

Standing Committee Report Summary

Status of Ship Building, Ship Repair and Ship breaking industries in the Country

- The Standing Committee on Transport, Tourism and Culture (Chair: Mr V. Vijayasai Reddy) submitted its report on ‘Status of Ship Building, Ship Repair and Ship breaking industries in the Country’, on February 8, 2024. Key observations and recommendations include:
 - **Financial Assistance Policy:** Under an initial financial assistance policy shipbuilders were provided 30% additional assistance on building merchant vessels longer than 80 meters for the domestic market. For export orders, ships of all types and capacities were eligible for the subsidy. A new financial assistance scheme was introduced for both state-owned and private shipyards, extending support for ships regardless of size. Under this policy, financial assistance equivalent to 20% of the Contract Price, Fair Price or actual payments received, whichever is the least, will be offered. The Committee noted that only 6-7% of the Rs 4,000 crore corpus created for the policy has been utilised. It recommended evaluating reasons for poor scheme utilization, and whether factors such as high material imports for shipbuilding and low automation are affecting the competitiveness of Indian shipyards.
 - **Promotion of tonnage:** The share of India in global shipbuilding industry is around 1%-2% due to high cost of shipbuilding. The Rangarajan Commission had recommended classification of ships and other vessels as infrastructure. Currently, shipyards have been granted the infrastructure status which would provide access to long term funding at lower rates. The Committee recommended that the infrastructure status as given to shipyards should be extended to all ships and vessels. It also recommended: (i) incentivising domestic production of specialised steels and (ii) establishing a Maritime Development Fund for access to working capital and long-term finance.
 - **Greenship Building:** The Committee observed that ship engines and fuels are shifting from fossil fuels to alternatives like green methanol and ammonia. It also noted the financial challenges faced by Indian shipbuilders, leading to low orders, diminished profits, and limited reinvestment capacity. It recommended: (i) the National Centre for Excellence in Green Ports and Shipping to act as a nodal entity for green shipping, (ii) exploring measures to reduce interest rates on working capital for Indian shipyards, and (iii) devising a potential Production Linked Incentive scheme that includes output-based rewards and investment incentives to boost the shipbuilding industry.
 - **Ship Repair:** India’s share in global ship repair market is less than 1%. The Committee noted the limited competitiveness of Indian Public Sector Undertaking shipyards in the global repair market. It noted that 725 ships were repaired in private shipyards and 448 in government/PSU shipyards, between 2019-20 and 2021-22. No ship repair activity in dry docks at major ports like Mumbai, Vishakhapatnam, Paradip, and Deendayal Port has taken place in the last few years. The Committee recommended: (i) enhancing infrastructure supporting ship repair, and (ii) inquiring into the feasibility of reviving ship repair activities to alleviate financial challenges.
 - **Ship Recycling:** Ship recycling industry converts end-of-life ships into steel bars, billets, and rods for construction industry and electronic tools for homes and businesses. The Committee noted challenges such as lack of data and issues with standardisation, in using ship breaking steel plates for TMT bars. Due to this, workers in small industries selling TMT bars have lost their jobs. The Committee recommended: (i) making alternative forms of steel from ship scraps that may not require the same standards as TMT bars and (ii) training workers in various processes of ship recycling.
 - The Committee emphasised the need for strategic planning to ensure environmental conditions and workers’ safety and health standards are not compromised during ship recycling. Considering the potential exposure of workers to pollutants, the Committee recommended: (i) conducting risk assessment studies, (ii) continuous monitoring of pollution exposure, and (iii) implementing green initiatives such as herbal gardens and green avenues in residential areas for labourers.

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