

# **PROPOSALS TO GOVERNMENT OF INDIA ON COASTAL SHIPPING**

## **1. Vessel Financing:**

Indian shipowners pay high interest costs for financing within India which adds to the cost of vessel acquisition or new building. We suggest a '**Shipping Development Fund**' be created to arrange for the debt at interest rates benchmarked to international standards. To do this, international funds may be tapped and the same funds hedged against foreign exchange fluctuation. We understand the Government of India has been working on options and we encourage this move.

## **2. Concessional Bunker Price:**

Fuel costs are a major part of the operating cost of any vessel. Therefore, any fuel price increase has a major impact on the viability of coastal shipping. International shipping enjoys duty free bunkers while coastal shipping has to pay for duty paid bunkers which is about 25 % higher. To promote coastal shipping which includes both domestic and transshipment cargo, we suggest that all coastal ships be allowed to avail of duty free bunkers. This will allow Indian ships to be competitive in markets of neighbouring countries allowing Indian owners to enlarge their market and obtain better viability as well as attract cargo from alternate modes of transport thus releasing pressure on our land infrastructure.

## **3. Major Ports - Separate Berths:**

It is imperative that separate berths & entrances in Major Ports are allotted for Coastal Ships "totally devoid of Customs Inspection". Customs should have nothing to

do with Coastal Ships "except for some occasional random checking". Currently, exactly the same Formalities, Documentation and procedures of Indian Customs applicable to Foreign Going Vessels are applicable to Coastal Ships. This is very cumbersome, expensive and time consuming, resulting in serious '**voyage turn around delays & exorbitant costs**'. This is the third major hurdle in investment in Coastal Shipping.

#### **4 .Seamless Ports:**

Coastal shipping is often, a part of a multimodal logistics chain. To allow seamless transfer of goods at the port with any form of surface transport, it is imperative that both time and cost hurdles towards documentation, storage, inspections be removed.

Coastal ships also demand specialised berths with excellent surface transport interface. Such berths are often smaller and therefore low cost. They maybe for captive or public use or hybrid uses.

Such berths are needed at regular short intervals along the coast and navigable rivers to promote coastal shipping.

Port regulations for use of pilots and tugs should also be re-examined for coastal vessels depending on size.

#### **5. Manpower:**

The Government of India has taken certain proactive measures to create the RSV Class and The Coastal Act to promote coastal shipping. Manning of such vessels are done by Near Coastal Voyage (NCV) qualified personnel. However, these various Acts and notifications made at various times are not synchronised from a manning angle resulting in certain restrictions (eg: Dwt and BHP) or dispensations coming into effect. This makes the process cumbersome and thereby costly.

There is an acute shortage of such coastal qualified seamen and engineers as unlike their foreign going

counterparts. They do not have any tax breaks making their remuneration unattractive. Lack of training, intermittent examinations and cumbersome certification processes further hampers the few, who desire to follow this trade.

## **6 Imbalanced Coastal Trade:**

This is again a major hurdle in investment in Coastal Shipping, as cargo movement by the Sea Route is generally ONE WAY with minimum return cargo. Secondly, the Road Transport Lobbies are extremely strong, as it is very easy for "point to point transport of goods on roadways". As against this, there is severe infrastructure bottlenecks to / fro Ports for support to Coastal Shipping, apart from several drawbacks inside Ports, all of which are being highlighted in this report. Hence with ALL ODDS AGAINST COASTAL SHIPPING vis a vis Road & Rail, government needs to seriously look at several incentive schemes to Trade as well as to prospective Ship Investors to attract cargo to using the Sea Mode. We are aware that National Shipping Board, Government of India has worked out an incentive scheme in favour of Trade, but from our feedback, it is still unattractive for a major shift to the sea route.

## **7. Combining Coastal Shipping with Inland Waterways:**

Real benefits of coastal shipping can be realised if the coastal cargo can be moved deep into the hinterland using the inland waterways. Efforts of the Government of India to develop certain waterways is noted however, inland waterways must be developed wherever possible to allow navigation and berthing of not only inland barges but also coastal vessels. Transfer points must be created in such river terminals to directly move cargo from/to barges, rail and road.

The jurisdiction over these rivers must be clarified and responsibility of maintaining the navigation and terminals on these rivers must be fixed between the state and the

centre. It is suggested that a Port should not exercise jurisdiction over a common waterway/channel to promote all round development.

## **8. Last Mile Connectivity:**

This is a huge constraint for all Major Ports in India and most speakers in the Seminar touched upon this subject. All entry & exit to / fro our Major Ports is bundled with problems of severe approach congestion, traffic jams, poor infrastructure, etc. To summarise, the approach and exit from most ports is extremely time consuming & costly. While Government of India is already acting on this important requirement, it is proposed that the Eastern Freight Corridor (EFC) should be expected to connect the eastern ports of Paradip, Haldia and Kolkata.

## **9. Service Tax on Coastal Shipping Operations:**

In order to promote Coastal Shipping services, service tax on coastal ship needs to be completely abolished else 75% (from existing 50%) abatement needs to be considered to have a level playing situation with the road carriers.

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