port limits and approaches to be Port will be suitable marked and wherever possible removed to ensure safety of vessels.

3.6 ORGANISATIONAL AND INSTITUTIONAL ISSUES

3.6.1 A holistic approach will be taken in re-organizing the maritime administration, encompassing all regulatory affairs including state-of-art aids to navigation and vessel traffic service Authority.

3.6.2 A regional MMD office headed by Principal Officer, MMD will be opened in eight main maritime States; similarly district level MMDs would be reorganized to cater to the needs of maritime constituencies. This would provide for strengthening the maritime administration in the country.

3.6.3 Shipping Master's office/SIC offices at all Major Ports will be opened/empowered so that the seafarers are able to get CDCs issued timely without having to secure only from Mumbai as at present.

3.6.3A DG (Shipping) will stipulate condition under which shipmasters could act as pilot in Indian waters.

3.6.4 The strength of ship surveyors will be increased; if required, by outsourcing and/or by training the shore based maritime personnel on a rational and realistic basis so that a minimum of 10% of foreign flag ships calling on Indian ports and 25% of Indian flag ships both foreign going and coastal are inspected mandatorily.

3.6.5 With a view to India becoming an active member of the IMO and contributing to the decision making process at IMO, a permanent representative office in IMO, London will be established.

3.6.5A Indigenous towing and salvage companies will be encouraged.

3.6.6 Having regard to the tremendous surge in shipping activities in Indian waters, the risk of marine accidents including oil slicks has also increased. It is proposed to establish a Maritime Accident Investigation Bureau to lend transparency and urgency to the investigating process.

3.6.7 In view of the increased security concerns in Indian waters, it is proposed to position an uniformed Marine Police Force; wherever necessary, Maritime Police Stations will be opened for this purpose for regular presence.

3.6.8 National Shipping Board will be suitably strengthened and empowered to ensure that it plays a vital role in development of shipping and also the development of interface of shipping with exporters, importers and other national level trade

associations/bodies. Areas on which the recommendations of the Board will be mandatorily required as an input for policy formulation and those on which their recommendation would be of advisory nature, would be identified. The Merchant Shipping Act would be suitably amended to incorporate this arrangement and also making provision for the strengthening and empowerment of the Board.

3.6.9 A clear cut marine insurance policy will be adopted with attendant legislative provisions, if so required to facilitate activities relating to maritime insurance and related activities in the country.

3.6.10 Efforts will be made to constitute an Indian Shipping Service with a view to evolve a pool of experts who will have freedom to laterally shift between shipping and port assignments. Simultaneously, steps will be taken to evolve a pool of maritime experts to serve the purpose.

3.7 MANPOWER AND TRAINING

3.7.1 The emerging global shortage of qualified shipping personnel provides immense scope to India since India is a leading supplier of trained seafarers. In view of this, the concept of Maritime University will be developed, taking into account Indian conditions and two such universities – one on the east coast and the other on the west coast of India would be established.

3.7.1A The scope of training under IMU will include other areas such as ship finance, maritime law, commercial shipping, BPO, maritime heritage, maritime environment, dredging etc.

3.7.2 As it is essential to build up a pool of maritime experts in related fields, at least ten or more training slots would be ensured in internationally reputed institutes like World Maritime University (WMU) and International Maritime Law Institute (IMLI). A Scheme will be formulated entailing a financial package for Government officials to take up various courses included law courses at WMU and IMLI. As regards professionals outside Government jobs, they will be encouraged through administrative and diplomatic

support but without financial commitment. Efforts will be made to establish parallel campuses and franchises in India in collaboration with these institutes. Integrated financial packages from the public/private sector will be made available to the deserving trainees. Chairs for specific studies will be established at premier institutions in India (Indian Institutes of Technology at Kharagpur, Mumbai and Chennai where subjects related to maritime sector are already pursued) so that specialized faculties in various subjects are built up.

3.7.3 Keeping in view the urgent demand of students opting for seafaring as a career, examination centers will be opened in important major cities of the country.

3.7.3A Training Institutes will be encouraged to start pre-training courses in order to upgrade the knowledge of trainees in subjects relevant to long term career in shipping.

