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Rotterdam is model for planned major port in AP

The major port planned in Andhra Pradesh coast would be built on the lines of Port of Europe's Rotterdam port. Andhra Pradesh government has selected two sites at Prakasam and Vishakhapatnam districts, to set.... page 3

India plans to up shipping capacity to 43 mn tonnes

Maritime transport handles 90per cent of India's international trade. The Ministry of Shipping, through its Maritime Agenda 2010-20, has chalked out a blue-print to increase its port capacity, increase tonnage and coastal shipping while facilitating a hassle-free multi page 4

Govt plans ferry service to Maldives

As the government is considering to start a sea route facility to Maldives, travelling to the smallest Asian country might get a little more exciting for Indians. The Ministry of Shipping, page 4

East coast ports to import bulk of coal

The country's coal imports will shortly rise to 200 million tonne annually and the bulk of the imports will be through the east coast ports said PVK Mohan Chairman, National.... page 3

Govt to award Rs 13K cr PPP mode projects

In the current fiscal, the Shipping Ministry plans to award seven projects, worth Rs 13,000 crore, under the public-private partnership... page 2

Adani Group asked to withdraw petition

The Bombay high court has asked the Adani Group to withdraw its writ petition against the Centre's decision to deny the firm the security clearance necessary to bid for developing... page 2

Coastal shipping policy, Ports Act amendment in final stages

National Shipping Board chairman PVK Mohan has said that a new coastal shipping policy for India and the document for amending the Indian Ports Act are currently in their final stages. "The new policy is almost ready for coastal shipping and we also talked about amending the Indian Ports Act. Both the documents of coastal shipping policy and amending the Indian Ports Act are in the final stages," Mohan told reporters recently.

He was speaking on the sidelines of a seminar on 'East Coast Ports - Vision 2020', organised by the Bengal Chamber of Commerce and Industry in Kolkata. "No funds have been developed for coastal shipping, but initiatives have been earmarked - like what are the initiatives that the ports have to do, what the shipping industry is expected to do - these are the things that have been highlighted," he said.

On the amendment of the Indian Ports Act, Mohan said it was basically about ensuring level playing field for the non-major and major ports, and a holistic approach towards development of ports.

He also highlighted the need for awareness by steel and fertiliser industries that coastal shipping was the viable alternative to road and rail. There was a need for understanding the commercial aspects of coastal shipping, he added.

"Initially you will not get two-way cargos. You may get north to south, but you may not get anything from south to north. So the need is for the industry to understand that initially coastal shipping may be marginally expensive compared to road and rail, but eventually when two-way traffic develops, this will definitely be the cheapest form of cargo transport along the coast," he said. "It is also environment friendly," Mohan added.

Insight@firstinfocentre.org

Work on Paradip Port's berths to begin soon

Work on coal and iron ore berths of Paradip Port is expected to begin shortly. The work has been hanging fire since two years. Affirming that.... page 2

Oil smugglers held near Pipavav port

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CPT gets nod to set up container terminal

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Container traffic sees signs of recovery

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Baltic Freight Rates as on 14 July 2011

	Unit	Baltic Dry Index		BCI (Cape index)		BPI (Panamax index)		BSI (Supramax index)	
Index		1,367	-16	1,943	-22	1,606	-35	1,270	0
Spot 4 TCE average	(USD)			11,774		12,826		13,278	
A week ago	(USD)			14,111	-2337	13,391	-465	13,405	-127
A year ago	(USD)			12,073	-299	16,331	-3,505	17,595	-4,317

Spot 4 TC Average = The Average Value of the Four Main Shipping Routes applicable for each of the 3 types of Ships

BDI=The Weighted Composite Index of BCI/BPI/BHMI

(Source Dryships.com)

PORTS

Govt to award Rs 13K cr PPP mode projects



In the current fiscal, the Shipping Ministry plans to award seven projects, worth Rs 13,000 crore, under the public-private partnership (PPP) mode in the next three months, as it rushes to kick-start capacity addition at ports. Four of the seven were to be awarded in the first quarter but were held up for want of security and environmental clearances. For FY12, the government aims to award 23 PPP projects worth Rs 16,700 crore, adding 230 mt to India's yearly cargo handling capacity of 1 billion tonnes.

