

# *Sagarmala Project – Complexities & Opportunities*

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**ABSTRACT**---Sagarmala Project was originally mooted by the National Democratic Alliance (India) Government under Atal Bihari Vajpayee in 2003. The program aims to promote port-led development in the country by harnessing India's 7,500-km long coastline, 14,500-km of potentially navigable waterways and strategic location on key international maritime trade routes. The project was expected to reduce cost and time for transporting goods, benefiting industries and export/import trade as 90% of World trade is carried by sea. Under Sagarmala Programme, 415 projects, at an estimated investment of approximately ₹7.98500 lakh crore, have been identified across different themes over the period 2015 to 2035.

## **KEYWORDS**

- 1) *Port-led development*
- 2) *Navigable waterways*
- 3) *Strategic location*
- 4) *Reduce cost and time*
- 5) *Investment*

## **I. MAIN TEXT**

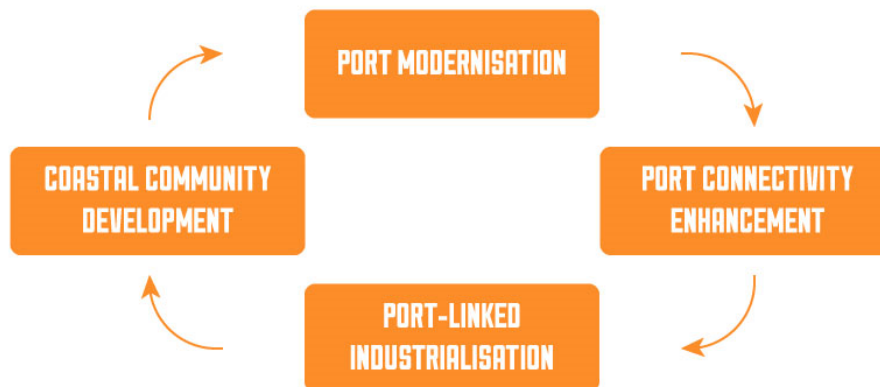
*What is it?*

The Sagarmala is a series of projects to leverage the country's coastline and inland waterways to drive industrial development. It was originally mooted by the Vajpayee government in 2003 as the waterways equivalent of the Golden Quadrilateral. Sagarmala, integrated with the development of inland waterways, is expected to reduce cost and time for transporting goods, benefiting industries and export/import trade. Under Sagarmala Program, 415 projects, at an estimated investment of approximately ₹7.98500 lakh cr (US\$120 billion), have been identified across port modernization & new port development, port connectivity enhancement, port-linked coastal economic zone industrialization and coastal community development for phase wise implementation over the period 2015 to 2025.

<b>S. No.</b>	<b>Project Theme</b>	<b>No. of Projects</b>	<b>Project Cost (Rs. Cr)</b>
1.	Port Modernisation	189	₹1,428,280 million (US\$22 billion or €19 billion)
2.	Connectivity Enhancement	170	₹2,305,760 million (US\$36 billion or

			€30 billion)
3.	Port-Linked Industrialisation	33	₹4,208,810 million (US\$66 billion or €56 billion)
4.	Coastal Community Development	23	₹42,160 million (US\$660 million or €560 million)
	Total	415	₹7,985,000 million (US\$120 billion or €110 billion)

*The initiative revolves around 4 key pillars*



While logistics costs in India currently stand at 19% of GDP, the Sagarmala Programme aims at unleashing the potential of Indian ports to reduce costs and hence boost the country's trade competitiveness.

- Port modernisation and new port development*

Augmenting the capacity of current port infrastructure and creating new ports is important to promote export driven growth. With massive cargo volume growth anticipated by 2025, there emerges a need for port upgradation and new infrastructure. Under the Sagarmala initiative, the Government plans to develop six new ports across five coastal states of India. 189 projects with a projected cost of USD 21 Billion have been identified. Currently, 42 projects worth around USD 3.6 Billion are under implementation. The MoS (Ministry of Shipping) is also pushing for improved transshipment capacity by developing transshipment ports and hubs. This is likely to bring down operations costs for shipping lines for exporters and importers. Vizhinjam (Kerala) and Enayam (Tamil Nadu) have been identified for development due to their geographical proximity to international shipping routes.