3.7.4 Efforts would be made to introduce a regular pension scheme for seafarers, which would not entail any financial liability for the Govt. Such a scheme would be prepared in consultation with the representative bodies of seafarers and ship-owners. For this purpose, either a separate pension scheme will be formulated or the present Seamen Provident Fund Act Scheme under the Seamen Provident Fund Act will be amended to include pension/annuity in its mandate.

3.7.5 Aggressive marketing strategy will be pursued for employing our seafarers abroad. In this context, information modules, CDs, brochures and documentaries will be developed for road shows to market our seafarers on foreign flagships.

3.7.6 Shipping as a career will be popularized in schools and fishermen communities. Exhibitions, museums, literature and paintings relating to shipping activities will be promoted.

3.7.7 Measures will be put in place for employment of ex-Navy personnel in Merchant Navy.

3.7.8 Banks will be encouraged to provide educational loans for maritime courses, so that poor/deserving students also get admitted.

3.7.8A An in-depth review of seamen's training will be undertaken in association with INSA and FOSMA

3.8 FINANCIAL AND FISCAL ISSUES:

3.8.1 In the Shipping and Maritime Training sectors as far as possible investments from private sector will be encouraged.

3.8.2 However, for certain activities like establishment of new MMDs, Maritime University, VTS etc. Gross Budgetary Support (GBS) will be provided.

3.8.3 The Government has already introduced Tonnage Tax for the shipping industry for vessels registered under Merchant Shipping Act, as a measure for ensuring level playing field for Indian shipping companies vis-à-vis global shipping companies. The Government would also address other structural issues such as taxation of Indian seafarers, service tax, withholding tax, etc. to ensure growth of tonnage; it would also facilitate availability of competitive freight rates to the end-user.

3.8.4 Indian Seafarers employed on foreign going Indian ships will be given Income Tax exemption.

3.8.5 In shipping, 60 to 80 per cent of the cost of ships is financed through External Commercial Borrowings (ECB). Lenders require payments of installments and interest payment net of all Indian taxes; therefore the entire burden of withholding tax on the interest of the ECB falls on the borrower. This raises the interest cost of ECBs. Shipping companies would be provided exemption from this withholding tax either by making a special general provision in the Income Tax Act or they would be given specific exemption u/s 10(15)(iv)(c) of the IT Act as they were being given prior to 1.6.2001, which will enable them to make payment of interest to external lenders without any tax liability.

3.8.6 Income from chartering of vessels including BBCD vessels will be exempted from Sales Tax (VAT)/royalty payments.

3.8.7 Special dispensation in the shape of special rates in the ports will be provided for coastal cargoes and coastal shipping.

3.8.8 Dues will be delinked from those charged for foreign-going ships. Notwithstanding what is mentioned in the Customs Act, the voyages on the coastal stretch will be exempted from payment of lighthouse dues. This will be exempted even if on the coastal run the ship is carrying containers or cargo picked up abroad, provided the voyage is from one Indian port to another.

3.8.9 Duty free bunker will be made available for coastal vessels, as is the case with foreign going vessels in Indian waters.

3.8.10 Duty free import of spares/stores/equipment related to coastal vessels will be allowed.

3.8.10A Duty free import of tugs, pusher crafts, dredgers, floating docks/cranes/production platforms etc will be allowed

3.8.11 Coastal shipping will be promoted through a package of measures including reduction of dues vis-à-vis other categories of ships and rationalization of manning scale.

3.8.12 There will be no need for conversion under Customs' Act for Indian foreign-flag vessels to coastal leg run in order to save time and costs in the interest of exim trade and coastal shipping. Coastal shipping will be rendered free of all requirements to obtain Customs or Immigration clearance at all locations. Similar dispensation will be given to short sea shipments to SAARC countries

3.8.13 Coastal Shipping Development Fund with a corpus of Rs.500 crores will be set up to provide finance on soft terms for acquisition of coastal vessels.

