

Conditions feasible for country's marine industry growth: Ernst & Young - NMDC Report 'Indian Costline – A New opportunity'

Priti Bhutani
Ernst & Young Pvt. Ltd
+91-11-43633103, +91-9810995350
Priti.bhutani@in.ey.com

Padma Chourey
Ernst & Young Pvt. Ltd
+91 22 66655417 +91 9920555480
padma.chourey@in.ey.com

SYNOPSIS

Mumbai, 1 April 1, 2011: Operating in a highly globalized and competitive business environment, the marine industry is intricately linked with the global economy and trade. Over the years, maritime transport has emerged as a critical contributor to a country's competitive position in global trade. As a result, for many countries with a fairly extensive coastline, maritime infrastructure development has attracted significant investments, which have positively influenced their pace, structure and pattern of development. **“The increasing trend of western countries moving their manufacturing functions to low-cost countries, and the likely prospect of India emerging as a manufacturing outsourcing hub, is expected to contribute to the growth of the country's marine industry”, believes Samir Kanabar, Partner-Infrastructure Practice, Ernst & Young.**

The Indian coastal trade hinterland comprises 40 districts across 5 states on the country's west coast and 4 on the east coast and Puducherry. The hinterland covers an area of more than 380,000 sq. km. Lakshadweep and the Andaman and Nicobar Islands in the Arabian Sea and the Bay of Bengal, respectively, also constitute a part of the coastal hinterland. These islands, covering an area of more than 8,300 sq. km., depend on coastal shipping to transport cargo and passengers to the mainland besides inter-island movement.

Advantages of coastal shipping

- Coastal shipping is an environment-friendly and fuel-efficient alternative to road and rail transport.
- It is a less expensive, faster and safer mode of transportation.
- Coastal shipping complements rail and road transport by providing a multi-modal integrated transport facility.
- Coastal shipping has the ability to transport large-sized cargo.

Key challenges of coastal shipping

- India lacks an integrated transport policy, resulting in the uneven distribution of cargo.
- Coastal shipping competes on less favourable terms as compared to roads and railways.

- Vessels engaged in coastal trade are much smaller than ships deployed for overseas transportation. However, the same provisions of the Merchant Shipping Act, which are related to construction, equipment, operation, certification and safety, apply to ocean-going and coastal ships. These stringent specifications result in higher capital costs.
- A high customs duty is levied on equipment and spares, which results in high equipment-acquisition costs.
- High manning scale requirements, which increase operational costs, currently plague the sector.
- The major and minor ports are inadequately equipped with infrastructure and facilities.
- There is a scarce degree of quality manpower and lack of efficient cadre development.
- There is inadequate rail and road connectivity between ports, rail/road terminals and cargo-generating centers in the hinterland.
- Less consolidation in coastal shipping is impacting the economies of scale.

The MoS has formulated various groups or committees to help improve the efficacy of coastal shipping in the country which has enabled setting up a special cell to develop coastal shipping, relaxation in manning scales and exemption from the Merchant Shipping Act.

Other Key Initiatives

Draft maritime policy

In November 2004, the MoS proposed a national maritime policy, which aims to increase the share of coastal shipping in the transportation of inland cargo from 7% to around 15% by 2025.

Draft coastal shipping policy

The DG shipping and the shipping industry have jointly developed a new Indian coastal ship policy.

Action plan for inland waterways

The Inland Waterway Authority of India (IWAI) currently operates seven terminals on the three national waterways. It is planning to add 50 new terminals through the public-private partnership (PPP) annuity mode. The IWAI plan is expected to generate investment opportunities worth INR65 billion for the private sector.

Focused opportunities

Project cargo

Under the Eleventh Five Year Plan, the government plans to spend around US\$492 billion on infrastructure projects. Of this, power projects, roads and bridges, railroads and ports are expected to

receive a share of around 30%, 15%, 13% and 4%, respectively. These infrastructure projects will require the movement of heavy equipment and material across the country. As the Indian road network is highly congested, coastal shipping can prove very useful by providing project cargo services.

Roll-on/Roll-off (RORO)

The development of coastal infrastructure and government policies is more conducive to the growth of the coastal shipping industry, which is expected to improve the feasibility of RORO services on many routes. The use of such services is expected to help save fossil fuel and provide manufacturers and traders with a transportation alternative.

Passenger traffic

With its vast coastline, India is an attractive destination for cruise shipping. The efforts by various state governments to promote tourism are expected to create new opportunities for coastal passenger movement.

Dredging

Liberal policies, economic reforms, increased private-sector participation in port development and operations, use of larger vessels and heightened focus on coastal and inland transportation are together expected to drive the Indian dredging industry. The total dredging requirement between FY11 and FY15, including minor ports, is estimated to be 996 million cu. m. Of this, maintenance dredging alone is expected to account for 414 million cu. m.

Containerized traffic

The start of India's first International container transshipment terminal (ICTT) at Vallarpadam in Kochi is expected to boost containerized cargo traffic and reduce the cost and transit time of container traffic to and from the country. The terminal will have a capacity to handle 1 million TEUs (twenty-foot equivalent units).

Anti piracy operations

A suitable standard operating procedures for navy and co-ordination with other navies is being focussed on by the Government. A separate statute with provisions to effectively tackle the problems faced would help in dealing with the same.

Recommendations of draft coastal shipping policy

The draft coastal policy recommendation provides a solution to the obstacles faced by coastal shipping. **“The development of river sea vessels (RSV) to reduce shipping costs is one of the key things which should be considered”**, recommends **Samir Kanabar**. The development of coastal shipping is not only in the hands of the Directorate of Shipping and the Ministry of Shipping alone. It requires the co-operation of other ministries such as the Ministry of Finance, Ministry of Road, Transport and Highways, Ministry of Railways, Ministry of Petroleum and Natural Gas for the development of coastal shipping.

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