

The current state of Indian Shipping

Of the \$30 billion Indian export and import freight market, only 8 per cent is carried by Indian flagged or controlled vessels. This in itself is a compelling reason to justify the necessity to expand our Indian controlled tonnage. Moreover, as we are poised to become a world economic power it is imperative that we work on enhancing our presence in our own freight market and also in that of the international market.

Shipbuilding capacity

With 21 major shipbuilding facilities and numerous other minor shipyards, India has ample infrastructure to build the immediate requirement of ships. If we look at the past performance of the shipyards we can see that it is not the lack of infrastructure but it is the lack of productivity and management that hampered timely deliveries and hence damaged the reputation of the industry. There is room for improving Indian Shipbuilding productivity.

How to improve productivity?

Major drivers that improve the productivity in shipbuilding are:

- Supportive government policies
- Favourable taxation and financing
- Access to subsidies
- Domestic production of raw material like steel and marine auxiliary equipment
- Availability of modern indigenous ship design
- Skilled shipbuilding personnel like shipyard managers, designers, engineers and workers

In the past, government did have incentives in place for shipbuilding. Among many others there was a 30 per cent shipbuilding subsidy available to shipyards until 2007. There was a worldwide shipbuilding boom starting from 2003 when Indian shipyards received a disproportionately large number of export orders compared to previous years. However, most shipyards failed to deliver the ships resulting in massive order cancellations and the inability to benefit from the subsidies.

The industry was deficient in recognizing the need to encourage and promote Ship design capability within the country save for some effort

from the private sector. Ship design is the foundation on which a ship is built and the single most important factor that determines quality, timely delivery and profitability. The industry did not significantly invest in training shipbuilding personnel. There was not enough Academia-Industry interaction to produce an effective curricula that was required for ship design, shipbuilding, shipyard management and project management. It did not develop a build strategy such as adopting modern shipbuilding practices or acquiring such know how despite building new infrastructure. There was a mismatch between the existing infrastructure and the type of ships built compounded with a lack of application of modern technologies.

However, the public sector undertaking like Cochin Shipyard delivered more than 40 vessels in high quality and in good time starting from 2003. This demonstrates that while the government has a major role to play, the industry also has its own responsibility to grab all avenues open to them to improve their productivity and profitability.

Impact of new maritime policies

The current Indian Government having realized this enormous deficiency of Indian flagged or controlled tonnage has come up with several policies that will not only encourage expansion of Indian controlled tonnage but also fuel the growth of Indian Shipbuilding. These

TIME TO WAKE UP AND MAKE IN INDIA

A slew of opportunities face the domestic shipbuilding sector which include the need to expand the Indian flagged fleet, government's push to build in domestic ship yards through its 'make in India' campaign and fleet modernisation by the Indian Navy, this apart from the export opportunities. All the sector needs to do is streamline operations, upgrade technical expertise and capitalise on the newly implemented maritime policies, avers **Antony Prince**.



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policies once in place will not only prevent drainage of valuable foreign exchange but also be a force multiplier in way of creating additional job opportunities directly for seafarers, ship management personnel, ship builders and indirectly in various related fields like manufacturing, insurance, banking, legal, and service sectors.

One of such Government policies is the requirement to build in domestic Shipyards 3 nos. of LNG carriers out of 9 nos. that GAIL needs by 2017 to transport LNG from USA to India. By some estimates up to 40 LNG carriers will be required by 2025 to meet India's growing energy demands. This action sends a clear message that the country will emphasize on domestic shipbuilding and in future will insist on technology transfer as part of any overseas purchase contract.

The Government is sensitive to the industries' needs and ready to implement policies that will enhance their ability to meet the challenges.

The need for investing in shipping and shipbuilding

It is reasonable to think that since there is an overcapacity in Shipping and Shipbuilding overseas, India should capitalize on same by chartering surplus tonnage or purchasing foreign built ships at reduced costs. The logic cannot be fully accepted for the following reasons; first of all, India will be dependent on other countries for the shipping of its own cargo. This could have severe implications

at times of distress. Secondly, India will have no negotiating power in the international freight market. Thirdly, if we look at the modern Chinese history, they entered into ship owning and shipbuilding sectors in the early nineties when there was an overcapacity in global shipping and shipbuilding. However, they have made enormous expansion in ship owning and shipbuilding resulting in the growth of their manufacturing and logistics sector leading to a healthy GDP growth.