3.8.14 Govt. assistance for other developmental activities such as training of coastal shipping personnel etc as well.

3.9 INTERFACE WITH TRADE INTERESTS

3.9.1 Shipping is a complex industry and is truly international in character. While the Govt. would not regulate the commercial aspect of shipping, especially freight, it would however facilitate emergence of a code of conduct in the nature of “self-regulation” through consultations between shipping lines with shippers among themselves. Trade Practices Act will provide the framework for this.

3.9.2 The policy of the Govt. would be to ensure that decisions are taken in a transparent manner and at the same time striking a balance between the potential conflicting interests of transport service providers and service users. For ensuring this, Govt. will pro-actively help the shippers in organizing themselves for empowerment, through assistance for research and studies on developments in international shipping across the world and for providing greater and regular access to information relating to developments in shipping, containerization, multi-modal transport, technologies, documentary requirements etc. This would facilitate the regional and national Shippers’ Councils to articulate and safeguard the interests of the exporters/importers as well.

3.9.3 These Shippers’ Councils would be promoted not only for conducting negotiations with shipping lines about freight etc. but also for protecting shippers’ specific interests vis-à-vis other Governmental agencies, regulatory bodies and parastatal institutions e.g. Ports, Railways, TAMP, Customs, ICDs, CFSs, IWAI, etc.

3.9.4 Cooperation of UNCTAD and ESCAP would also be sought in empowering the Shippers Council and fostering greater cooperation between various Regional and National Councils.

3.9.5 As part of the policy, the Govt. would favour regular consultations every quarter between all major shipping lines and the National and Regional Shippers’ Councils wherein all important issues of mutual interest may be decided through consultations. Shipping lines not participating in this consultation process or not

honouring the decisions of this consultation process could be identified for suitable follow up action.

3.10 INTERNATIONAL CO-OPERATION

3.10.1 All pending IMO conventions will be taken up for scrutiny and ratified, if required, with consequential updation of national laws.

3.10.2 Shipping activities will be included under the relevant provisions of ‘The Territorial Waters Continental Shelf, EEZ, other Maritime Zones Act, 1976’ so that consequential benefits are also available to this Sector. Since the notifications are issued under this Act, relevant provisions from maritime legislation especially M.S. Act will be included in such notifications to promote Indian shipping and to regulate foreign-owned shipping in EEZ of India.

3.10.3 Section 150 of MS Act will be amended to ensure avoidance of unnecessary litigation without jeopardizing the rights of seamen. This would address the present tendency to approach the courts for appointing a tribunal for workers’ disputes in shipping and seafaring.

3.10.4 Section 21 of MS Act would be reviewed and amended if necessary, for including the concept of “Joint Ownership of Ship” with every foreign shipping line touching Indian shores.

3.10.5 The provisions and scope of the Multimodal Transport of Goods Act, Carriage of Goods by Sea Act and Bill of Lading Act will be amended keeping in view the requirements of the Industry. MMTG Act would be reformulated on the lines of FIATA Bill of Lading, which is an internationally accepted instrument.

3.10.6 Admiralty Act of India will be enacted keeping in mind the recommendations of Law Commission of India and requirements of the Shipping sector, which will free it from colonial laws.

3.10.7 Bilateral/and Multilateral Maritime agreements with other countries would be improved upon for safeguarding and promoting Indian Maritime Interests.

3.10.8 Possibility of having another International Register/Open Register will be explored to attract more tonnage keeping in view availability of 100% FDI in the sector. The M.S. Act will be suitably amended for the purpose.

3.10.9 Particularly Sensitive Sea Areas (PSSA) will be identified along the coasts of India, with special attention to the eastern coast and around Andaman & Nicobar and Lakshadweep Islands keeping in view the necessity to protect the natural habitat and environment.

3.11 OTHER ISSUES

3.11.1 Sailing Vessels

3.11.1.1 Sailing vessels industry in India is age-old. Despite its potential for providing job opportunities to a large number of people, it has not received due attention and priority. A comprehensive policy package will be put in place, which will provide, inter-alia, the status of industry to this activity so that financial institutions could advance loans to them easily; also facilitating carriage of captive cargo would assure a place for sailing vessels.