*Proposed Mega Ports*

S.No.	New Port Location	State	Present Status

1.	Sagar Island	West Bengal	Approval obtained for setting up Major Sea Port <u>Sagar Port</u> at Sagar Island. DPR prepared. Viability being re-examined in view of announcement of new port <u>Tajpur Port</u> at Tajpur by State Govt. of West Bengal.
2.	Paradip Outer Harbour	Odisha	DPR under preparation.
3.	Sirkhazi	Tamil Nadu	Techno Economic Feasibility Report (TEFR) prepared.
4.	Enayam	Tamil Nadu	In principle approval obtained for setting up Major Port at Enayam. DPR under preparation.
5.	Belikeri	Karnataka	Techno Economic Feasibility Report (TEFR) prepared.
6.	Vadhavan	Maharashtra	DPR under preparation.

- *Port connectivity enhancement*

Enhancing port connectivity is quite a challenge in India, where trade connectivity is mostly based on road and rail infrastructure. Considering that improved port connectivity can provide the much needed boost to internal trade as well as Export and Import, 170 port connectivity enhancement projects have been identified as a part of Sagarmala at a projected cost of USD 35 Billion. In addition, the new National Waterways Act, 2016 aims to facilitate the use of 111 inland waterways across 24 states as sustainable mode of transport. With the law's enforcement, several inland waterways would become National Waterways and come under the stipulated regulations for development.

- *Port-linked industrialisation*

The 33 port-linked industrialisation projects at a projected cost of USD 65 Billion, anchored by the Sagarmala Project will complement the Make in India vision. Coastal Economic Zones (CEZs) have been proposed as economic regions hosting industrial clusters. CEZs are aimed at reducing time and costs required for Export/Import movement and domestic cargo, thus becoming a focal point of Port-linked industrialisation. In addition, they have the potential to create direct and indirect employment of 4 million and 6 million respectively.

- *Coastal community development*

Coastal communities are important stakeholders of developmental activities within coastal regions. With 72 coastal districts hosting 18% population of India, the development of these communities becomes an integral aspect of overall socio-economic development of the country. Under the Sagarmala initiative, the plan is to involve these communities in the overall progress of the region. 23 projects have been identified so far under this aspect of the initiative, which will be funded by MoS and Department of Animal Husbandry Dairying & Fisheries (DADF)

*Why is it important?*

India is located along key international trade routes in the Indian Ocean and has a long coastline of over 7,000 km. Yet, capacity constraints and lack of modern facilities at Indian ports tremendously elongates the time taken to ship goods in and out of the country and has held back India's share in world trade.

Developing rivers as inland waterways can also help save domestic logistics costs too. Transport costs are high in India – 18 per cent of GDP, compared to less than 10 per cent in China.

Port infrastructure and linkages have been frankly a sinking ship and initiatives such as Make in India cannot take off without better port infrastructure. This has led to expectations that Sagarmala could boost India's merchandise exports to \$110 billion by 2025 and create an estimated 10 million new jobs (four million in direct employment).

## ***II. Sagarmala project to strive for holistic development of India's maritime sector***

If Prime Minister Narendra Modi's Sagarmala project goes per plan, India will be witness to a holistic development of ports for the first time. So far, the centre and the states have been pursuing port development haphazardly in their own separate ways.

For long, the growth of India's maritime sector has been hampered by many procedural and policy related challenges, the most important among them being the presence of a dual institutional structure that has led to the development of major ports (those owned by the central government) and non-major ports (those owned by the state governments) as individual projects. The involvement of multiple agencies in the development of infrastructure to promote industrialization, trade, tourism and transportation across the country is another deterrent.