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India will therefore need to invest in shipping and shipbuilding, port infrastructure, steel and ancillary equipment industry in order to enhance its ability to meet trade requirements and to have a positive impact on its GDP. It will complement the current Government's "make in India" campaign and to increase a growth in manufacturing sector from 15 per cent to 25 per cent.

The opportunities available in the defence and the export sectors

Additional opportunities are available to Indian shipbuilders by way of exclusive building of Indian Naval Ships in Indian shipyards. The Indian Navy and Indian Coastguard have an ambitious program of investing nearly \$40 billion in building state of the art warships and support crafts that are required to modernize their aging fleet and meet the gap of vessels required to protect its vast coastal line and economic zone. Now it is the turn of the Indian shipbuilding industry to grab these favourable opportunities created by the government with clear cut policies and governance.

So far we only discussed opportunities for building ships for the domestic need. With abundant supply of skilled labour, engineers, and management graduates who can be trained in the shipbuilding sector, India has enormous ability to enter into export of high quality specialized ships like LNG, FLNG, FPSO, FSRU, Oil Rigs, Offshore support vessels, Research vessels, and Naval and Coastguard vessels.

Based on India's domestic and international trade it is envisaged that following type of vessels will be required in future. The list takes into consideration the potential export orders

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when Indian shipbuilders become price competitive and are able deliver good quality ships on time.

- Bulk Carriers
- Tankers – Dirty, Clean, Product, Chemical
- LNG carriers
- LPG carriers
- Ethane, Methanol carriers
- Container vessels
- Passenger vessels
- Ferry vessels
- ROPAX vessels
- RORO vessels
- Car Carriers
- Research and Survey vessels
- Dredgers
- Cement carriers
- Coastal vessels

- Inland waterway vessels
- Tug boats
- Offshore and inshore vessels
- Oil rigs
- FPSO, FSRU, FLNG type vessels
- Special crafts
- Barges
- Navy and Coastguards vessels
- Support vessels for Ministry of Shipping, Ports, Marine & Coastal Police

However, the ability for shipbuilding in India to grow is largely based on

- A clear cut national Maritime Agenda
- Government willingness to promptly implement industry requirements
- Favourable policies and financing for Indian controlled shipping
- Extension of "Make in India" policy to the shipbuilding industry
- Preferential treatment for Indian controlled tonnage
- India's planned growth of manufacturing industry from 15 per cent to 25 per cent resulting in sizeable increase in two way traffic of goods
- India's expanding energy needs

Summary

In summary the current Indian controlled fleet capacity is only capable of handling 8 per cent of the Indian trade and needs to grow in order to better position itself in the world market. While the infrastructure exists to meet the demand it is important to have a national maritime agenda, to adopt modern shipbuilding practices, to acquire knowhow and to encourage development of indigenous designs. The new Government policies will facilitate the growth of Indian tonnage and the industry will need to rise up to the occasion. The expansion policy of the navy and the coastguard, the growth in the manufacturing sector if combined with "Make in India" campaign will offer unprecedented opportunity to the industry. With the existing talent pool there is the possibility to forge ahead by emphasizing on training. 

Readers are encouraged to read "Prosperous Nation Building through SHIPBUILDING – In pursuit of leadership" by Cdr, S Navaneetha Krishnan (Retd)

Chinese minister makes shipbuilding vow

Su Bo, China's vice-minister of industry and information technology, vowed to seek greater international cooperation as the nation looks to grow its shipping and shipbuilding prowess. Speaking at the inaugural Danish Maritime Forum in Copenhagen, Su noted how China had built up world-leading orderbooks at its shipyards, but it would seek to rise up the ranks further.

"We are trying to reach international standards in global shipbuilding," he said, paying particular attention to ambitious LNG and offshore projects. "In the coming years Chinese shipping will raise the standards of technology and quality," Su vowed.