

# Indian maritime sector—on the cusp of revolution

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India, today boasts of a modern shipbuilding and shipping sector, replete with all the variables necessary for overall industrial growth (Image: Shailesh Andrade / Reuters)

There are two geographical factors that put the Indian maritime sector at an advantageous position – the vast coastline of 7,500 km and the strategic location along most major shipping highways. For years, the maritime routes have been used for trade and a show of strategic strength. Today, the country boasts of a modern shipbuilding and shipping sector, replete with all the variables necessary for overall industrial growth.

Combined, these factors provide a strong basis to attract big investments in the Indian maritime sector. In fact, as per Prime Minister Narendra Modi, the sector has huge potential to become, “the engine of growth” for India.

Increased investments together with the ‘Make in India’ impetus can increase the

sector's contribution to GDP and trade volumes. The government has launched a number of major initiatives such as the Sagarmala project, ports modernization and Inland Waterways & Coastal Shipping development. The increasing public-private partnership in response to these initiatives adds to the vibrancy of the sector and is a clear sign of resurged interest in its potential. What this also means is that public and private players are now more eager than ever to play a bigger role.

While the positive signs of progress in the sector have opened up massive opportunities, they have also exposed bottlenecks to progress. It is crucial to unblock these bottlenecks and capitalise on the opportunities to give direction to the country's maritime sector.

**Initiatives for sustainable growth** The government has unveiled a host of initiatives aimed to develop and then sustain growth of the sector. As part of the governments push to fast-track investment in the sector, a host of business-friendly policies have been introduced. These range from modernising existing port infrastructure and creating new ones, to promoting green energy, IT development and most importantly skilling the talent to sustain the operation of the structure.

The Sagarmala (string of ports) project, centred on the modernisation of ports and development of infrastructure is considered to be one of the best initiatives to increase the competitiveness of the Indian maritime sector.

Under this project, the government plans to develop 12 coastal economic regions with an estimated investment of Rs 12 Lakh Crore. These resulting projects would see the development of manufacturing hubs, supported by port modernisation projects. It would lead to tremendous employment opportunities, estimated at four million direct and six million indirect jobs, and empower coastal communities through skilling programmes. So far, projects worth Rs 1 Lakh Crore (USD 15 billion) under Sagarmala programme are at various stages of implementation and development.

The zeal displayed by the government to holistically develop sectors of the economy has rubbed off on the marine sector as well. Seeing the success of introducing business conducive policies in sectors such as manufacturing, IT, aviation, defence etc, the government has introduced similarly targeted policies in the marine sector. The government recently introduced the Major Ports Bill to provide greater autonomy to port boards so that decision-making is quick and transparent.

It has finally granted infrastructure status to shipyards. This will enable shipbuilders to avail cheaper long-term financing for Indian shipbuilding and ship repair industry. Additional incentives such as Income tax exemption for infrastructure development including ports and a 10-year tax holiday to enterprises engaged in developing ports have also been introduced. A 70 percent abatement of service tax on coastal shipping brings the fares at par with road and rail. Additionally, central excise duty has been exempted on capital goods, raw materials and spares used for repair of ocean going vessels. Given the present governments openness to Foreign Direct Investment, it is expected the same would be implemented for the marine sector. If the industry response to 100 percent FDI in critical sectors such as aviation and defence manufacturing sectors is to be seen as a barometer, it would be a step which would be welcomed in the marine sector.

A Foreign Direct Investment of up to 100 percent and an augmented shipbuilding and ship repair policy will provide huge investment opportunities.

There is much promise in the government's Maritime Agenda 2020 that looks not just at expanding India's port capacity to 3,130 MT, but also at augmenting existing port performance.

'Project Green Ports' focuses on sustained growth from an environmental perspective. It aims to install 160.64 megawatts of solar and wind based power systems at all the major ports across the country.