Lack of infrastructure for evacuation of cargo at major and non-major ports leading to a sub-optimal transport modal mix, limited hinterland linkages and its impact on transportation costs, limited development of coastal areas for manufacturing and economic activities, low penetration of coastal and inland shipping, lack of scale and deep draft at ports also contributed to the skewed growth.

The blueprint of the Sagarmala project—an infrastructure-cum-policy initiative being readied by the shipping ministry—seeks to allow the central government to have a say in the development of non-major ports without adopting a confrontationist approach with the state governments.

The initiative, according to the ministry, will strive to tackle all the challenges by focusing on port modernization, efficient evacuation and coastal economic development through a structured framework for ensuring inter-agency collaboration and integrated development. It will provide the necessary institutional framework to enable the central and state authorities to work together for ensuring inclusive growth.

A key element of the project is the setting up of some 10 coastal economic regions (CERs), which will be the focal point for economic development along India's vast coastline of over 7,000km. Each CER will hold an integrated and comprehensive plan of the area, combining the growth potential of various industrial clusters and economic activities with the upgradation and development of both major and non-major ports simultaneously. The CER will also develop transport systems for land- and water-borne evacuation of cargo from and to the ports on a regional basis, thus ensuring an optimal modal mix.

By linking major and non-major ports, industrial clusters and evacuation infrastructure into a single system at a larger regional level, a CER will enable seamless and efficient movement of cargo through gateways, thereby allowing ports to enhance competitiveness and offer multiple freight options to customers.

Ports will thus be able to actively participate in driving the economic development of a wider region, which is similar to the role large global ports are playing in their respective countries.

The shipping ministry says this will need enabling policies, institutional framework and appropriate funding mechanism for promoting collaborative development.

The Sagarmala project would be implemented by a company set up at the national level. Each CER will be developed through a special purpose vehicle having equity participation from the state government concerned and the company. The management of the CER special purpose vehicle would vest with the state government.

### ***III. Sagarmala: Problems Holding Back Coastal Shipping In India And How To Fix Them***

Coastal shipping in India is facing several problems, including higher expense per tonne in comparison to road and rail. The Modi government's ambitious Sagarmala project needs to address these issues on a priority basis.

Experts believe that the problems beleaguering the sector are due to high taxes and lack of finances.

Managing Director of Link Shipping and Management Captain Kiran Kamat said that investment in smaller ships was zero, resulting in higher costs of transporting goods by ships than by road or rail. Shipping regulation is also stricter, and so unlike trucks, ships cannot be overloaded.

Ashok Chowgule, Joint Managing Director of Chowgule & Co, said that previous attempts at operating on the coast with second-hand ships had failed, signalling to potential investors that the sector was unviable. He

suggested that the Reserve Bank of India ease its norms on loans and increase loan terms to match the life of ships rather than the current seven years.

Another problem for the industry is dredging in small ports. Lack of dredging makes it difficult for ships to enter when there is a low tide. The Dredging Corporation of India is ill-equipped to dredge ports. A number of smaller ports have not been dredged in the last ten years.

The industry wants shipping and ship-building to be in sync, but that isn't happening either because there is no demand for smaller ships.

Developing green channels at all ports, along with a dedicated coastal shipping policy by all maritime states will help, says Jagannarayan Padmanabhan, Director-Transport, CRISIL Infrastructure Advisory.

### *Concerns with Sagarmala project*

*Why in news?*

The government has approved creating 14 coastal economic zones (CEZs) in JNPT, Maharashtra under Sagarmala Project.

*What is the recent announcement about?*

The Jawaharlal Nehru Port Trust in Maharashtra has approved for the creation of 14 CEZs. Reports suggest that 45 companies from the telecom, technology, and automobile industries are expected to bid for them. Since the JNPT accounts for 40% of India's trade, the zone expects to attract investment worth Rs 15,000 crore and create 1,50,000 jobs in the first phase.

