

The sagarmala project

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I. Introduction

trade is one of the major things which plays an important role in a country's GDP (Gross Domestic Product). India is the seventh largest nation of the world and is surrounded by sea from three directions, which makes it one of the longest coastlines of the world. Considering such a vast coastline of more than 7,500 Km India should ideally do more than 90 per cent of its import-export through sea, which is not how it happens and thus there is a huge gap in what we have and what we are currently doing.

Ironically, the ports contribute to just 1 per cent of the entire GDP, whereas the road sector contributes 6 per cent and railways 9 per cent towards the GDP. There is a huge contradiction in what we can do with our coastlines. If we identify as to what is the reason for such a poor contribution of ports towards the GDP, we would find that it is nothing but inadequate linkage of ports and poor infrastructure, which leads to such a meagre utilization of ports. So it is very important and the right time that our Indian Government implemented this project towards "blue revolution", which is the Sagarmala Project.

History

In 2003, then PM Vajpayee proposed the Sagarmala project with the following objectives:

1. To set up Sagarmala Development Authority (similar to NHAI)
2. To gain money via maritime development taxes
3. To improve ports, Indian shipping industry, inland waterways and coastal shipping.

II. Need to have such projects in India

1. Ships entering Indian ports need to sign around 150 documents, multiple inspection layers and go through high tariff rates, as a result Indian ports have high turn-around time compared to other countries. Indian ports have a turn-around time of about 4 days, Chinese ports have about 12 hours and Singaporean ports have only 4 hours.
2. India has about 12 major ports, but the tonnage of all these ports combined cannot compete with Shanghai port alone.
3. Tax per ton of cargo is very high.
4. Large vessels cannot enter Indian ports.
5. India has only three LNG terminals, while other smaller countries have even more.

III. Hindrance behind the Sagarmala project

The growth of India's maritime sector is constrained due to many developmental, procedural and policy-related challenges, namely,

1. involvement of multiple agencies in development of infrastructure to promote industrialization, trade, tourism and transportation;
2. presence of a dual institutional structure that has led to development of major and non-major ports as separate, unconnected entities;

3. lack of requisite infrastructure for evacuation from major and non-major ports leading to sub-optimal transport modal mix;
4. limited hinterland linkages that increases the cost of transportation and cargo movement;
5. limited development of centres for manufacturing and urban and economic activities in the hinterland;
6. low penetration of coastal and inland shipping in India, limited mechanization and procedural bottlenecks and lack of scale, deep draft and other facilities at various ports in India.

The blueprint of the Sagar Mala 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.

IV. Current scenario of Indian coastline and Indian Maritime Industry

considering India’s coastline, population and capital we have not really succeeded in modernising and equipping our ports at par with certain smaller nations leave alone the bigger and developed ones. nations like Netherlands, Dubai, Korea although don’t have as big coastline as India but they still have better developed ports. This is because they have used modern techniques to facilitate import and export

the following are the current facts about Indian Maritime Industry:

1. at 7.3% GDP, India is worlds fastest growing nation.
2. India’s marine export import trade has been growing at a rate of 4.5% YoY (5-year volume CAGR) and accounts for 95% of India’s trade by volume and 68% in terms of value.
3. India’s main trade commodities are crude oil and petroleum products. Bulk commodities such as coal, iron ore, and containerized cargo.
4. Cargo traffic of Indian ports increased by 8.2% for the year 2014-15.
5. Indian maritime industry continues to be a leading ship breaking destination with 30% share.
6. India’s position in “doing business” annual report published by world bank continues to be less favorable.
7. The latest rankings, place India 130th position among 189 economies, lower than its BRICS counterpart.
8. Share of Indian trade carried by Indian flag vessels sink to below 9% during 2014-15 as compared to more than 40% in 1987-88

	India	China	US
Contribution of maritime sector in GDP	1%	3%	10%
Number of shipyards	7	70	45
Number of ports in global top 20	0	9	2
Container traffic in million TEU	11	185	44
Average annual growth in container traffic	0.5%	10%	0.4%
Contribution of waterways in domestic transportation	Less than 1%	24%	6%
Average turn around time of ships	4.5 days	1 day	1.2 days

Comparison of India, China, US on few port related factors

Comparative impact of port-led development on economies of India and China

	India	China	China/India
Land mass(MN sq. km)	3.3	9.6	3x
GDP	1.9	9.2	5x
Cost of energy (cents/KWh)	19	11	-42%
Electricity production(bn KWh)	1000	5000	5x
Petroleum	07	46	7x
Steel production(MN tons)	87	823	10x
Cement production(MN tons)	280	2480	9x
Container traffic(MN TEU)	11	174	16x
Merchandise export(USD bn)	317	2343	7x
Mobile subscribers(MN)	1000	1290	1.29x
Internet subscribers(MN)	354	659	2x

V. Proposed impact from project sagarmala by 2025

1. infrastructure investment and mobilization of around INR 40 lakh crore.
2. Share of waterways (inland and coastal) will be doubled from current 6% to 12%
3. INR 35000 crore-40000 crore logistics savings per annum.
4. USD 110 billion boost to exports.
5. 40 lakh direct jobs and 60 lakh indirect jobs which makes total of 1 crore jobs.

