Coastal Shipping –
The Neglected Mode of Transportation

A three prong plan consisting of a workable policy, fiscal incentives and infrastructure would ensure development of the Indian coastal shipping sector and strong growth going ahead with India’s economic growth; says, Siddharth Paradkar, Principal, Logistics Practice, Tata Strategic Management Group.
Coastal shipping – A Background

India has a long coastline, spanning 7516.6 kilometres, forming one of the biggest peninsulas in the world. It is serviced by 13 major ports (12 government and 1 corporate) and 187 notified minor and intermediate ports. These ports account for nearly 90% (by volume) of India’s international trade. Yet, coastal shipping accounts for only 6 per cent of the country’s total domestic freight (on a tonne-km basis) (Fig 1).

The explosive economic growth as seen in India over the past decade has led to congested roads and over burdened railway network. India has 4 million kms of roads, accounting for nearly 60% of the domestic traffic of which the National Highways’, which are 1.7% of the network, carry as much as 40% of the road freight. The Indian Railway network, one of the largest in the world is overburdened and operating at over 100% utilization. While there are numerous projects for up gradation are under way. These projects are unlikely to keep pace and meet the future demand.

Carriage by Sea – An advantage

Coastal shipping – or short sea shipping is an alternate mode for transportation that can help address the challenges faced through use of road and rail. World over use of sea/waterways for transportation is a much more prevalent mode (Fig 2). From the chart below it is apparent that India as a very significant dependence on road to move cargo. In the case of China, waterways have a larger share than that of road.

There are many inherent advantages of this mode of transportation. Coastal shipping or use of water as a mode of transportation is much safer, more economical and less polluting. It is clearly evident from the numbers represented in the chart. Waterways are 50% cheaper than road and nearly 30% cheaper than rail. The coastal leg, apart from being more fuel efficient, can also carry larger parcel sizes and provides a great opportunity for consolidation of loads.

Challenges

Looking at the statistics and also looking at the global penetration, there is a compelling case for a modal shift of freight from road and rail to waterways. So, why is it that only 6% domestic cargo moves through the coastal mode? There are many reasons that contribute to this low utilization.
Regulation/Legislation: There is a definite need for bringing in a comprehensive coastal shipping policy. The Ministry of Shipping, Government of India is working on a new policy to promote coastal shipping. This document is expected to address concerns around fiscal incentives, infrastructure and regulations like less stringent manning norms and freedom from customs.

<table>
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<th>Factors impeding growth of Coastal shipping</th>
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<td>1. Legislation / Regulation</td>
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<td>2. Inadequate infrastructure at ports</td>
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<td>3. High Port Charges</td>
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<td>4. Awareness</td>
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Infrastructure: While there is general shortage of infrastructure for vessel and cargo handling at Indian ports. There is a need for dedicated infrastructure to handle coastal vessels. There is need to improve operating efficiencies and bring down the overall cost for users. Increasing the draft at many of the minor ports and developing rail and road connectivity are some of steps required. To further augment the connectivity and usage, we need to build terminals and handling facilities on our inland waterways, so that the 14,500 kilometers of river network can be used and connected with the ports.

Awareness: Expanding the cargo profile, today composition of the domestic cargo is basically dominated by POL, Coal and Iron ore – constituting 90% of all cargo. There is a need to promote container and general cargo.

Consistency of Service: To promote greater use of our coastline and inland waterways for freight movement, there is a need to address the concerns of the user community, without whom there can be no growth however much we may develop the infrastructure or amend policies. There is need to have reliability of service, regular frequency, simplification of administrative requirements and most of all development of a complete door to door multimodal solution with coastal linkages. Coastal shipping cannot be a standalone solution. Considering the geographic expanse of the country, there is a need for integrating coastal shipping into the transport network, in ways such that the waterways would supplement the rail and road network and by doing so ease the burden on them.

The Way Forward

Need to promote other types of cargo is critical step; containerized cargo has been growing at a steady rate both in the Exim as well as domestic. Ro-Ro movements to meet the demands across the country along with other general cargo could provide the increment volumes needed to make coastal movement viable.

Change in the merchant shipping rules by permitting cabotage, simplification in the administrative requirements for enabling foreign flag vessels to operate on coastal routes. This would ensure higher availability of ships and more tonnage for coastal movement as against the current 100 plus (apart from tugs, dredgers, OSVs) with a DWT of about .7 million.

The future of the port sector in India, especially for the minor ports hinges a lot on coastal movement and inland waterways. Minor private ports have to play an extremely critical role in the development of coastal shipping. The government needs to encourage PPP models for development of infrastructure at ports and rivers to develop connectivity and promote coastal movement. While the debate on cargo vs infrastructure has been ongoing, the port developers need to build capacity for attracting domestic cargo and by doing so reduce waiting time and improve operating efficiencies.

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