



भारत सरकार / GOVERNMENT OF INDIA
पत्तन, पोत परिवहन और जलमार्ग मंत्रालय
MINISTRY OF PORTS, SHIPPING AND WATERWAYS
नौवहन महानिदेशालय, मुंबई

DIRECTORATE GENERAL OF SHIPPING, MUMBAI

File No. 16-15011/331/2024-SD – DGS

Dated: 15.10.2024

To,
The Stakeholders and Members of the Public

**Subject: Public Notice for Stakeholder Consultation on Proposed revocation of
General Orders 1, 2, and 3 (2018)**

Sir/Madam,

We invite you to participate in an important consultation regarding the review of General Orders 01, 02, and 03 of 2018, which have significantly impacted the Indian container shipping sector and cargo owners. As the industry has faced both growth and challenges since these regulations came into effect, it is crucial to evaluate their impact on competitiveness, service costs, and the balance between large and small players. Ensuring that cargo owners have access to competitive freight services remains essential for maintaining fair pricing and reliable supply chains. Your insights will be key in shaping a regulatory framework that benefits both the shipping industry and cargo owners, fostering a more resilient and thriving ecosystem.

Attention is drawn to General Orders 1, 2, and 3 of 2018, which provided exemptions under Section 407 of the Merchant Shipping Act, 1958. These orders allowed foreign flag vessels chartered by foreign entities to engage in coastal trade for specific commodities, such as EXIM trans-shipment containers, empty containers, agricultural products, and fertilizers, without a license from the DGS.

Given the stagnation in Indian-flagged container shipping and the steady freight rates in coastal trade, the Ministry of Ports, Shipping & Waterways is considering the revocation of these General Orders to streamline regulations and improve operational efficiency, potentially boosting domestic shipping. Promoting Indian shipping through incentives and regulatory support could enhance service reliability and foster competition, positively influencing freight rates.

To gather comprehensive feedback on the possible impacts of revoking these orders, we have developed a questionnaire. This aims to assess the current General Orders' effects on operational efficiency, freight rates, cargo volumes, and competitiveness, as well as explore the implications of revocation for various stakeholders.

You are kindly requested to review the attached questionnaire and provide your responses through the Google Forms link <https://forms.gle/hWZzFMNTyENs3byx7> / sd-dgs@gov.in by **27 October 2024**. Your feedback will play a critical role in taking informed policy decisions, ensuring all perspectives and concerns are considered. The background is enclosed for your reference.

Thank you for your cooperation. This is issued with the approval of the Competent Authority.

Yours sincerely,

Shitesh Ranjan
SS-cum-Dy. Dir. General of Shipping[Tech/Shipping Development]

Enclosures:

1. Premise for Stakeholder Consultation on the Review of General Orders (GO) 1, 2, & 3, 2018
2. Questionnaire for Stakeholder Consultation- <https://forms.gle/hWZzFMNTyENs3byx7>

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9वीं मंजिल, बीटा बिल्डिंग, आई थिंक टेक्नो कैम्पस, कांजुर गाँव रोड, कांजुरमार्ग (पूर्व) मुंबई- 400042

9th Floor, BETA Building, I-Think Techno Campus, Kanjur Village Road, Kanjurmarg (E), Mumbai-400042

फ़ोन/टै No.: +91-22-2575 2040/1/2/3 फ़ैक्स/Fax.: +91-22-2575 2029/35 ई-मेल/Email: dgship-dgs@nic.in वेबसाइट/Website: www.dgshipping.gov.in

Premise for Stakeholder Consultation on the Review of General Orders (GO) 1, 2, & 3, 2018