Although the Ministry adopted a new model concession agreement in 2008, it could award only 13 projects in 2009-10 and just nine in 2010-11. "We could not award any project in the first quarter due to some issues," said a Ministry official, admitting his department's failure in securing approvals. According to project calendar, the four projects would have created an annual capacity of 75 million tonnes at an estimated cost of Rs 5,700 crore. While the installation of mechanised handling facilities at the Visakhapatnam port was delayed because of pending security approvals, the construction for the mega container terminal at the Chennai port could not begin as it could not get environmental clearance. The other two projects include development of a dry bulk terminal at the Kandla port.

In the second quarter, the government plans to award three projects of Rs 7,500 crore. These will include development of fourth container terminal at Jawaharlal Nehru Port, Mumbai, a multi-user liquid terminal at Kochi and a container terminal at the Tuticorin Port. These projects will add a yearly capacity of about 80 mt. "Issues like environmental clearance absence of a regulatory authority at the national level are some of the problems while awarding PPP projects," said Samir Kanabar, partner, Infrastructure Practice, at Ernst and Young India.

Indian container traffic sees signs of recovery

India's container traffic, on a tonnage basis, is witnessing the first signs of recovery, with an almost 8per cent year-on-year growth recorded by the major ports in the April-June 2011 period compared to the corresponding period last year. The growth in this segment dwarfs a 2per cent year-on-year growth witnessed in the January-March period this year, primarily due to the low base impact in April-June 2010. This low base was due to the im-

fact of the global recession that caused trade to shrink and cargo volumes to slump through the most part of last year.

"For the quarter (Q1FY12), container volumes (in twenty foot equivalent units or TEUs) across major ports grew 3.2per cent y-o-y (flat-ish q-o-q), while JNPT recorded a marginal drop of 0.5per cent y-o-y (up 2.1per cent q-o-q) and Chennai volumes grew 10.2per cent yoy (up 1.3per cent qoq). While JNPT volume growth is expected to remain lackluster, higher import volumes, coupled with congestion at ports, will continue to aid CFS realisations and margins," Ankur Periwal from Religare Capital Markets wrote in a note.

JNPT, which accounts for 55per cent-60per cent of the total container volumes, reported 1,085 TEUs as against 1,091 TEUs in the same period last year. Chennai port reported an increase of 38 TEUs for April-June 2011.

The IPA data show that India handled 29.8 million tonnes (1948 TEUs) in April-June 2011 period as against 27.6 million tonnes in the same period last year. Logistics and shipping companies are betting big on the container traffic growth in India. According to industry estimates, this segment has the potential to grow at 12-15per cent CAGR.

"The average growth in the decade for the container segment has been about 14per cent. Containerised cargo growth in India is expected to increase in the coming days, primarily driven by imports," Abhishek Tandon, consultant & research manager. Drewry India, said.

Work on Paradip Port's berths to begin soon



Work on coal and iron ore berths of Paradip Port is expected to begin shortly. The work has been hanging fire since two years. Affirming that the forest clearance from the Orissa government would be forthcoming this month-end, a senior official of Paradip Port Trust (PPT) said it was optimistic of commencing the work in September, presuming that the final clearance from the Union Ministry of Environment and Forests would come by August 31.

With each berth having capacity of 10 million tonnes, the two berths are estimated to cost around Rs 900 crore, with implementation being through the PPP (public-private partnership) route.

In this regard, two concessional pacts were inked. The public hearing pertaining to environmental clearance for the multipurpose berth and oil jetty was held recently. The official conceded that it would take at least six more months or so before various statutory clearances come through.

PPT registered 7.14 per cent growth in traf-

fic in the first quarter of the current fiscal, at 14.6 million tonnes (mt), against 13.6 mt in the same period of last year. The official pointed out that the rise was largely on account of increase in the throughput of two items, i.e. coking coal imports at 1.7 mt (1.3 mt) and petroleum products at 3.8 mt (3.2 mt).

He added that thermal coal traffic remained unchanged at 3.9 mt while iron ore traffic dropped to 2.6 mt (3 mt).

Adani Group asked to withdraw petition

The Bombay high court has asked the Adani Group to withdraw its writ petition against the Centre's decision to deny the firm the security clearance necessary to bid for developing and operating a new container terminal at Jawaharlal Nehru port, clearing the decks for the contract to be awarded to a consortium of PSA International Pte Ltd and ABG Ports Pvt Ltd.

