Global Maritime Weekly Digest

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*The **Global Maritime Weekly Digest**, based at **Southampton SOLENT University**, provides a regular flow of maritime news and analysis, of significance in a global context.*
Topics covered include shipping fleets and management, seaborne trade, ports, shipbuilding, ship recycling, maritime policy and regulations, and seafarers' labour.

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editor (email: bulkshipan@aol.com)
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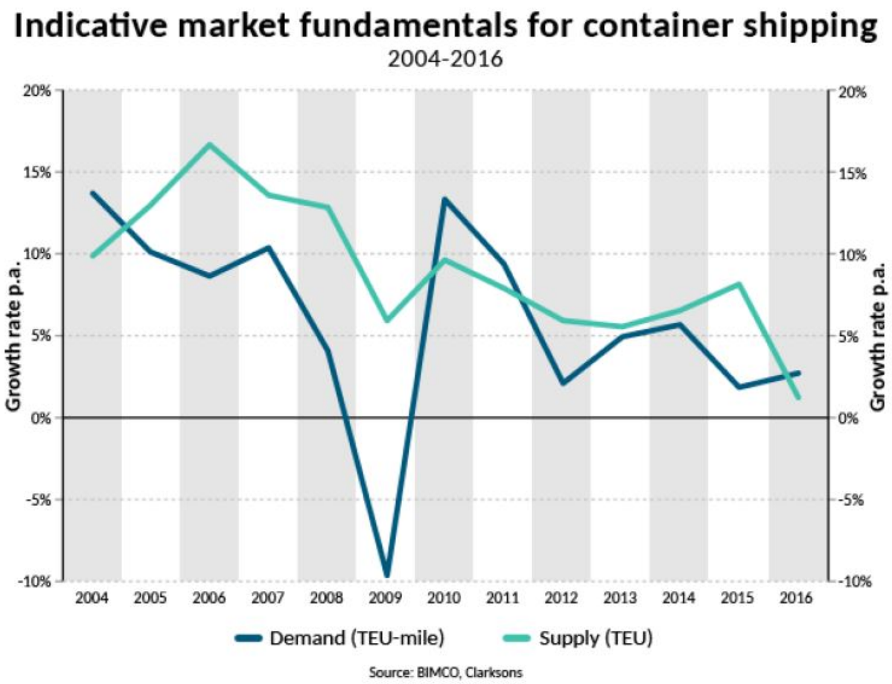
(1) BIMCO, 25 April 2017

Container Shipping: New Networks Come Into Focus As The Supply Side Holds The Key To Improvements

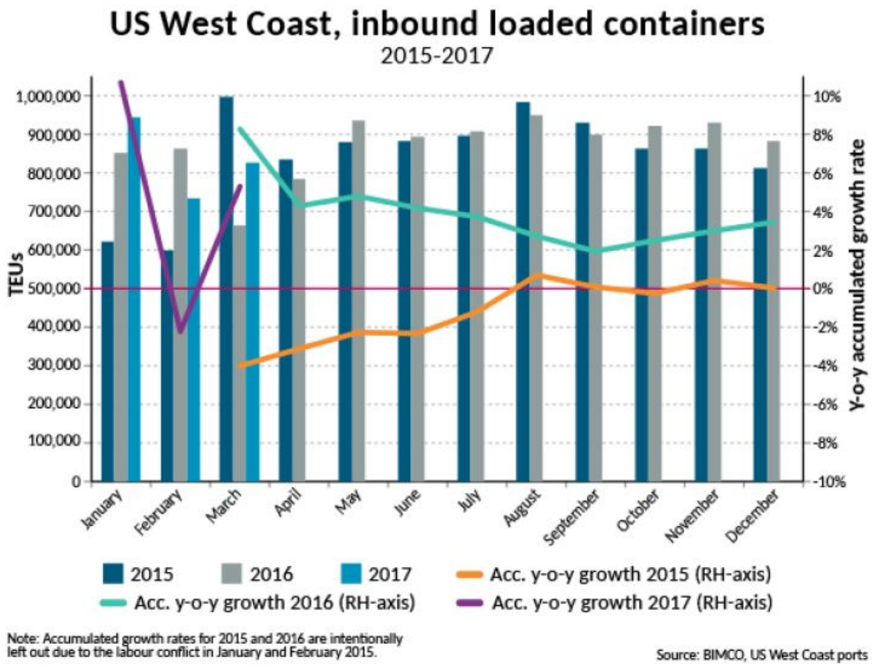
The most recent available data show that demand for the container shipping grew by 2.7% in 2016. With the supply side growing by only 1.3%, this meant that the fundamental market balance improved for the first time since 2011. This development is primarily due to decisive actions by shipowners who sold excess tonnage for demolition.

Hopefully, improved earnings will also follow soon. The tonne-mile demand side has grown by an average of 3.4% annually during 2012-2016. This is a new and lower growth level that has taken some time for the industry to get used to. Every year in which the supply side outstrips the demand side, the fundamental market balance worsens. 2016 was the one year that was different to the previous four years.