3.11.2 Fishing Vessels

3.11.2.1 Fishing vessels are also a neglected category in terms of safety of navigation, training and welfare measures, despite the fact that a large number of semi-skilled and unskilled people are employed in this industry. Efforts will be made to widen the spectrum of jobs for fishermen in merchant navy through suitable training and education. Laws and regulations covering this Sector will be made uniform throughout the country in order to overcome the present difficulties and also to address issues of safety of navigation, training and welfare measures for the crew. Efforts would also be made in consultation with Ministry of Agriculture to ratify Torremolinos Convention and STCW-F and undertake updation of national laws accordingly.

3.11.3 Chartering and Cargo Support

3.11.3.1 Policy of FOB imports by Government Departments and Public Sector Undertakings and centralized shipping arrangements through TRANSCHART (Ministry of Shipping) and cargo support to Indian ships will continue.

IV. SHIPBUILDING AND SHIP- REPAIR

4.1 Shipbuilding Industry is a highly competitive business. Globally it is observed to be generally supported by national policies and subsidies; without Government support, the growth and sustenance of shipbuilding industry would be difficult. The geographical profile of the industry evinces locational changes. Shipbuilding industries have shifted from Europe to Japan, Korea and Singapore in 70s and to China in 90s. (China presently has 58 yards and is in the process of building the largest yard near Shanghai. It has 497 ships on order now and aims to be the world's leading shipbuilding nation by 2015). Since India has comparatively cheaper labour, policy and regulatory support from the Government may facilitate a steady growth of shipbuilding industry in India.

4.2 At present, India can build ships upto the size of only 1,10,000 DWT which is highly inadequate as per the global shipbuilding standards. The productivity level of all the Indian shipyards are also low due to the lack of mechanization. Most of the Indian shipyards are incurring losses and would face difficulties in raising funds on their own for capital expenditure to facilitate improvement of business prospects. Further, the average size of available dry-docks in India is also small and not technically equipped to handle repair work of large ocean going ships.

4.3 The policy for the shipbuilding and ship repair industry would take due note of its status as a valuable foreign exchange earner, in addition to the potential for employment generation through backward linkage with ancillary industries. The policy thrust is aimed towards establishment of at least two international size shipbuilding yards, besides modernization of existing public and private sector shipyards. The average size of existing individual dry-docks in India would also be increased. A complete package of measures to support the industry would ensure it to become internationally competitive and for the country to emerge as a leading shipbuilding/ship repair nation by 2025.

4.4 POLICY INITIATIVES:

4.4.1 The proposed dry-docking policy would encourage modernization/ mechanization and will be made competitive so that it is able to undertake ship repair work of most of the ships calling at vicinity ports.

4.4.1A Dry-docks will be given deemed EOU status.

4.4.2 The policy would encourage foreign direct investment in shipbuilding and ship repair activity.

4.4.2A There will be duty free import of all equipments to be fitted in ships built at Indian yards.

4.4.3 The policy would provide for long term subsidy support (upto 20-30 years). The existing shipbuilding subsidy scheme would be reviewed to provide subsidy for construction of all kinds of vessels, subject to reasonability of price.

4.4.4 Policy support will be provided to ensure availability of indigenous steel for all Indian shipyards. Prices of indigenous steel would be capped so as to make Indian shipbuilding more competitive.

4.4.5 The proposed policy would encourage ancillary units to support ship repairs and ship construction. Without strong ancillary back up, the shipbuilding and ship repair will not be able to generate additional employment and compete with global shipyards.

4.4.6 PSU shipyards will be given freedom to device their own procedures for procurement and make it comparable with private sector.

4.5 INFRASTRUCTURAL INITIATIVES

4.5.1 In-house design and research activities will be promoted by giving budgetary support and fiscal incentives.

4.5.2 At least two international shipyards would be established, one on the East Coast and another on the West Coast of India through public-private participation. This will strengthen shipbuilding and ship repair in India.

4.5.3 The new Dry-docking policy will encourage creation of ship repair units adjacent to the ports to be able to repair/dry-dock large sized ships.