"The Mumbai high court has allowed JN port to proceed with the award of the contract," said SK Kaul, Chief Manager, Legal, at JN port. "The court also gave Adani Group the freedom to approach the Union Shipping Ministry regarding security clearance to bid for projects in other Union government-controlled ports." An Adani Group spokesperson said, "We will abide by the court verdict and go as per the directions of the court to the shipping ministry to sort out the issue."

The auction process for the new terminal, India's biggest in terms of capacity and cost, concluded in June with the consortium of PSA International Pte Ltd and ABG Ports Pvt. Ltd emerging as the highest bidder by offering the government a revenue port, will have a share of 50.82 per cent. The terminal, the fourth at JN capacity to handle four million standard containers a year and can accommodate seven ships at a time compared with two-three at other terminals in India. The project cost is estimated at Rs.6,700 crore.

The Adani Group, India's biggest private port operator, had bid for the new container terminal at JN port through a consortium of its flagship firm Adani Enterprises Ltd, another group firm Mundra Port and Special Economic Zone Ltd (MPSEZ) and Spanish firm Isolux Corsan. But it was the only one to be denied security clearance from the list of five bidding groups, following which the petition was filed in the Bombay high court challenging the decision.

Vizhinjam Deepsea container terminal by 2015

According to Kerala Minister for Ports and Excise K Babu, the Vizhinjam International Deepsea Container Terminal will be operational by 2015. The state government has prepared a time-bound action plan to complete the project, for which tender process to select the Engineering Procurement Contract (EPC) bidder would begin next month. The plan is to complete the project in three phases. First phase focuses on developing infrastructure facilities by the state itself with an estimated cost of Rs 4,040 crore.

Already 12 companies have been shortlisted for the EPC out of 16 companies which bid for

it. The project is planned to be implemented under Public-private partnership (PPP) model and its master-plan would be ready by October this year.

Work on the terminal, break-water and reclamation was expected to start after completing the Environment Impact Study in March next year. A "reputed" firm, Aecom Ltd had been appointed as EPC consultant, he said. The tender process would be completed in August and the contract would be awarded in November.

Funds for the project would be mobilised through loans and issue of bonds, he said adding a consortium of banks, including State Bank of Travancore, had been formed to mobilise resources.

Kerala seeks revised DFR for Azhikkal port

For development of Azhikkal port in Kannur district, the Kerala government has called for a revised detailed feasibility report (DFR) from the consultant, Deloitte India. This happened following the refusal of investors to participate in the tendering process.

Investors were reluctant to participate in the tendering process under the existing conditions contained in the proposal. The re-tendering process will begin soon after the government receives the revised report.

The global tender floated a few months ago to rope in a private partner for the project had attracted a lone bidder, Mundra Port and SEZ, which had its eyes on a coal-based mega terminal project proposed to be set up in the region.

East coast ports to import bulk of coal

The country's coal imports will shortly rise to 200 million tonne annually and the bulk of the imports will be through the east coast ports, said PVK Mohan, Chairman, National Shipping Board.

Mohan also said that the non-major ports on the east coast would play a critical role and the major ports must, therefore, get their act together.

Noting that coastal shipping and inland waterways transportation (IWT) were now poised to play a vital role, Mohan said the profile of the eastern seaboard will change with the creation of additional cargo-handling facilities. The country's maritime agenda, being finalised by the Ministry, would emphasise on level-playing field for both major and non-major ports, and the role of coastal shipping and IWT, he said.

CPT gets nod to set up container terminal

The Union Government has given green signal to the Calcutta Port Trust (CPT) to set up a container terminal at Diamond Harbour. The project ran into rough weather because the defence authorities had refused to part with 43 acres, which was considered critical for the project. Garden Reach Shipbuilders and Engineers (GRSE) — the local shipbuilder under



the Defence Ministry — was planning to utilise the land to set up its own facilities. Overall, the project will have over 125 acres.

The proposal for the container terminal was held up as the Centre had concurred with the views of the Defence Ministry. After a meeting between the port authorities and government officials in May, it was decided that the CPT would get the land at Diamond Harbour in lieu of a suitable alternative land for GRSE in the vicinity of the Hooghly river. The CPT has proposed to part with 20 acres at Raichak further down the river.