*Is CEZ(Coastal Economic Zone) model effective for Sagarmala?*

Sagarmala project which is based on CEZ seems to have become a casualty of the chronic problem of land acquisition. For Sagarmala project, the land requirement could extend from 300 km to 500 km adjacent to deep-water ports. Reports suggest that several projects have hit roadblocks either on account of high prices or limited land availability. Investors are very cautious of investing in CEZs because they do not attract the provisions of

“Eminent domain”. This provides for some 13 exceptions such as railways and coal-bearing tracts from the requirement of prior consent. In all, the feasibility of these economic models for infrastructure projects is uncertain without tax concessions and relaxations in labour laws that investor community expects.

#### *Quick Facts*

##### *SEZ (Special Economic Zone)*

Special economic zone (SEZ) refers to designated areas with special economic regulations that differ from other areas. These regulations are especially conducive to foreign direct investment. A company doing business in an SEZ usually receives tax incentives and the opportunity to pay lower tariffs.

##### *CEZ (Coastal Economic Zone)*

Similar to SEZ, the CEZ focuses on coastal development. CEZs are aimed at promoting development of port-proximate industrial clusters, encouraging port-led development, reduction of logistics cost and time for movement goods.

#### ***IV. Integrated Development at the Core of Sagarmala Project***

Under the project, 12 smart cities will be developed near ports with an investment of Rs 50,000 crore. These will be integrated townships that will have affordable housing and implement green initiatives for sustainable living. The government has identified 1,208 islands for development along with 189 light houses. This is likely to boost both domestic and international tourism significantly.

Giving boost to economic activity near coastal locations, Coastal Economic Zones (CEZs) will be established. These CEZs will be planned with modern support infrastructure and adequate fiscal incentives to attract investment. Kandla Port in Gujarat, for instance, has around two lakh acres of land in its possession and has been identified as a potential CEZ.

#### ***V. Why is Sagarmala Project So Crucial for India?***

India is bound by sea on three sides and has a 7,516.6 km coastline, making it the 7th largest in the world. Therefore, it is only natural that Indian ports handle 90% of the export-import trade volume. But that does not tell the entire story. The railways contribute 9% to the GDP, the road sector contributes 6%, whereas the ports' share of GDP is only 1%! This contradiction reflects the vast potential for development of coastal cities and ports.

India suffers from poor port linkages, under performance of existing port infrastructure and lack of developed infrastructure near ports, for value addition of inbound or outbound merchandise. Along with this, an inefficient inter-modal transport connectivity results in high cost of logistics and exports. The share of merchandise trade in GDP for Germany is 75%, and for European Union it is 70%. For India, it is 42%. The Sagarmala project aims to improve this.

The present government has therefore prioritised the development of coastal cities, along with existing and new port development, as growth drivers.

## CONCLUSION

Increasing the share of coastal shipping and inland navigation in the transport modal mix is one of the key objectives of the Sagarmala Programme. In order to equip ports for movement of coastal cargo, the scope of coastal berth scheme has been expanded and merged with Sagarmala Programme. Under the scheme, the financial assistance of 50% of project cost is provided to Major Ports/State Governments for construction of Coastal Berths, Breakwater, mechanization of coastal berths and capital dredging. Rs. 152 Cr has been released for 16 projects under this scheme. In addition, Cabotage has been relaxed for a period of 5 years for specialized vessels like RO-RO, RO-PAX etc.

To augment transshipment capacity in the country, Vizhinjam (Kerala) and Enayam (Tamil Nadu) are being developed as transshipment ports. Vizhinjam is being developed as transshipment hub under PPP mode by Government of Kerala with Viability Gap Funding from Government of India. In principle approval has been obtained for setting up a Major Port at Enayam and its DPR is under preparation.

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