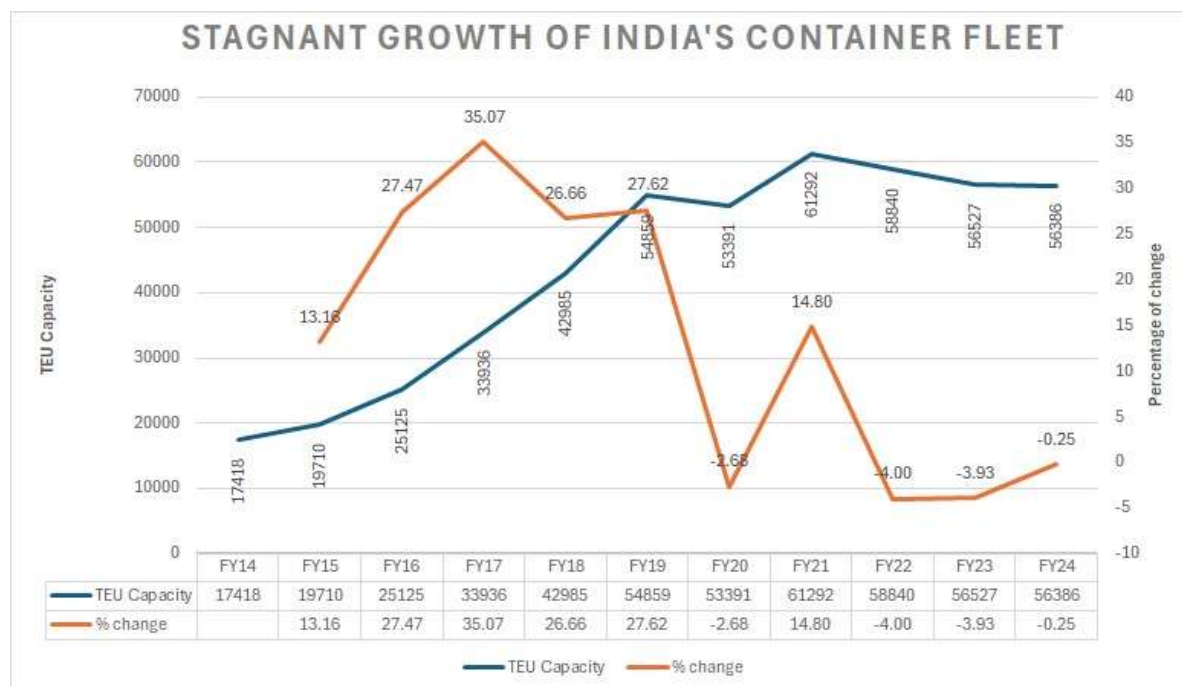
1. Introduction:

We seek your participation in the review of General Orders 01, 02, and 03 of 2018, which have significantly impacted the Indian container shipping sector and cargo owners. As these regulations have influenced competitiveness, service costs, and the balance between large and small players, it is essential to reassess their effects on the market. Your insights are crucial in shaping a regulatory framework that supports both the shipping industry and cargo owners, ensuring a fair, resilient, and competitive environment for all. We value your input and look forward to your feedback.

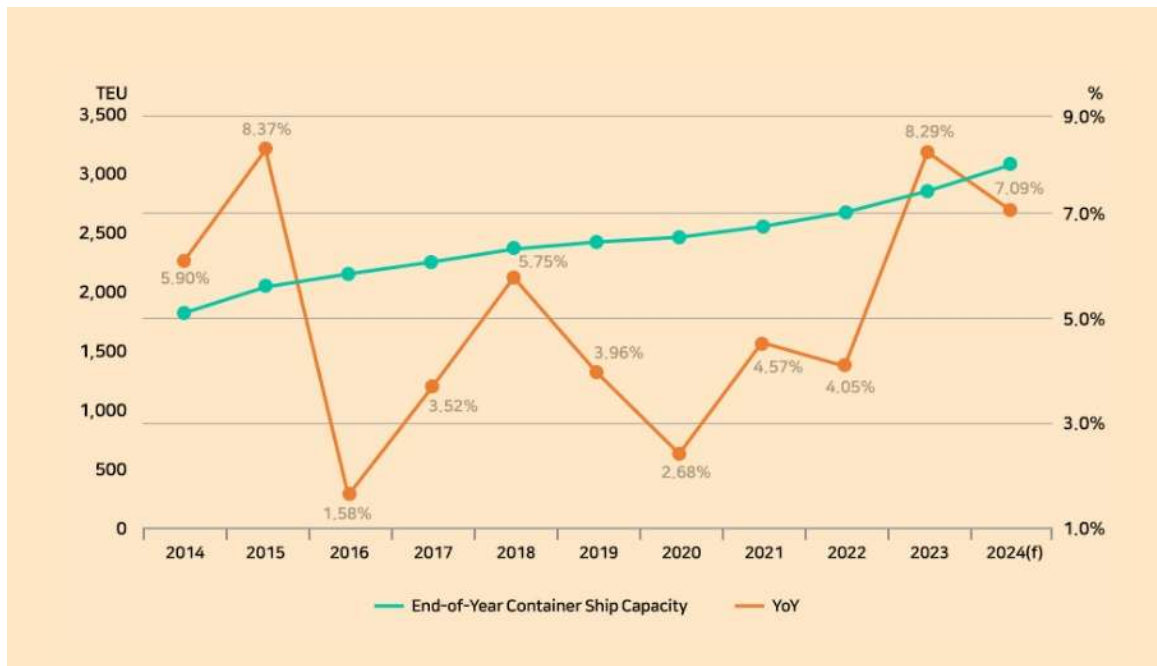
2. Growth in Indian Container Shipping Prior to 2019:

From year 2013 to 2018-19, Indian container shipping was showing a steady trajectory of growth. The number of Indian-flagged container vessels, while still limited, was gradually increasing, with local operators playing an active role in serving domestic and regional trade routes. Indian shipping companies, although facing competition from global players, were progressively expanding their tonnage, benefiting from India's strategic location and growing international trade.