Not only is the demand for transportation of containerised goods higher than its most recent low in 2015, but the demand for shipping capacity appears to have altered. What have changed a lot since our last container shipping market report, which was only three months ago, are the charter rates. For many small to medium sized ships, they have gone up sharply since mid-February.Nevertheless, the reasons behind the better charter rates seems to be less clear. 2017 appears to have started well on most trades, although the Chinese New Year notoriously affects the individual data for the first two to three months.

The growth rates on other trades may need to include March as well, to show the real trend. BIMCO's own US West Coast growth indicator shows a drop of 2.2% on a year-on-year basis for the combined months of January and February. Whereas BIMCO's own US East Coast growth indicator of the same, shows a growth rate of 9.4%. In total, US imports of loaded containers went up by 2.8%. Meanwhile Container Trade Statistics (CTS) reports a 5.2% growth in volumes on the Far East to Europe trade in January and a -9.2% drop in February. In total, demand fell by -0.9%.



Supply

Since March 2016, the container ship fleet has reduced in size by 100 ships. The strong trend of large ships being delivered and smaller ships getting demolished has meant that the TEU capacity of the fleet has increased by 40% since the start of 2011. At the same time the number of ships has only increased by 3.3%.

As the fleet is being split into main liners and right-sized feeders, abundant capacity is being removed among the smaller-than-3,000-TEU feeder ships and the narrow beam (panamax ship fleet). In the past four years, more than 800,000 TEU of narrow beam (<32.3m) panamax ship capacity has been removed. This is equal to half of all demolished container shipping capacity during that time. Nevertheless, the total fleet still holds 3.2 million TEU of narrow beam (<32.3m) panamax capacity (16% of total capacity). This is down from 3.9 million TEU (24% of total capacity) four years ago. Not many ships were ordered in 2016 – and that trend has continued into 2017. So far only eight ships have been ordered, all at Chinese shipyards and small (1,750-2,150 TEU). The order book still contains 3 million TEU that is yet to be delivered, of which 86% is scheduled for delivery in 2017 and 2018. 80% of the capacity scheduled for delivery in 2017 will come in the form of 9,400+ TEU ships. The cascading of ships onto alternative trades will thus continue at an unchanged pace.

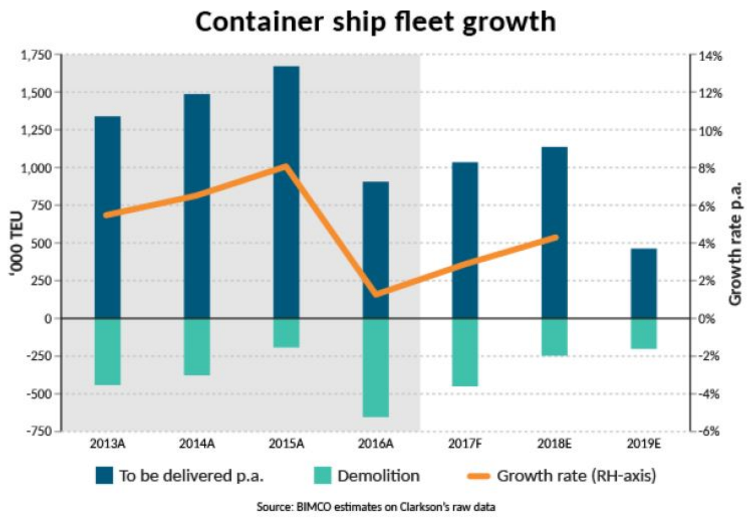
BIMCO expects the container ship fleet to grow by 2.9% in 2017, under the assumptions that 450,000 TEU will be demolished and 1 million TEU will be delivered. For that to happen, the current demolition interest must cool somewhat and the delivery pace must pick up. Nonetheless, both assumptions are likely to happen in a market that is improving. In fact, it is already happening. Currently the fleet is getting smaller by the day, as 152,800 TEU has been delivered in 2017, offset by as much as 195,555 TEU being sold for demolition. This means the fleet is smaller today than it was at the start of the year.

