

Ministry seeks suggestions for Draft Coastal Shipping Bill 2020

On October 29, 2020, the Union Ministry of Shipping issued the draft of Coastal Shipping Bill, 2020 for suggestions from the stakeholders and general public. Coastal shipping refers to movement of goods or persons by sea from any port or place in India to any other port or place in the country. Coastal shipping is not only a cheaper and eco-friendly mode of transport, but it can also serve as an alternative mode of transport by taking some burden of the road and railway traffic. Currently, the logistics cost for doing business in India is around 13% and coastal shipping can play an important role in reducing this cost below 10%, which is the average level observed in developed countries.

In recent years, the government has taken various measures to promote movement of cargoes through coastal shipping. The government reduced GST on bunker fuel, introduced coastal berth scheme, relaxed cabotage law, allowed green channel clearance for coastal cargoes and provided abatement of service tax on coastal shipping. Consequently, there has been a 11.3% growth in cargo movement on coastal routes since 2015. Cargo handled through coastal shipping has risen from 83 million tonne in fiscal year 2015 to 120 million tonne in 2019. Cargo According to official estimate, India will handle 250 million tonne of cargo per annum through coastal shipping by 2025, largely led by transportation of coal, cement, iron and steel, food grains, fertilizers and petroleum products. Already many public sector entities and private firms such as CONCOR, Food Corporation of India, NTPC Reliance Industries, Magdaila Shipbuilding Yard, Vipul Ship Yard, Larson & Toubro Ltd., have started moving their cargo through coastal shipping.

There is huge untapped potential in coastal shipping sector as currently waterways account for hardly 6% of India's transportation modal mix even though the country has 7500 km of coastline. Therefore, in order to support growth in this sector, the government decided to carve out a separate legislation to govern coastal shipping, which is currently governed by the Merchant Shipping Act, 1958. The draft Coastal Shipping Bill 2020 aims to provide legal and regulatory framework for the evolving coastal shipping industry.

The draft Bill widens the definition of coastal shipping and coastal waters and exempts trading licence for Indian flag vessels to engage in coastal trade. The move is aimed at increasing the participation of domestic vessels in coastal shipping. On the other hand, it is mandatory for all foreign vessels to obtain a licence from the Director General of Shipping to engage in coastal shipping. The Bill also lays out the criteria to be considered before any foreign vessel is granted a licence. These criteria may include the availability of Indian vessels, the compliance record of the foreign vessel and other factors that the Director General may decide. Among other provisions, the bill seeks to integrate coastal maritime transport with inland waterways and it provides for a National Coastal and Inland Shipping Strategic Plan.



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