4.6 FINANCIAL AND FISCAL INITIATIVES:

4.6.1 Budgetary support to PSU shipyards will be enhanced for up gradation/modernization and mechanization. Funds for VRS will be made available for rationalizing Systems, which would be put in place for benchmarking and increasing the productivity of PSU shipyards. Measures will be taken up to increase labour productivity.

4.6.2 Taxation in shipbuilding and ship repairs activity including customs and central excise would be brought on par with EOU units.

4.6.3 Ship repair and shipbuilding would be kept out of ambit of service tax, sales tax and VAT etc. as shipyards compete globally for repair and new construction.

4.6.4 Investment regarding Indian shipyards for R&D would be given 100% exemption from Corporate Tax subject to a limit of 10% of the profit for the year.

4.6.5 Capital Goods imported for shipbuilding facilities would be exempt from customs duty for encouraging facility augmentation/up gradation/modernization.

4.6.6 As the quality and construction standards are continuously improving, there is need to make ships more safe, secure and environment friendly by installation of required equipment including those recommended by IMO. Exemption from import duty will be provided for equipments to be installed on Indian ships made mandatory by the IMO or International legislation.

4.6.7 FDI to the extent of 100% will be allowed in ship repair and shipbuilding etc. with encouragement to private sector investments.

4.6.8 Shipbuilding and ship repair industry will be provided infrastructure status and investments in the would be made eligible for exemptions in direct taxes for long periods (20 years).

4.6.9 Suitable incentives will be provided to the shipyards so that retained profits can be reinvested. This will encourage investments from the internal generation of shipyards.

4.6.10 Zero custom duties on import of equipments/machines, etc. for shipbuilding and ship repairs investments will be provided and these activities shall be free from customs bond. Flexible tax regime for disposal of scrap and waste generated out of ship repair and shipbuilding activities would also be put in place.

4.6.11 The industry will be provided Excise and Sales Tax exemption for steel procured indigenously.

4.6.12 Separate funding agency for shipbuilding and ship repair activity will be created.

4.7 INTERNATIONAL CO-OPERATION

4.7.1 The Indian Shipyards will be encouraged to import technology and designs for new construction through joint venture or technical collaboration.

4.8 OTHER ISSUES

4.8.1 Ship-Breaking

4.8.1.1 Ship-Breaking and Ship-Recycling activity, which is a labour intensive industry will be further encouraged keeping in view its employment potential and without compromising on environmental concerns.

V. INLAND WATER TRANSPORT

5.1 It is generally acknowledged that IWT is an eco-friendly, cost-effective and fuel-efficient mode of transport with huge potential for employment generation. However, at present the share of IWT in India is only 0.15% of total inland cargo transportation in terms of tone-km.

5.2 India has approximately 15,000 kms. of navigable waterways out of which 3 stretches covering 2700 kms. have been declared as National Waterways. Indian IWT fleet comprises of around 350 vessels aggregating to 3.5 lakh DWT. Trained manpower engaged in the sector is less than 1000. The productivity level of IWT fleet (measured in terms of tone- km./DWT per annum) is below 5000 tonne-kms per DWT.

5.3 The objective of the policy for the IWT sector is aimed towards increasing its share of total inland cargo movement from the present level of 0.15% to 2% by the year 2025. This is proposed to be achieved through a strategy evolving addition of around 2500 cargo vessels to the existing fleet along with 25000 additional trained manpower during the same time frame. Further, the productivity of IWT fleet is also envisaged to be improved to reach a level of 10,000 tone-kms per DWT.

5.4 POLICY THRUST

5.4.1 Govt. will accord top priority to popularize IWT as a viable mode of transport and initiatives will be taken to ensure a modal shift from rail/ road to IWT.

5.4.2 Committees will be constituted under Chief Secretaries of the riparian States for giving a push to the sector and for appropriate coordination between public sector and private operators.

5.4.3 To the extent possible, Govt./PSU cargo would be moved by IWT.

5.4.4 States will be encouraged for development of State Waterways through Centrally Sponsored Schemes (CSS).

5.4.5 All PSUs would be required to prepare a strategy for utilising IWT mode by including their input procurement and finished goods movement through IWT. Suitable incentives to PSUs would be given to encourage modal shift from other competing modes to IWT.