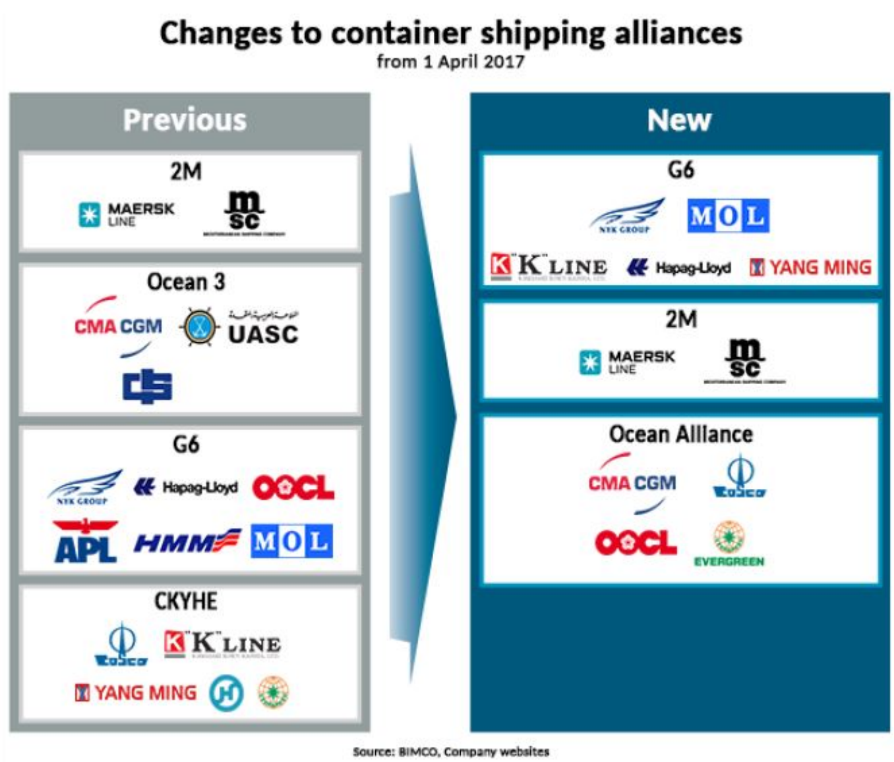
As of 3 April 2017, the idle fleet stood at 0.97 million TEU, according to Alphaliner (4.8% of total fleet). This is a sharp decline from close to 1.6 million TEU at the start of the year. All container ship sizes have seen the idle fleet decline. Most significantly, the 3,000-6,000 TEU segment had 130 idle units' half a year ago, which had become 58 units by early April.

Outlook

The year has started on solid ground, in terms of both the development of the demand side and the ongoing work on keeping the lid on fleet growth. 2016 proved to be a year of upheaval. Most alliances

were broken up to form new ones; one line went bankrupt, and in combination, shipowners managed to cut deep into the excess capacity of the fleet. Gains from a low-fleet supply are instantly reaped, whereas the benefits from new network structures take a bit more time.
BIMCO expects the container shipping industry to continuously optimise networks and make them more efficient. Cutting costs where it's still possible and making the most of the fleet available remains essential to reaping the benefit of the individual alliance members. As cost cutting is a huge part of this, the effect on freight rates is not the only indicator of a successful implementation.





Above all, the implementation of new alliances remains the one thing to watch carefully in 2017. As four alliances consisting of 16 companies, become three alliances consisting of 11 companies, change will happen. The three alliances control 77% of global container ship capacity and as much as 96% of all east-west trades.

Before getting carried away, we should remember that 57% of all demand, as measured by TEU miles, is generated by non-east-west trades – trades that are particularly impacted by the recent years' cascading of tonnage from the east-west trades. Another two-tier market is in the making.
Source: Peter Sand, Chief Shipping Analyst; BIMCO
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(2) International Chamber of Shipping, 3 May 2017

All You Need To Know About Shipping But Were Afraid To Ask

The International Chamber of Shipping (ICS) has launched its latest Annual Review, ahead of the ICS Annual General Meeting in Istanbul next week. The ICS Annual Review 2017 can be accessed free of charge via the ICS website.

Providing an insider's view of the key issues affecting shipping, the ICS Annual Review provides a unique insight into the global shipping industry and the complex legislative and economic landscape currently faced by ship operators.

The ICS Annual Review explores the challenges presented by the need to reduce CO2 emissions in line with the ambition set by the Paris Agreement on climate change; the worldwide entry into force of the IMO Ballast Water Management Convention in September 2017; and the implementation in 2020 of the global 0.5% sulphur in fuel cap, each which will have profound implications for the economics of shipping.

The Review also covers developments with respect to the wide range of other issues in which ICS is involved on behalf of the global industry, ranging from legal and insurance developments, seafarers' employment standards and the maintenance of free trade principles, to the resurgence of Somali piracy and the continuing migrant rescue crisis in the Mediterranean.

"While much of our work is about preparing for the future, the Annual Review reflects the sheer volume and diversity of issues being addressed by ICS", said ICS Chairman, Esben Poulsson.

The 2017 ICS AGM will be held in Istanbul from 9-11 May and hosted by the Turkish Chamber of Shipping. It will be Esben Poulsson's first AGM as ICS Chairman, following his election at the previous AGM in Tokyo last year.

To download the ICS Annual Review please visit **www.ics-shipping.org/ics-annual-review-2017**
Source: ICS

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(3) Lloyd's List, 1 May 2017

Time of reckoning for LNG shipping

What does the transformation of the global LNG market mean to shipowners?