"The Union cabinet has approved the transfer of the piece of defence land at Diamond Harbour to the CPT to move ahead with the container terminal project," said National Shipping Board Chairman PVK Mohan on the sidelines of an event at the Bengal Chamber of Commerce and Industry. The terminal will constitute four ship jetties and three barge jetties, with an estimated capacity of 1.6 million TEUs (twenty-foot equivalent units) annually.

Vopak acquires bulk liquid storage terminal

By the acquisition of 100 per cent of shares in CRL Terminals Pvt Ltd in Kandla Port from a domestic operator, Vopak has entered the fast growing Indian market. The terminal is one of India's largest independent storage facilities for chemicals and vegetable oils and consists of two sites with a total capacity of 261,600 cubic meters (cbm).

Vopak operates 80 terminals with a storage capacity of 25.6 million cubic meters in 31 countries including the acquired terminal in India. The Port of Kandla, located on the west coast of India, is one of the busiest ports of the country and the largest for chemicals and vegetable oil imports. The port has good logistic connections with the hinterland of northern India and the Greater Gujarat area where most of India's chemical industries are located.

Vopak Terminal Kandla, as it will be named, consists of 121 tanks with connections to 5 shared jetties owned and operated by the Port of Kandla. The terminal will continue to serve existing international and domestic customers offering a high and uniform service quality based on Vopak's global operational standards.

At the same time, Vopak is now able to support its international customers that require independent tank storage and handling services to transport their products to India. Eelco Hoekstra, Chairman of the Executive Board of Vopak noted that India is seeing rapid growth in the production and consumption of petrochemicals and vegetable oils. The acquired

storage terminal in Kandla port is very well positioned to support the logistic product flows resulting from this growth, said Hoekstra.

ADB to develop India's 4 land ports

Considering the importance of land ports in the context of the regional connectivity, Asian Development Bank (ADB) has taken initiative to develop four land ports of India, officials said recently. Of the four ports, development work of Benapole port has already been started with ADB's technical assistance while the Manila-based lender is in talks with the government to develop Banglabandha, Bhurimari and Bhomra land ports, sources said.

Besides the four ports, Akhaura land port is also being considered among the five important and potential Border Control Points (BCPs) for regional connectivity centering neighbouring India, Nepal and Bhutan.

The ADB has taken up the plan to develop the land ports under the project, titled, South Asia Sub-regional Economic Cooperation (SASEC) Transport Logistics and Trade Facilitation, on request of the secretariat of South Asian Association for Regional Cooperation (SAARC). The ADB will also develop three Bhutanese land ports and two land ports in Nepal under the project.

The ADB has submitted a proposal to the Economic Relations Division (ERD) in this connection and the ERD, in turn, has sought opinion from the Roads and Highways division and also from the Ministry of Commerce, sources said. Under the project the ADB has proposed development of approach roads of the border control points, infrastructural development, and automation of customs facilities, the sources added.

"The ADB has showed keen interest to develop Bangladesh's land ports. Some of its officials have already visited several ports recently. The officials had talks with us in this connection but they are yet to sign any deal," Member (Development) of Bangladesh Land Port Authority (BLPA) Delwar Hosen told a business newspaper.

Rotterdam is model for planned major port in AP



The major port planned in Andhra Pradesh coast would be built on the lines of Port of Europe's Rotterdam port. Andhra Pradesh government has selected two sites at Prakasam and Vishakhapatnam districts, to set up a major port for which it had approached the Ministry of Shipping last year.

“They (Andhra Pradesh government) have selected two sites at Prakasam and Vishakhapatnam districts for setting up a major port. We have deployed a team which would visit both these sites this month,” a Shipping Ministry official told a news agency. The team constitutes members from Minor Ports Survey Organisation (MPSO), Director (Engineering), Under Secretary Port Department. The committee would visit both these sites this month.

A special purpose vehicle (SPV) would be formed, which would invite bids for the PPP (public-private-partnership) projects in the area.

The Port, which is spread across an area of approximately 5,000 hectares, would also have an international standard shipyard. “It would be a port-cum-international shipyard, the land available is about 5,000 hectares. An SPV would be formed which would start inviting bids for the PPP projects ...like setting up container terminals,” the official said.