The government has also signed several MoUs with countries such as Korea and Egypt for cooperation in development of ports, sharing of technology, manpower training and stimulating steady growth of maritime traffic.

These initiatives clearly show the priority the government has given to the maritime sector and the expectation that it will be a key driver of the Make in India programme.

### **Looking towards the future**

There are clear signs that the Indian maritime sector is set for steady growth. The progress could be faster if these key areas are looked into:

#### *1. Speedy modernisation/improvement of infrastructure*

Early completion of various projects in the logistics chain is crucial to meet the heavy traffic projections for the future. An efficient intermodal system is vital to the success

of a port as it supports seamless movement of cargo across all modes - ship, rail and truck. In fact, a government report says that due to poor port infrastructure and productivity, India's trans-shipment cargo is handled at South Asian hubs like Colombo or Singapore, which costs Indian ports around USD 230 million in revenue annually.

## *2. Pursuing 'Make in India'*

The 'Make in India' initiative offers tremendous opportunities in the maritime sector, particularly in shipbuilding and ship repair industry. Its strategic role in tapping all Indian vessel requirements within the country and the benefits of a vibrant shipbuilding industry cannot be overemphasized. The government's shipbuilding policy provides a boost by encouraging Indian shipyards to bag foreign orders in a more aggressive manner and meet the requirements of Indian ship-owners.

A cost-effective & skilled manpower base, established steel industry, technology know-how and an increased demand in domestic shipbuilding could enhance India's global shipbuilding share from one percent to five percent by 2020.

The Indian Navy too is giving a strong push to the Make in India initiative as it strives for self-reliance in the production of warships. A plan to manufacture LNG vessels at the Cochin Shipyard has also been approved. Other Indian shipyards have developed investment plans and accessed capital markets to play an increasing role under the Make in India programme.

## *3. Partnerships with successful maritime countries for technology and manpower*

The Indian maritime sector needs to be constantly on the lookout for technologies and advancements that help save cost and deliver more for less. A major way could be through partnerships and collaborations with successful maritime clusters especially in areas of ship design, automation and technology. Such collaborations can improve efficiency and enhance competitiveness. Also in view of the recent regulations to control emissions from ships set by International Maritime Organization, there will be a growing need to collaborate for environment-friendly technology & solutions, such as LNG powered vessels.

The other key area that could benefit from partnerships and technological assistance of maritime countries will be training & development of manpower to bring the frontline workforce up to speed on world-class manufacturing techniques and processes. The academia can also look at establishing university partnerships to encourage

innovation, knowledge sharing and transfer.

#### *4. Active development of maritime clusters*

Clusters induce innovations, create employment opportunities, attract foreign investors and also spark new ideas. Shipbuilding clusters and maritime parks are some of the concepts practiced in top maritime nations. The government has identified two major maritime clusters in Tamil Nadu & Gujarat similar to the global success stories in Japan and South Korea. These clusters will focus on developing various components of the maritime cluster like ship building & ancillary services, maritime services, promoting maritime tourism and marine products. Given the manufacturing strength, size of the ports and synergies with other steel ancillaries, both the identified locations for maritime clusters can attract business and improve the overall economics for the cluster participants.

We should foster cluster development and encourage ancillary industries and more indigenous components. Clusters will also encourage public-private partnerships and will be a key enabler in attracting new technology, fostering strategic alliances and boosting investments.

#### **Conclusion - A promising future**

As it grows to be one of the major economies in the world, India will require a vibrant and strong maritime industry for economic as well as strategic reasons.

There are many factors conducive to the development of a robust and sustainable maritime sector. Finally, it will depend on how the different stakeholders utilise the opportunities presented to them to transform the sector into an engine of growth for India. Therefore, while 2016 was viewed as the year for enabling the maritime sector's transformation, it seems India is on the cusp of major maritime revolution which will play out over the next couple of years.

*- By Kishore Jayaraman, President, Rolls-Royce, India & South Asia*