CHARIF Souki, chairman of Nasdaq-listed Tellurian Investments and the mastermind behind exports of American liquefied natural gas, is back with a new venture: a $16bn project with a capacity of 26m tonnes called Driftwood LNG, located on the US Gulf Coast.

His latest business model is unique.

Driftwood LNG has been divided into 20 small gas liquefaction trains of 1.3m tonnes each, instead of the conventional 4.5m-tonne plant.

More importantly, Mr Souki has offered LNG cargoes to Japanese buyers for a period of five years, at a lock-in price of $8 per mmBtu from 2022.

Other destinations like India, South America or Europe may be even cheaper, Mr Souki said in Tokyo in early April.

He is experimenting with a new business model because the old ones are crumbling away, and dividing up a project into smaller components will allow him to find buyers more easily and expedite financing arrangements at a time when banks are steering clear of new gas projects.

The LNG market has become immensely competitive, and buyers have successfully broken away from the monopoly of gas companies and their 20- or 25-year fixed-destination gas contracts.

But this also means shipowners who were used to stable earnings linked to multi-year contracts will no longer have the protection of guaranteed cashflows.

Mr Souki said he will soon be looking for as many as 30 vessels on time charters, likely for five-year periods.

If a conservative LNG fleet owner, like Singapore’s BW Group or Japan’s Mitsui OSK, wants a piece of this market, it will mean ordering vessels with a roughly 30-year life expectancy for a five-year contract initially.

“From our point of view, an LNG carrier is such a big investment that we have to pay roughly $200m per vessel. If it is five vessels, the investment is $1bn,” Takeshi Hashimoto, MOL’s senior managing executive officer and member of the board, said.

“It is a huge amount of residual risk exposure. We have to think about how to mitigate this risk very carefully,” he added.

For now, MOL is looking for joint venture partners, ranging from traders to LNG producers and buyers, to share the risk on the equity or financing side.

This highlights another change for owners. Traditionally, owners did business with a handful of companies such as the Japanese utilities.

But the market has expanded rapidly in recent years, and new players include commodity majors like Glencore, Trafigura and Jera. The boundary between LNG buyers and sellers has blurred.

“Pure LNG traders have played a critical role in helping soak up excess tonnage,” the International Gas Union said in its 2017 report.

It said the relatively recent trend of buyers securing volumes via short-term tenders in markets like Argentina, Egypt and Pakistan has led to traders participating in global LNG trade without having to commit to long-term supply or purchase agreements, thus reducing needs for long-term charters.

This paves the way for heavyweight commodity traders to become the dominant charterers of LNG carriers, akin to their role on other markets like tankers and dry bulk.

It also opens up a new avenue for owners to seek shipping finance, when conventional banking sources have dried up and trading majors are willing to take the risk.

“We have seen more collaboration and co-operation with these companies, either on a formal basis, like Jera, or informally,” MOL Europe’s director Mike Rowley said.

He said in the past seven years, LNG traders contracted more than 32m tonnes of LNG from the three new producing regions of Australia, Papua New Guinea and the US.

They also chartered a large number of ships to carry the cargoes they bought on a free-on-board basis, of which MOL was engaged in about 30% of its business, he said.

According to the IGU, the total number of spot fixtures — which means a charter of six months or less — during 2016 was estimated to have reached 280 compared to 175 fixtures in 2015, with traders making up one-third of all spot fixtures. Clearly, as the market becomes more liquid, short-term fixtures will be more prevalent.

Owners unwilling to tap these new LNG markets are likely to lose out, and those willing to take the risk will often have to assemble themselves with commercial teams that operate like real-time trading desks.

Challenges and opportunities

The fragmenting of the long-term LNG trade raises other challenges for shipping.

One of the ways in which gas producers like Qatar kept a tight grip on LNG markets in the past was through a clause called the "destination restriction" clause that prevented buyers from reselling LNG cargoes to third parties.

Not only is US LNG freely tradeable, but even suppliers in the Middle East and Australia have been forced to remove destination clauses from their LNG contracts as markets have swung in the buyers' favour.

Japan's Fair Trade Commission is reviewing the country's long-term LNG contracts and is expected to recommend the blanket removal of destination clauses to allow LNG cargoes to be freely tradeable.

This means LNG shipping, which had been mostly designed for specific voyages, will see a very fundamental redrafting of trade flows, resulting more uncertainty over LNG transport demand.

In fact, in January this year, Japan saw the first LNG cargo to be reloaded in the country at the Shimizu terminal. The cargo was sold by utility Shizouka Gas to Shell Eastern Trading.

The 155,000 cu m, Shell-chartered *GasLog Sydney* lifted the LNG and shipped it to the Yung-An terminal in Taiwan in mid-February.

Some more LNG terminals in Japan will be reconfigured to reload vessels after Shimizu, officials from Japan's Ministry of Economy, Trade & Industry said, enabling the world's largest LNG importing nation to re-sell when there is excess.

