

Govt mulls shipping firm to tap surging global trade

Reuters

New Delhi

The Indian government plans to set up a new shipping company to expand its fleet by at least 1,000 ships in the next decade, as Asia's third-largest economy seeks a bigger chunk of revenue from surging trade, two government officials said. It is spending billions of dollars to refurbish infrastructure in its race to become a world-class manufacturer.

The yet-to-be-named firm will be jointly owned by state-run companies in the oil, gas and fertilizer industries, which would provide it with business, along with the state-run Shipping Corp of India and foreign companies. The oil and shipping

ministries did not respond to requests for comment. The aim is to reduce freight outgoings to foreign firms by at least a third by 2047, said the sources, who sought anonymity as they were not authorised to speak to the media.

"Current estimates show freight costs will rise to \$400 billion as we boost our exports and imports by 2047," said one of the sources, who has direct knowledge of the matter. Indian companies paid freight costs of \$85 billion in the financial year 2019/20, of which \$75 billion was paid for use of foreign vessels, the source added.

NOT KEEPING PACE

The turn to foreign carriers comes as India's shipping fleet

has not kept pace with its surge in trade, including imports of energy and exports of refined oil products. India has a fleet of about 1,500 large vessels including tankers, gas carriers, container ships and dry bulk carriers, the sources said.

In January, India's oil and shipping ministries agreed that all state-run oil companies and the planned company work together, a government document seen by Reuters showed. They would draw on the expertise of the Shipping Corp of India in "tanker acquisition and ownership, operations and other areas of shipping", it added.

On May 16, the two ministries formed a joint working group of government and industry officials to devise a roadmap, the

document showed. The new firm will be based at Gift IFSC. It would draw seed capital from a maritime development fund of roughly ₹300 billion the government plans to set up in a tie-up with major port authorities, the first source said.

CHARTER DEALS

To secure low-cost, long-term loans for financing ship-building, the two ministries want state-run companies to sign 15-year charter deals with the new firm. That represents a shift from the current practice of booking specific voyages or one- or two-year charters. "In return, the state-run companies can also become stakeholders in the new ship-owning and leasing entity," the source added.

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