

**GOVERNMENT OF INDIA
SHIPPING
LOK SABHA**

STARRED QUESTION NO:533
ANSWERED ON:14.08.2014
GROWTH OF DOMESTIC SHIPPING INDUSTRY
Yeddyurappa Shri B. S.

Will the Minister of SHIPPING be pleased to state:

- (a) the present status of domestic shipping industry in the country;
- (b) whether the current fiscal policy and the absence of a level playing field have dented the growth of the domestic shipping industry and if so, the reaction of the Government thereto;
- (c) whether the Government proposes to encourage local shipping industry including permission to raise foreign currency loans/ bonds through financial institutions and if so, the details thereof; and
- (d) the other initiatives taken by the Government to encourage shipbuilding industry?

Answer

MINISTER OF SHIPPING (SHRI NITIN JAIRAM GADKARI)

(a) to (d): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF LOK SABHA STARRED QUESTION NO.533 TO BE ANSWERED ON 14TH AUGUST, 2014 RAISED BY SHRI SHRIRANG APPA BARNE REGARDING GROWTH OF DOMESTIC SHIPPING INDUSTRY.

(a): As on 31.07.2014, there are 1209 Indian flag vessels with a tonnage of 10.40 million GT. Out of this, 846 vessels of about 1.10 million GT are engaged in coastal trade and the remaining 363 vessels are plying in overseas trade. The average age of the Indian fleet is 17.91 years. Therefore, India not only needs to acquire new tonnage but also needs to replace its ageing fleet.

(b)&(c): Yes Madam, the fiscal policy and lack of level playing field for Indian shipping companies has adversely affected the growth of the domestic shipping industry and the share of Indian shipping in carrying the EXIM trade from the country. Although the tonnage tax scheme introduced in 2004-05 provided relief from corporate tax, some changes in the direct and indirect taxation subsequently have diluted the benefits provided. To encourage the Indian shipping industry the Government has taken the following measures, namely:-

- i) Acquisition of all type of ships, through import has been brought under the Open General Licence (OGL).
- ii) To attract investment for the growth of this sector, the Government has allowed 100% Foreign Direct Investment (FDI) In the shipping sector.
- iii) Indian Shipping industry has been provided cargo support in the form of right of first refusal & policy of Free On Board (FOB) import is being followed for government owned/controlled cargoes.
- iv) In the Union Budget 2014-15, government has announced an increased abatement from taxable value for levy of service tax on coastal transportation services from 50% to 60% which has resulted in decrease of effective service tax from 6.18% to 4.94%.
- v) Government has recently allowed Indian ship owners to buy ships and flag these ships abroad.

(d): A shipbuilding subsidy scheme was in existence to promote Indian Shipbuilding industry. A subsidy of 30% was admissible if construction orders were placed between 25th October, 2002 to 14th August, 2007 on all private, non central and central PSU shipyards. India's share of world order book increased from 0.02% in 2002 to approximately 1.24% in 2007. Increase in Indian built vessels in Indian flag fleet increased from 0.4% in 2005 to 16.2% in 2007. Government has honoured the committed liability upto 31.3.2014 in respect of construction orders placed upto 14th August, 2007.