A massive reload market of the same nature has been developed in Spain and driven up vessel traffic.

Very few terminals in Asia have the capability to both discharge and reload LNG cargoes. Such reload terminals are present in Singapore's Jurong Island, with an annual capacity of 6m tonnes; India's 5m-tonne Kochi terminal; and South Korea's 1.7m-tonne Gwangyang terminal. Indonesia's Arun LNG terminal also has similar plans.

The current market for reloads in Asia is small, but there is potential for growth: traders pointed out that many terminals in northern and eastern China cannot receive large LNG vessels — making them ideal destinations for reloaded cargoes on shortsea trades, which tend to be small.

Increased flexibility of LNG trade poses its own problems, however.

Operators noted potential issues with the compatibility of LNG carriers and receiving terminals as well as discharge terminals because many carriers were designed with a fixed route in mind.

A classic case is that of Qatar's gigantic Q-Flex and Q-Max vessels, which can only be discharged in specific terminals. New markets such as the Pakistan's Gwadar port faced a lot of difficulties and costs in initial transhipments.

Lawyers said agreements that assume a traditional sale and purchase model will need to be reconsidered to accommodate third-party risk, transit risk and technical risks during cargo diversions, such as transit losses for LNG which may evaporate.

There is also the recent trend of swap agreements. For example, if Japanese LNG buyers have North American cargoes, they may swap their supply with another entity that has access to Australian LNG supply but customers in South America.

After the swap, the Australian LNG heads to Japan, the North American LNG heads to South America, and the savings in freight are shared. The problem with a swap agreement is that it cuts tonne-mile demand by eliminating longhaul voyages.

There are also projects like Yamal LNG that are adding a new element to trade flows by taking cargoes through the Russian Northern Sea Route, which can go to both Europe and to Asia, and will need a fleet of vessels for transhipment at European terminals like Zeebrugge.

Clearly, owners are navigating an LNG market that is getting more complex.

Despite today's oversupplied market, producers are already talking about the next phase of projects post-2020. Top industry veterans like Woodside's Peter Coleman and Cheniere Energy chief executive Jack Fusco said the earliest LNG projects in the next wave will be needed as soon as the early-2020s, to prevent new supply shortages.

"We estimate that approximately 30 LNG trains will need to take final investment decisions by 2025 in order to meet forecast demand," Mr Fusco said at a conference in Tokyo.

The question is how these new projects will be structured and whether conservative shipowners are willing to tweak their business models.

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(4) Hellenic Shipping News, 5 May 2017/ Bloomberg

Credit Suisse Says China Belt-Road Plan May Top $500 Billion

China could pour more than half a trillion dollars into its Belt and Road Initiative, and the push for greater global influence looks even more promising with U.S. President Donald Trump pulling back from engagement, according to Credit Suisse Group AG.

The plan could funnel investments worth $313 billion to $502 billion into 62 Belt-Road countries over the next five years, Hong Kong-based analyst Shen Hu wrote in a report Tuesday. In Africa, China may may make additional investments of as much as $79 billion in 13 countries, she said.

Most funds may flow into India, Russia, Indonesia, Iran, Egypt, the Philippines and Pakistan, Shen and other analysts said. They added that the biggest beneficiaries of the plan, which is designed to link China with its neighbors by road and sea, could be mid-size domestic construction and machinery companies and Asian infrastructure firms with close ties to the country's investment.

"Its future seems even more promising" as the White House pullback creates opportunities, Shen wrote. "China's overseas investment can be more significant for the world, with its growing influence and the U.S. administration potentially taking a more isolationist turn."

Chinese President Xi Jinping, who will convene a Belt and Road summit with 28 world leaders May 14-15 in Beijing, has embraced a new role as an advocate for free trade after Trump's election, working to boost China's role in global governance. Xi defended trade before the World Economic Forum in Davos this year, and Premier Li Keqiang echoed the theme in an essay for Bloomberg Businessweek, saying China will champion economic openness and trade.

The analysts estimated the size of the initiative, which they expect will last at least five years but likely as long as a decade, by scoring demand and supply factors, focusing on infrastructure. China may give certain countries preferential treatment to serve its own interests, such as bilateral relations, resources demand and the soundness of investment, they said.

The analysts included a caveat, adding that due to the uncertainties of the initiative, "there's not much meaningful discussion about how large the initiative could really be."

