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ECONOMIC PERSPECTIVE OF PORTS IN INDIA

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ABSTRACT:

Ports - Ports Development – Recent Government Initiatives – Larger Issues of Ports in India – Efforts at Development –Five Year Plan –

KEYWORDS: *Ports Development , open economy , crude petroleum.*

INTRODUCTION:

Globally ports are regarded as gateway for trade of goods and merchandise entry and exit from a country. They also play a pivotal role in accelerating the development of regions/economies. As an open economy, neglect of ports can solely be at the expense of development of such economies.

India's fact sheet of ports consists of twelve major ports (two additionally approved one in West Bengal and the second at Andhra Pradesh) and two hundred odd minor port- accounting for 95 per cent of cargo movement by volume and 70 per cent by value. The present port capacity is around 1000 million tonnes (MT).

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Imports of crude petroleum, iron ore, coal and other essential commodities are d through the sea route. Realizing the importance of developing our ports to handle large volumes and increase cargo movement, the government has allowed 100 per cent private sector and 100 per cent FDI participation in this sector. Further, a 'Maritime Agenda 2010—2020', a perspective plan has been prepared which has set the goals as follows:

(1)To increase India's share in global ship building to 5 per cent from the present 1 per cent.

(2)To increase the share of Indian seafarers from 6-7 per cent to at least 9 per cent in the global shipping industry during 2015.

(3)To create a port capacity of around 3200 MT to handle the expected traffic of about 2500 MT during 2020.
(4)To bring ports at par with the best international ports in terms of performance and capacity.
(5)To increase the tonnage under the Indian flag and Indian control and also the share of Indian ships in our exim trade.
(6)To promote coastal shipping as it will help in decongesting our roads and is environment-friendly.
(7)In order to promote private participation and foreign direct investment (FDI) in the country, the Government of India has allowed 100 per cent FDI under the automatic route for:
• Captive facilities for port-based industries.
• Leasing of equipment for port handling and leasing of floating crafts.
• Leasing of existing assets of ports.
• Construction/creation and maintenance of assets such as-container terminals bulk/break bulk/multi-purpose and specialized cargo berths, warehousing, container freight stations, storage facilities and tank farms, handling equipment, setting up of captive power plants, dry docking and ship repair facilities.

As way of incentive, 100 per cent exemption from income tax is also extended to companies that are investing in port infrastructure. Further, a ten-year tax holiday has been given to enterprises which are engaged in the business of developing, maintaining and operating ports, inland waterways and inland ports.

India's shipping ministry is considering in removing the tariff fixing for major ports, passing responsibility for this to the ports themselves. Instead, a new regulator for the sector will be appointed who will be responsible for setting, monitoring and regulating service levels as well as technical and performance standards. The ministry has also decided that all new major ports would be constructed through a corporate structure and will be registered under the Companies Act 1956.

Source: Consolidated FDI Policy, Department of Industrial Policy and Promotion (DIPP)

Port Development in Twelfth Five-Year Plan:

According to the Planning Commission of India, the capacity of Indian ports will have to nearly double to 2302 MT over the next five years to be able to handle the fast growing cargo traffic. The total capacity of the port sector is envisaged to be 2301.63 MT, to meet the overall projected traffic of 1758.26 MT by 2016-2017, as per the Twelfth Five-Year Plan (2012-2017) document. 'The traffic forecast by the end of the Twelfth Plan would be 943.06 MT and 815.20 MT for the major and non-major ports respectively with corresponding port capacities of 1241.83 and 1059.80 MT respectively'.

In the Twelfth Five-Year Plan, the Government of India has proposed to invest Rs. 73,793.95 crores (US$ 13.55 billion) for development of various projects in port in port sector. In the year 2012—2013, twenty-five projects have been identified for award at various major ports in the country under PPP mode.

Recent Government Initiatives:

Contract to develop the Jawaharlal Nehru Port Trust's (JNPT) container terminal at Navi Mumbai has been awarded to a Dubai-based company at a total cost of Rs. 600 crores (US$ 100.20 million). Gail India and the Shipping Corporation of India (SCI) have signed a memorandum of understanding (MoU) to cooperate for transportation of liquefied natural gas LNG sourced by Gail from the United States (US).

