

COASTAL SHIPPING BILL 2020: EXPLANATION OF KEY PROVISIONS

Coastal shipping refers to the activity of carriage by sea of goods and/or passengers from any port or place in India to any other port or place in India. This also includes performing any service within coastal waters of India such as exploration, exploitation of resources, or research.

Coastal shipping in India holds great potential owing to our vast coastline of around 7500 kilometres and proximity to important global shipping routes. It has been recognised that maritime transportation, particularly coastal shipping, is cheaper compared to other modes of transportation and would enable overall reduction of production costs. Consequently, in order to ensure sustainable and cost-efficient manufacturing, there is a need to improve transport connectivity and supporting infrastructure in the coastal maritime transport sector. The cost of transportation and logistics directly contributes to the production cost and there has been a concerted policy and legislative effort to improve efficiencies in this regard. This has also been identified under the Sagarmala programme of Government of India.

Currently, coastal shipping is governed by Part XIV of the Merchant Shipping Act, 1958. Considering the importance of the coastal shipping industry, its contribution to the economy and employment generation, it was felt that a standalone legislative framework should be formulated. Accordingly, the Coastal Shipping Bill, 2020 has been promulgated for reform and regulation of coastal shipping with the aim of promoting coasting trade and encouraging domestic participation in the sector.

The key provisions of the Coastal Shipping Bill 2020 are:

- 1. Mandatory licencing for all foreign vessels**-It is mandatory for all foreign vessels to obtain a licence to engage in coastal shipping in India from the Director General of Shipping. **(Clause 3)**. The licences granted to foreign vessels may be of different classification (*eg. categories and / or types by vessel, or service or function or both*). The different categories of licences will be given in the Rules. **(Clause 4)**.
- 2. Conditions for grant of licence**- Further, the Bill also allows the Director General of Shipping to impose conditions on foreign ships to whom it issues licences. Such conditions imposed may include nationality requirements for the crew of each foreign vessel that is granted a licence, requirements the whole or part of such foreign vessel to be built in India. **(Clause 5)**
- 3. Criteria for grant of licence**- Further, the Bill also provides for the criteria to be considered before any foreign vessel is granted a licence. These criteria may include the availability of Indian vessels, the compliance record of the foreign vessel and other factors that the Director General may decide. **(Clause 5)**
- 4. Development of a National Coastal and Inland Shipping Strategic Plan**, for the seamless integration of inland waterway routes with maritime coastal transport. The aim here being to enable transportation of goods solely via water-based modes of transport, from inland waterways to coastal shipping routes. It also constitutes a Committee to make the National Coastal and Inland Shipping Strategic Plan. **(Clause 9)**
- 5. National Register of Coastal Shipping (Clause 10)**, which contains all information about the coasting trade of India. Such a register would ensure transparency of procedure and aid in information sharing between the regulators and the industry and other participants. This shall include all information about foreign vessels licenced to engage in coastal shipping in India as well as information reported by Indian vessels under **Clause 8**.
- 6. Creation of Schedule of Penalties** which enables the Central Government to revise fines without amending the Act, and thus, makes it easier to revise fines to keep up. Further, the Bill also imposes ad valorem penalties.