Chinese shares that could benefit include construction machinery producer Sany Heavy Industry Co., Sinotruk Hong Kong Ltd., a unit of China's first maker of heavy trucks, China Communications Construction Co., and Zoomlion Heavy Industry Science and Technology Co., the analysts said. They

also cited Malaysian civil engineering company Gamuda Bhd, Indonesian state construction company PT Wijaya Karya, and Pakistan's Lucky Cement Ltd.
China has invested more than $50 billion in Belt and Road countries since Xi introduced the initiative in 2013, according to a report by the official Xinhua News Agency. Chinese businesses have built 56 economic and trade zones in the countries, generating nearly $1.1 billion in tax revenue, Xinhua said.
Using local currencies instead of dollars or other major currencies for Belt and Road investments will help ensure financial stability in those nations and reduce risk from exchange-rate fluctuations, People's Bank of China Governor Zhou Xiaochuan said Wednesday in an article published in the central bank's biweekly magazine China Finance.
Source: Bloomberg
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(5) Hellenic Shipping News, 26 April 2016/ Reuters

Baltic Exchange seeks bigger role in maritime industry

The Baltic Exchange said on Wednesday it will offer new products and services to enhance its role in the maritime industry.
In 2017, the Exchange aims to provide more freight market benchmarks and move into the liquefied natural gas (LNG) and container spaces, as well as becoming more involved supporting its members in post-trading activities, it said in a press release.
The Exchange, along with its parent company the Singpoare Exchange (SGX), plans develop a freight LNG index to support its spot LNG pricing and Singapore's ambitions of becoming a regional natural gas hub.
The Baltic wants to grow its "leadership profile and play a bigger role than ever before in setting standards, building consensus and leading change in the shipping markets," said Mark Jackson, its newly appointed chief executive.
The Exchange will also create a Baltic Asia Advisory Committee "whose key role will be to represent the voice of the shipping community in Asia," said Jackson.
On the regulatory side, the Exchange said it intends to provide greater clarity on the role of the shipbroker and raise global freight trading standards.
The Exchange also announced changes to its data policy to enhance the role of its so-called panellists, or shipbrokers that contribute market levels for its indexes, and tighten non-authorised access to its data, the Exchange said.
Baltic Exchange data is used to settle freight derivative contracts and is increasingly written into charterparty agreements.
SGX completed its takeover of the Baltic Exchange in November, sealing an 87 million pound ($108 million) deal for one of London's oldest market institutions.
Source: Reuters (Editing by Christian Schmollinger)
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(6) Hellenic Shipping News, 26 April 2016/ NGO Shipbreaking Platform

196 Ships Sold for Scrap Globally During First Quarter of 2017

128 ships were sold for scrap to the South Asian beaches in the first quarter of 2017. 196 ships were sold in total the first quarter of 2017, meaning that 65%, ended up on beaches in India, Bangladesh and Pakistan. 51 of the beached vessels were container ships. The other main shipbreaking destinations, Turkey and China, received 36 and 28 vessels respectively. 4 ships were destined for recycling in other locations outside the main 5 breaking nations. Eleven workers were killed and at least four additional

workers were injured whilst cutting down the vessels manually on the tidal beaches of India, Bangladesh and Pakistan. Beaching yards offer cheap, but dangerous and polluting scrapping. Ship owners have been aware of the detrimental effects of breaking ships on tidal beaches for more than 20 years, yet the ease with which existing environmental laws can be circumvented for the sake of the extra profit the shipping industry makes by selling to the beach yards allows the worst practices to persist.

In Gadani, Pakistan, yet another tragedy caused the death of shipbreaking workers. After the major explosion on the tanker ACES on 1 November 2016, another fire broke out on a Greek owned LPG tanker, GAZ FOUNTAIN. The fire claimed five lives and seriously injured one worker. The tanker had already caught fire in December 2016, only one month after the explosion which claimed at least 28 workers' lives on the spot. Another worker was killed in a separate accident, when a lifeboat crashed down from the UK based Zodiac owned SNOWDON. Clearly not enough has been done in Gadani to ensure even the basic security for workers. Despite these recent disasters, ship owners and cash buyers continue to trade vessels with Pakistan breakers – this quarter 22 ships were sold for breaking at one of the world's most dangerous places to work.

37 ships were sold to the Chittagong breaking yards. As many as six accidents struck the industry the first months of 2017 killing three workers and seriously injuring another three. Mohammed Azam was fatally crushed by a falling steel plate at Seiko Steel shipbreaking yard – mentioned before by the Platform in connection to other fatal accidents – during the breaking of the Belgian CMB owned BULL HUNTER. Two fatal accidents happened at BBC Shipbreaking/KR yard: Rongchang Tripura passed away after falling from the Greek owned GRENADA; and Shaheb Mia was crushed by a falling steel plate during the cutting of the SALZGITTER. Bangladesh continues to be the breaking destination where severe and fatal accidents happen most frequently, yet this has not been a deterrent for most shipowners and cash buyers to sell their ships to for breaking.