The sector, though small, was contributing significantly to India's maritime economy, offering employment opportunities for Indian seafarers and facilitating domestic container manufacturing. The shipping industry's demand for containers provided a market for potential domestic production, aligning with India's ambition to develop a self-sufficient manufacturing ecosystem.



1. Indian Owned Container Ship Capacity



2. [Global Container Ship Capacity (10,000 TEU) increase over the last decade], [<https://www.cello-square.com/vn-vi/blog/view-1097.do>]

3. Post-2019: Decline and Global Contrast:

In the year 2018, following the introduction of GO 1, 2, and 3, Indian container shipping entered a phase of stagnation and decline. While global container shipping saw massive windfall profits, with some companies multiplying their earnings exponentially, Indian-flagged container shipping struggled to compete. Today, only approximately 30 container ships are registered under the Indian flag, and nearly half of these vessels are actually owned as well operated by Indian shipping companies.

4. Impact of Regulatory Framework on Competitiveness

It appears that the regulatory framework established by these GOs may have contributed to creating an uncompetitive and unfavourable operating environment for Indian shipping companies. Allegedly, operational and capital costs for Indian-flagged vessels are higher and exacerbated by domestic fiscal structures, which are said to have contributing effect on increased operational expenses compared to foreign competitors. As a result, it seems Indian operators have gradually lost market share, leading to a growing reliance on foreign vessels for the transport of goods.

5. The Role of Smaller Players in Fostering a Competitive Ecosystem

Promoting and protecting smaller players in markets dominated by larger competitors is essential for fostering a competitive and diverse ecosystem. In sectors where big players have consolidated significant market power, smaller companies often face significant challenges in terms of pricing, access to resources, and market visibility. However, their presence is crucial to ensuring that the market remains dynamic, innovative, and responsive to the needs of a broad range of consumers. Smaller players tend to be more agile, offering niche or specialized services that cater to unmet demands or localized markets. If they are squeezed out by dominant

players, the market risks becoming homogenized, leading to reduced consumer choice and stifled innovation.

6. Effects on Service Costs and Consumer Benefits

One of the key benefits of protecting smaller players is the effect on service costs. In monopolized or oligopolistic markets, where a few large companies control the majority of supply, service providers tend to set higher prices due to a lack of competitive pressure. By contrast, smaller players introduce price competition, which can help keep costs in check. When there is healthy competition between firms of all sizes, service providers must offer fair pricing and high-quality services to retain customers. This competition ultimately benefits consumers, who receive better value for their money.

7. Market Resilience Through Diversification

Rationalizing the need to support smaller players also lies in the potential for market resilience. In industries dominated by a few large companies, any disruption to these major players—whether due to financial difficulties, regulatory changes, or supply chain issues—can cause significant shocks across the entire market. On the other hand, a market that has a strong base of smaller players is less vulnerable to such disruptions, as a diversified supply chain and service network ensures that no single failure will severely impact service availability or cost. This distributed resilience not only protects consumers but also encourages a healthier and more robust industry in the long term.

8. Economic and Localized Growth Contributions of Smaller Players

Moreover, small businesses often drive localized economic growth, creating jobs, fostering innovation, and contributing to regional development. Promoting their participation in the market is not just about competition but also about building a more equitable and sustainable economy. By implementing policies that level the playing field—such as tax breaks, access to financing, or regulatory support—governments and industry bodies can ensure that smaller players remain viable, contributing to a more diverse and competitive marketplace.

9. Invitation for Feedback

In conclusion, supporting smaller players in markets dominated by large competitors is essential for maintaining competitive pricing, fostering innovation, and ensuring market resilience. By promoting a diverse market structure, an environment that benefits consumers and strengthens the overall economy can be cultivated.

With this in mind, we have developed the enclosed questionnaire to gather your valuable insights on the current regulatory framework and the steps necessary to create a more competitive and resilient shipping industry. Your feedback is critical in shaping policies that reflect the needs and challenges of the industry, ensuring that both large and small players can thrive in a balanced and sustainable manner.

We thank you in advance for your thoughtful contributions and look forward to your feedback.