Port of Rotterdam -- the largest port in Europe -- model would be adopted for setting up the port in the state and the South Korean model for the shipyard.

“May opt for the South Korean model of shipyard...they are the best in the business right now, the Port may be set up on the model of Port of Rotterdam or Singapore Port Authority,” he added.

SHIPPING

Vallarpadam transshipment biz in trouble

Trans-shipment business through the International Container Transshipment Terminal (ICTT) at Vallarpadam is being affected due to non-availability of sufficient Indian flag tonnage. Following the move of some of the mainliners to bypass Kochi, it is feared that the Vallarpadam Terminal could lose substantially in terms of business volume and revenue in the coming days.

Mainliners such as Maersk, CMA, PIL are planning to shift their vessels to Colombo Port to move trans-shipment containers to Tuticorin and Mangalore due to lack of timely sailings of Indian flag tonnage from Kochi. The shipping circles point out that such a situation has emerged particularly because of the delay in relaxing the cabotage law by the government.

Oil smugglers held near Pipavav port

Five persons were detained recently in a major oil smuggling attempt by them along the Gujarat coastline. The oil smuggling bid was foiled by the Directorate of Revenue Intelligence (DRI) officials by intercepting a tugboat carrying 1,65,000 litres of smuggled high speed diesel (HSD) anchored at Pipavav port.

DRI sources said that the tugboat had come from Middle-East and was moving along Gujarat coast for the last few days looking for customers. “We received information about a foreign boat carrying HSD. The boat worth Rs 30 crore was seized and those manning it confessed that they brought surplus 2 lakh litres of diesel and sold off a few litres as they were

moving in Indian waters,” said a senior DRI official.

The smugglers, said DRI officials, sell diesel on less than half the market price to local dealers who in turn sell the same to industries and private shipping companies. Officials said smuggling of diesel has become rampant after organised gangs got into the business. “While a few have contacts in Middle-East and smuggle oil into Gujarat, others buy surplus diesel from ships coming to Gujarat,” said a DRI official. Sources said that many ships bring extra fuel to sell it to local smugglers. Officials said that local smugglers are working in tandem with organised oil and red sandalwood smuggling gangs, posing a major security threat to Gujarat.

Govt plans ferry service to Maldives

As the government is considering to start a sea route facility to Maldives, travelling to the smallest Asian country might get a little more exciting for Indians. The Ministry of Shipping, in order to boost tourism to and from the Maldives, will run a passenger liner for travellers from either the Cochin or the Tuticorin ports.

“We are examining the projects and are in discussion with the Maldives government on the modalities for a ferry service and development of ports for trade and tourism,” said K Mohandas, Secretary, Ministry of Shipping. A delegation led by Mohandas, along with chairpersons of the Cochin and Tuticorin Port Trust, officials from the Directorate General of Shipping, and the Shipping Corporation of India, is currently visiting the Maldives.

The sea route to the Maldives is expected to take about 30 hours to travel. The cost parameters are still being studied. Government officials will visit the ports and the Maldives to understand the demand and the economic viability of the project. “At this stage, we don’t have any details about the cost and frequency of such a service to the Maldives. But after Sri Lanka, this is the second neighbouring country to which we want to provide easy access,” Mohandas added.

Last month, the shipping ministry started a sea route to Sri Lanka from the Tuticorin port. The shipping service, which runs twice a week, costs about USD 50 per passenger, with a travelling time of 12 hours. The ship, Scotia Prince, with capacity to ferry 1,044 passengers, is operated by Flemingo Liners. The Maldives is towards south of Lakshadweep Islands where the Indian Navy had captured 28 Somali pirates in February this year. “The Indian Navy has been guarding the area very well ever since the last incident. Security will not be an issue,” Mohandas said.

SHIPYARD

ABG Shipyard sees better future on rising orders

ABG Shipyard has recently won two navy contracts, acquired a ship-repair company and is dealing primarily with clients unaffected by the shipping sector slowdown. Hence, with a strong order book, improving balance sheet and steady business outlook make ABG Shipyard to expect better future in the near future.

ABG Shipyard, the country’s largest private shipyard, has a healthy order book of Rs 15,000 crore which is nearly seven times the FY11 revenues of



Rs 2,136 crore. This includes an order recently received from the Indian Navy to build two naval cadet-training ships worth Rs 970 crore.