The Alang beach in India was by far the most popular destination for end-of-life ships this quarter, with 69 ships sold for breaking. The yards in Alang have recently been portraying their practices as improved compared to Bangladesh and Pakistan, but the overall unnecessarily risky conditions of breaking ships on tidal beaches remains. Serious accidents were reported in Alang this quarter, resulting in at least two fatalities. On 4 March a worker died when a crane collapsed. There were rumours of another worker dying after falling from great heights two weeks later, but this could not be confirmed. On 16 March there was a fatal accident in a steel cutting workshop called Sohil Oxygen Co, whose owner is also owner of the Lucky Steel Industries, which is part of the Lucky Group chosen by Maersk to break its ships in Alang. The businesses in the area and the Gujarat Maritime Board remain unwilling to share accident records, and information on what actually happened to those workers who died was clouded by the defensive messaging of the industry in the media. The lack of transparency in Alang remains a serious concern, as does the fact that there is no hospital in Alang. Ships in Alang are taken apart in tidal waters using a method that is banned in Europe, the US and China and that makes it impossible to ensure rapid access for emergency vehicles and containment of pollutants such as oils and toxic paints.

European companies accounted for half of the vessels beached in South Asia the first quarter and where involved in many of the fatal accidents that took place in this poorly regulated industry. For the first time, German owners topped the list with 26 ships sold to South Asian breakers, followed by Greek owners with 17 beached end-of-life vessels. German ship owners, Hansa Mare Reederei GmbH & Company KG and Peter Döhle Schiffahrts-KG, top the list of the worst dumpers this quarter with each having beached five end-of-life ships.

Whilst grey- and black listed flags, such as Comoros, Palau and St Kitts and Nevis, continue to be particularly popular for end-of-life ships, also ships registered under the flags Malta and Cyprus ended up on the beaches. The EU Regulation on Ship Recycling will prohibit the dismantling of EU-flagged ships in substandard yards such as those in Alang, Gadani and Chittagong. However, by simply swapping flag to that of a non-EU country before selling the ship for scrap, ship owners can easily circumvent EU law. Indeed, scrap dealers, such as cash buyers GMS and Wirana, will assist them in doing just that. The re-flagging before scrapping is a common practice and the Platform identified 38 ships, including two Malta flagged ships and one Madeira flagged ship, that changed their flag last quarter just weeks before hitting the beach.

While the EU is trying to redress the shipping industry's addiction to beaching with the Ship Recycling Regulation, we have seen that European ship owners continue to opt for the worst breaking yards, resulting in the death of workers and pollution of sensitive coastal zones. European ship owners will continue to profit from the worst forms of the business unless the EU develops a financial incentive to

curb the re-flagging of the vessels to circumvent the legislation in place.
Source: NGO Shipbreaking Platform
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(7) Hellenic Shipping News, 4 May 2017/ Forbes India

Indian maritime sector—on the cusp of revolution

There are two geographical factors that put the Indian maritime sector at an advantageous position – the vast coastline of 7,500 km and the strategic location along most major shipping highways. For years, the maritime routes have been used for trade and a show of strategic strength. Today, the country boasts of a modern shipbuilding and shipping sector, replete with all the variables necessary for overall industrial growth.
Combined, these factors provide a strong basis to attract big investments in the Indian maritime sector. In fact, as per Prime Minister Narendra Modi, the sector has huge potential to become, "the engine of growth" for India.
Increased investments together with the 'Make in India' impetus can increase the sector's contribution to GDP and trade volumes. The government has launched a number of major initiatives such as the Sagarmala project, ports modernization and Inland Waterways & Coastal Shipping development. The increasing public-private partnership in response to these initiatives adds to the vibrancy of the sector and is a clear sign of resurged interest in its potential. What this also means is that public and private players are now more eager than ever to play a bigger role.
While the positive signs of progress in the sector have opened up massive opportunities, they have also exposed bottlenecks to progress. It is crucial to unblock these bottlenecks and capitalise on the opportunities to give direction to the country's maritime sector.

Initiatives for sustainable growth
The government has unveiled a host of initiatives aimed to develop and then sustain growth of the sector. As part of the governments push to fast-track investment in the sector, a host of business-friendly policies have been introduced. These range from modernising existing port infrastructure and creating new ones, to promoting green energy, IT development and most importantly skilling the talent to sustain the operation of the structure.
The Sagarmala (string of ports) project, centred on the modernisation of ports and development of infrastructure is considered to be one of the best initiatives to increase the competitiveness of the Indian maritime sector.
Under this project, the government plans to develop 12 coastal economic regions with an estimated investment of Rs 12 Lakh Crore These resulting projects would see the development of manufacturing hubs, supported by port modernisation projects. It would lead to tremendous employment opportunities, estimated at four million direct and six million indirect jobs, and empower coastal communities through skilling programmes. So far, projects worth Rs 1 Lakh Crore (USD 15 billion) under Sagarmala programme are at various stages of implementation and development.
The zeal displayed by the government to holistically develop sectors of the economy has rubbed off on the marine sector as well. Seeing the success of introducing business conducive policies in sectors such as manufacturing, IT, aviation, defence etc, the government has introduced similarly targeted policies in the marine sector. The government recently introduced the Major Ports Bill to provide greater autonomy to port boards so that decision-making is quick and transparent.
It has finally granted infrastructure status to shipyards. This will enable shipbuilders to avail cheaper long-term financing for Indian shipbuilding and ship repair industry. Additional incentives such as Income tax exemption for infrastructure development including ports and a 10-year tax holiday to enterprises engaged in developing ports have also been introduced. A 70 percent abatement of service tax on coastal shipping brings the fares at par with road and rail. Additionally, central excise duty has been exempted on capital goods, raw materials and spares used for repair of ocean going vessels. Given the present governments openness to Foreign Direct Investment, it is expected the same would be implemented for the marine sector. If the industry response to 100 percent FDI in critical sectors such as