VI. Projects identified under sagarmala

The concept of “port-led development” is central to vision of sagarmala project and is dependent on the following four pillars.

- i. Port modernization
- ii. Port connectivity
- iii. Port-led industrialization
- iv. Coastal community development.

In order to get maximum out of our ports we need to develop the four pillars and that is being done by:

1. Port efficiency improvement
2. 40+ capacity enhancement projects at major ports.
3. 6-8 new ports
4. coastal and inland waterways project.
5. Port and industry connectivity- 80+ connectivity projects and 7 dry ports
6. 14 coastal economic zones
7. 12 high potential industries across sectors like energy materials and discrete
8. skill development
9. uplifting fishermen and other local communities
10. island development
11. tourism development

VII. problems faced for “port-led development”

1. **port modernization**- increasing port efficiency facilitates trade. India has coastline of around 7500km with 12 major ports and about 200 notified non-major ports. The ports are main intermodal units acting as exchange point between modes i.e. sea and land. Indian ports are generally small and most lack necessary draft to handle largest vessels. The average size of a container vessel calling at Indian ports is around 5000 TEU and while for china it around 12000 TEU. At JNPT- India’s largest container port-draft is 14m while the capsized vessel requires upwards 16m.
2. **port connectivity**-port connectivity is the second pillar of port-led development model under sagarmala project. It aspires to provide the most optimal mode of evacuation to/from ports for cargo. Providing adequate connectivity to ports I challenge in India. Even modern ports that have world class equipment can have their turnaround time increased because of poor connectivity. The main challenges

to port connectivity are underleveraging of domestic waterways, severely constrained rail infrastructure around key routes, sub optimal modal mix for container freight, poor connectivity to west coast ports through the western Ghats and constrained last mile connectivity between ports and key industrial hinterlands.

3. **Port led industrialization-** this is the third pillar of port-led development. Ports play a crucial role in reducing logistics costs and facilitate export oriented manufacturing by reducing export time and variability. Several countries with coastline have leveraged ports for aiding industrialization.

VIII. Steps taken by Government of India to boost Indian shipping industry

1. Acquisition of all types of ships under the Open General License (OGL)
2. 100% foreign direct investment (FDI)
3. cargo support- Right of first refusal (ROFR)
4. Free On Board (FOB) import.
5. Tonnage tax replaced by corporate tax.
6. Increase use of Indian flag ships in local pacts

IX. Steps taken up by ministry of shipping under sagarmala project

1. Shipping ministry formed new Committee to setup two major ports
 - a. Sagar, West Bengal.
 - b. Dugarajapatnam, Simandhra.
2. Together they'll add new port capacity of 100 MTPA.
3. Established Indian maritime university @Chennai, with campuses in Kochi, Kandla, Kolkata, Mumbai to address the manpower issue.
4. 100% FDI permitted for port development projects (automatic route), along with reliefs in Income tax for such investors.
5. 12th FYP aims to add ~2500 MTPA port capacity.
6. PPP projects approved at Mumbai, Ennore, Kandla and Kolkata ports DBFOT- Design, Build, Finance, Operate and Transfer basis.
7. Released guidelines on New Land Policy for Major Ports- to help them leverage their land resources for commercial advantage.
8. Ford signed an MoU to export the cars from Chennai plant via Ennore Port for next ten years.
9. Tadadi, Karnataka: proposal to setup a new Greenfield Seaport here.
10. 4th Container Terminal at JN Port
11. Automatic Identification System (AIS) system and Vessel Traffic Management Services (VTMS) in all the Ports.
12. Statutory body: DG Shipping to implement Merchant Shipping Act and perform regulatory functions (Like DGCA in aviation sector)

What can be done alternatively in order to get maximum out of sagarmala project

1. It is known that customs of US and other European countries are very strict but efficient, similarly Indian customs are very strict but they are not all that efficient. By

making Indian customs more efficient and reducing their paper work we can attract more ships and reduce their turnaround time significantly.

2. Increase in involvement of defense services to increase transparency in port related activities
3. It is not hidden that ships calling Indian ports have to go through the tiring process of paper work, however if we reduce their paperwork like other countries, we will be able to reduce their turnaround time significantly.
4. Project sagarmala is concentrating on port modernization but it is not considering the fact that even though we have modern ports that does not mean that we have sufficient storage facility, and hence it becomes a need of the hour to increase the storage capacity of all the ports.
5. India needs to concentrate more on 'make in India' campaign, this can be done by increasing the import of raw materials and increasing export of finished goods. By doing this we can increase contribution of maritime sector towards GDP significantly.
6. India has more than 200 maritime training institutes, out of which majority are not even recognized. So it becomes important to emphasize on quality training.
7. Increasing use of inland waterways and coastal waterways.
8. Encouraging modal shift by enforcing laws.

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