5.5 FAIRWAY AND INFRASTRUCTURE DEVELOPMENT

5.5.1 Since the existence of a navigable stretch of waterway with the required draft and supporting infrastructure is a pre-requisite for operation of IWT along the waterways, the following are proposed:

5.5.1.1 A Dredging policy for inland water channels will be prepared and operationalised.

5.5.1.2 Additional IWT Terminals at all potential locations would be set up and 4-lane road connectivity as well as rail connectivity, wherever needed, would be provided for loading and evacuation of cargo. Need based cargo handling equipments and storage/warehousing space would be provided for which State Governments would be requested to provide sufficient land free of cost for the purpose; in addition, navigational aids including night navigation facilities would be provided on all three National Waterways (within the next financial year).

5.5.1.3 A clear scheme of fairway development. /maintenance of each National Waterway will be prepared /implemented. All PSUs would be asked to prepare a strategy for utilization of IWT mode in their operations including their input procurement and finished goods movement. Incentives would be given to the PSUs to encourage modal shift from rail and road to IWT.

5.5.1.4 Specific projects of infrastructure development will be identified for implementation through Joint Venture/BOT route.

5.5.1.5 Obstruction to Fairways Act 1881 will be amended to empower Central Govt. to deal with Obstructions on National Waterways.

5.5.1.6 Adequate number of jetties together with adequate crane capacity will be provided along National Waterways.

5.5.1.7 Sufficient Dry docks and repair facilities will be provided at appropriate places on National Waterways.

5.6 ORGANISATIONAL IMPROVEMENTS

5.6.1 IWAI will be strengthened, primarily in terms of technical expertise/capacity.

5.6.2 All the riparian States of National Waterways will be encouraged to have fully equipped IWT Directorates for supervising the IWT operation at the local level.

5.6.3 Inland Water Transport Development Council will be strengthened and empowered to play a more active role in the development of IWT.

5.7 TRAINING AND MANPOWER

5.7.1 NINI at Patna will be activated and more sub-centres will be opened in other States having IWT interest. Other States would be encouraged to open their own institutions, if possible or attract private investment for training professionals required for IWT. A uniform standard for certification and training would be developed on the lines of ocean going ships and NCVs.

5.7.2 Efforts will be made to build trained manpower through training imparted by IRS to the manpower available under state Directorates

5.8 FINANCIAL AND FISCAL PACKAGE

5.8.1 The budgetary support to IWAI and for CSS will be increased.

5.8.2 A new policy for promotion of unorganized sector operations/operators in IWT will be formulated with suitable and adequate budget provision.

5.8.3 IWT Development Fund with a corpus of Rs.500 crores at National level will be created. Subsidy scheme will be re examined and amended to permit inclusion of schemes for development of infrastructure and acquisition of vessels but not for operations.

5.8.4 Private investment in IWT sector will be encouraged along with 100% FDI both in IWT infrastructure and IWT operations i.e. vessels etc.

5.8.5 Investment made in IWT infrastructure or IWT vessels by companies will get exemption from direct taxes for 20 years.

5.8.6 Depreciation on IWT vessels will be permitted at 5% higher than the depreciation on ocean going vessels.

5.8.7 Income of companies from IWT operations will be exempted from Income Tax/Corporate Tax upto 100% for the first 10 years and upto 50% in next 10 years.

5.8.8 No Customs Duty on imported equipments/machineries, spares and installations for IWT development/operations will be charged.

5.9 INTERNATIONAL COOPERATION

5.9.1 The Indo-Bangladesh Protocol to promote Indian Vessels and trade will be re-oriented.

5.9.2 Indo-Mynamar, Indo-Pak and other bilateral co operations on IWT with neighboring countries will be explored.

5.9.3 The possibilities of cooperation with other countries e.g. Germany, Netherlands, Russia, China, Brazil etc. where IWT mode is popular, will be explored.

5.9.4 International Co-operation in training and certification of manpower, formation of JV etc. with internationally reputed institute will be explored.