aviation and defence manufacturing sectors is to be seen as a barometer, it would be a step which would be welcomed in the marine sector.
A Foreign Direct Investment of up to 100 percent and an augmented shipbuilding and ship repair policy will provide huge investment opportunities.
There is much promise in the government's Maritime Agenda 2020 that looks not just at expanding India's port capacity to 3,130 MT, but also at augmenting existing port performance.
'Project Green Ports' focuses on sustained growth from an environmental perspective. It aims to install 160.64 megawatts of solar and wind based power systems at all the major ports across the country.
The government has also signed several MoUs with countries such as Korea and Egypt for cooperation in development of ports, sharing of technology, manpower training and stimulating steady growth of maritime traffic.
These initiatives clearly show the priority the government has given to the maritime sector and the expectation that it will be a key driver of the Make in India programme.

Looking towards the future
There are clear signs that the Indian maritime sector is set for steady growth. The progress could be faster if these key areas are looked into:
1. Speedy modernisation/improvement of infrastructure
Early completion of various projects in the logistics chain is crucial to meet the heavy traffic projections for the future. An efficient intermodal system is vital to the success of a port as it supports seamless movement of cargo across all modes – ship, rail and truck. In fact, a government report says that due to poor port infrastructure and productivity, India's trans-shipment cargo is handled at South Asian hubs like Colombo or Singapore, which costs Indian ports around USD 230 million in revenue annually.
2. Pursuing 'Make in India'
The 'Make in India' initiative offers tremendous opportunities in the maritime sector, particularly in shipbuilding and ship repair industry. Its strategic role in tapping all Indian vessel requirements within the country and the benefits of a vibrant shipbuilding industry cannot be overemphasized. The government's shipbuilding policy provides a boost by encouraging Indian shipyards to bag foreign orders in a more aggressive manner and meet the requirements of Indian ship-owners.
A cost-effective & skilled manpower base, established steel industry, technology know-how and an increased demand in domestic shipbuilding could enhance India's global shipbuilding share from one percent to five percent by 2020.
The Indian Navy too is giving a strong push to the Make in India initiative as it strives for self-reliance in the production of warships. A plan to manufacture LNG vessels at the Cochin Shipyard has also been approved. Other Indian shipyards have developed investment plans and accessed capital markets to play an increasing role under the Make in India programme.
3. Partnerships with successful maritime countries for technology and manpower
The Indian maritime sector needs to be constantly on the lookout for technologies and advancements that help save cost and deliver more for less. A major way could be through partnerships and collaborations with successful maritime clusters especially in areas of ship design, automation and technology. Such collaborations can improve efficiency and enhance competitiveness. Also in view of the recent regulations to control emissions from ships set by International Maritime Organization, there will be a growing need to collaborate for environment-friendly technology & solutions, such as LNG powered vessels.
The other key area that could benefit from partnerships and technological assistance of maritime countries will be training & development of manpower to bring the frontline workforce up to speed on world-class manufacturing techniques and processes. The academia can also look at establishing university partnerships to encourage innovation, knowledge sharing and transfer.
4. Active development of maritime clusters
Clusters induce innovations, create employment opportunities, attract foreign investors and also spark new ideas. Shipbuilding clusters and maritime parks are some of the concepts practiced in top maritime nations. The government has identified two major maritime clusters in Tamil Nadu & Gujarat similar to the global success stories in Japan and South Korea. These clusters will focus on developing various components of the maritime cluster like ship building & ancillary services, maritime services, promoting maritime tourism and marine products. Given the manufacturing strength, size of the ports and synergies with other steel ancillaries, both the identified locations for maritime clusters can attract business and improve the overall economics for the cluster participants.

We should foster cluster development and encourage ancillary industries and more indigenous components. Clusters will also encourage public-private partnerships and will be a key enabler in attracting new technology, fostering strategic alliances and boosting investments.

Conclusion – A promising future

As it grows to be one of the major economies in the world, India will require a vibrant and strong maritime industry for economic as well as strategic reasons.

There are many factors conducive to the development of a robust and sustainable maritime sector. Finally, it will depend on how the different stakeholders utilise the opportunities presented to them to transform the sector into an engine of growth for India. Therefore, while 2016 was viewed as the year for enabling the maritime sector's transformation, it seems India is on the cusp of major maritime revolution which will play out over the next couple of years.

Source: Forbes India

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