Current orders are to be executed over the next five years, which gives it a better revenue visibility. During the financial year 2011, the company reported a growth of 15 per cent in sales and 5.2 per cent in net profits from ordinary operations on a consolidated basis. The company has set an aggressive 30 per cent revenue growth target for FY12 which seems achievable assuming the projects are executed on time.

The company reduced its debt from Rs 2,897 crore to Rs 2,542 crore in FY11, and plans to reduce by another Rs 400 crore in FY12. The debt-to-equity ratio currently stands at 1.9:1. The company paid Rs 145.8 crore towards interest cost in FY11, which was 29 per cent of its PBDIT.

ABG Shipyard holds a 60 per cent stake in Goa-based Western India Shipyard, which is the largest private rig and ship repair firm in the country. Western India Shipyard has healthy operating margins with an average of 35 per cent over previous four quarters. There is a growing demand for ship repair services in the country since most of the merchant ships from India go for repairs in Singapore and Dubai.

The current dampened outlook of the shipping industry is mainly in the large-sized carriers segment, where an oversupply situation has arisen. As a result, ABG’s primary customers of handy-size and handy-max ships are relatively unaffected in the turmoil compared to the large ship owners. This ensures that ABG’s order book remains healthy and growing. The company is also into construction of jack-up rigs used in offshore exploration and drilling activities.

The company is currently trading at a P/E of 10.14 whereas its peers Bharati Shipyard and Pipavav Shipyard are trading at a P/E of 3.29 and 126.33, respectively.

INTERACTION

India plans to up shipping capacity to 43 mn tonnes



Maritime transport handles 90 per cent of India’s international trade. The Ministry of Shipping, through its Maritime Agenda 2010-20, has chalked out a blue-print to increase its port capacity, increase tonnage and coastal shipping while facilitating a hassle-free multi-modal transport. Secretary, Shipping, K Mohandas has said. Mohanda, in an interview to a leading newspaper, spoke on various issues.

Q. The Maritime Agenda has set investment targets of Rs 2.87 lakh crore and Rs 1.65 lakh crore in the port and shipping sectors respectively. What will be the source of funding?

A. Currently, the total port capacity in India is over 1,000 million metric tonnes, which will be increased to 3,200 million metric tonnes in a ratio of 50:50 for major and non-major ports over a period of 10 years.

More investment is expected in the non-major ports sector. More than 80 per cent of the investments will be made by the private sector. It has been decided by the government that ports development projects should be based on public-private-partnership (PPP) model and a bulk of the investments will come through this route. The port sector has the investors' confidence.

Comparatively, achieving the shipping sector's target is difficult. The plan is to increase India's gross tonnage from the present 10 million tonnes to 43 million tonnes by 2020. Ship-

ping being a global activity, there's no incentive in flagging ships in India. We'll be able to attract investment in this sector by bringing changes through fiscal policy measures.

Q. What is the status of the proposal for setting up of an investment agency called Indian Ports Global?

A. Indian Ports Global has been conceived as an agency, which will largely promote the ports abroad in India's interest. The structuring of the agency is under process and is expected to be complete by the year-end. There will be equity contribution from Indian ports and investments would be made as and when required. There are many private Indian companies, who are looking at ports abroad, as they are setting up factories and are into mining there.

Q. As per the maritime agenda, how are you planning to increase India's share of seafarers to 9 per cent of the global strength by 2015?

A. At present, this number is 6 per cent to 7 per

cent. The increase will be achieved by enhancing the training capacity, especially on-board training. The director-general, shipping, is working out a model to increase the share.

Q. What is the status of the Ports Regulatory Bill?

A. A draft was prepared and was put on our website for feedback from our stakeholders. Some of the states have opposed it on the grounds of tariff fixation by non-major ports. It is under consultation with state governments. The Ministry has set a target for the Indian ship-building industry of 5 per cent of the global market by 2017.

Q. How are you planning to achieve it?

A. Currently, it is just above 1 per cent. Logistically, India is an appropriate place for ship-building, with a huge potential. The subsidy scheme in this sector was discontinued in 2007. Our proposal for a subsidy is lying pending before the Finance Ministry, which will help us to compete globally.