The government has approved the project for upgradation of an existing facility and the creation of a new facility at Visakhapatnam Port Trust (VPT) for iron ore handling in two phases on design, build, finance, operate and transfer (DBFOT) basis with a investment of?"845.41 crores (US$ 153.95 million).

Three major projects, with an investment of Rs. 1800 crores (US$ 330.08 million), are being taken up by the VPT. The Union Shipping Ministry has started working on some of its plans such as corporatization of major port trusts. Mumbai's JNPT will be the first port to be corporatized. There are 14,500 km of navigable and potentially navigable inland waterways in the country of which the following five inland waterways have been declared as National Waterways and the details are listed below.

VOLUME - 6 | ISSUE - 4 | JANUARY - 2017

• National Waterway-1—Allahabad-Haldia stretch of the Ganga-Bhagirathi-Hooghly river (Total length 1620 km) in the states of Uttar Pradesh, Bihar, Jharkhand an,: West Bengal.
• National Waterway-2—Sadiya-Dhubri stretch of the Brahmaputra river (Total length 891 km) in the state of Assam.
• National Waterway-3—Kollam-Kottapuram stretch of West Coast Canal and Champakara and Udyogmandal canals (Total length 205 km) in the state of Kerala.
• National Waterway-4: (Total length 1027 km) in the states of Andhra Pradesh and Tamil Nadu and the Union Territory of Puducherry.
• National Waterway-5: (Total length 588 km) in the states of West Bengal and Orissa.

The government has approved projects for development of multi-purpose berths as well as merchandised berths with allied facilities on DBFOT (design-build-finance-operate transfer) basis at Haldia Dock II (North) for a period of 30 years at an estimated cost of Rs. 821.40 crores (US$ 151.39 million) and at Haldia Dock II (South) for a period of 30 years at an estimated cost of Rs.886.10 crores (US$ 163.32 million). The project will enable Kolkata Port Trust to enhance its capacity by 23.4 million tonnes per annum (MTPA) and meet the demand for coal and other bulk cargo in the hinterland of Kolkata Port.

The government has also approved licensing of land to the concessionaires for seven projects which are taken' up in the PPP mode. These projects have been taken up in terms of the extant policy of the Government of India to pursue maritime development projects under the PPP mode. This will lead to efficiency in operations at major ports which will benefit trade and the economy as a whole.

LARGER ISSUES OF PORTS IN INDIA:

Notwithstanding the recent efforts of the government in augmenting capacities in ports in India there are certain critical issues which need to be resolved. They are as follows:

Development of port infrastructure in India is not on par with the other ports across the world. Trade in India has to face severe challenges due to inefficient port services. Shipping lines avoid touching ports in India because of the long waiting time. The capacity of various ports including Mumbai has already been exhausted and now capacities of other ports such as JNPT are on the verge of exhaustion.

Port development has to seen in a holistic and comprehensive manner and not in isolation. They have to emerge as integrated transport centers as logistics platform covering links to the hinter land with the rail road network. There has to be complementarities between rail, road and ports, seen as one and not separately.

Indian ports are not equipped to handle large containers as a result ships are re-routed and parked at other larger ports and cargos are loaded in smaller vessels to facilitate their entry/exit out of the country. This raises costs and also transit time. India is heavily dependent on Colombo as a transshipment hub which has both economic as well as political implications.

India also needs 24 x 7 custom cargo clearance facilities besides excessive paperwork and documentation requirement solely increase transaction cost. Average turn-around time of vessels of 3.5 days is very high compared to the international standards which are only in hours and not in days. This is a critical factor which delays consignments making them uncertain, unreliable and uncompetitive in comparison to other ports.

Indian ports also have a high through put and transport cost because of an inefficient, unorganized and un-coordinated truck movement which not only increase costs but also takes more time. It is also subject to frequent labor unrests, which disrupts loading arc; un-loading at ports.

CONCLUSION:

Efforts at development of ports in India is only a recent phenomenon, however, more than development is to develop them with the future in view and how India can be made a hub for cargo

VOLUME - 6 | ISSUE - 4 | JANUARY - 2017

movement. Rapid increasing trade will only add more and more press on the already created capacities which need to be augmented on a war footing.

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