Domestic Cruise Tourism in India: An Assessment

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Introduction

The advent of domestic cruise tourism in India is a relatively new phenomenon, although it is a well-known industry around the world. Many coastal countries, particularly island countries, are dependent on cruise tourism for their economic growth. With a 7,516-km long coastline, India has immense potential to develop a domestic cruise industry, which could significantly contribute to economic growth of the country. Cruise tourism is gaining popularity in India, for both social and leisure activities and hence there is an immense opportunity to develop the domestic cruise sector in the country.

Initially targeted at a high-end niche segment of society, cruise tourism has changed its stereotypical image and has opened its doors to a much larger consumer base. By observing this growing industry in India, this issue brief aims to highlight the opportunities in the cruise sector that can be utilized to complement other major development projects. It will also highlight the challenges that the cruise tourism sector has been facing, using as a case study, India’s first domestic cruise vessel, the AMET Majesty.¹

India’s Cruise Industry

As India sits astride the busy Sea Lines of Communication that crisscross the Indian Ocean, its nine coastal states, 7516km long coastline, and 14,500km of inland waterways, collectively impart to the country, a natural advantage in the development of cruise tourism. The Indian peninsula extends over a thousand miles into the Indian Ocean, and this provides an additional comparative advantage for the development of the cruise tourism sector in the country.

According to a 2015 report, India ranks ninth in a list of the world’s most popular tourist destinations, and is a preferred cruise destination.² Indian ports are
primary ports of call for foreign cruise lines. In 2015-16, cruise vessels made 128 calls at five major ports — Mumbai, Cochin, Goa, New Mangalore and Chennai. Presently, while foreign cruise ships are allowed only in Mumbai, Chennai and Kochi, domestic operators offer river cruises on the Brahmaputra and Ganga, which are a part of the National Waterways 1 & 2, and sea cruises to the Lakshadweep Islands and the Andaman and Nicobar Islands, from the ports of Mumbai, Kochi, Chennai and Kolkata.iii

In India, there is a lack of awareness and several misconceptions about cruise tourism, and there is little or no realization of the opportunities it offers in the Indian market. India’s culture and heritage have attracted tourists from various countries, and for that reason, India has a very large number of well-developed tourist locations. Knowing that India’s major heritage sites happen to be located in the coastal areas, cruise tourism development will surely be beneficial.

**Opportunities**

The Indian government’s commitment towards making India a cruise destination is quite clear from the measures taken by it to promote this sector.

Six of India’s major ports are being developed as world-class cruise terminals. These ports, which are located in states where tourism is a strongly supported sector, provide a ready platform for the development of cruise tourism. These ports are Mumbai, Goa, Kochi, New Mangalore, Tuticorin and Chennai. In four of them, terminals for cruise liners are ready, but they require additional infrastructure for passengers to have a smooth entry into the city.

The port of Kochi, for instance, has basic berthing facilities at the Samudrika Convention Centre. However, foreign ships that call at the port, are too large for the jetty to handle, forcing the ships to berth at the Ernakulam Wharf, where they jostle for space with a variety of cargo ships, at a wharf that does not have facilities for cruise liners. The Kochi Port Trust submitted a proposal to the Ministry of Tourism for the creation of a new terminal. Estimated to be completed by 2019, the terminal would have state-of-the-art facilities, making Kochi a preferred destination for cruise tourism. Kochi is also the first port in India to set up an online immigration clearance facility. The port attracted 39 cruise liners in 2016 and is expected to cater to 45 cruises in 2017.iv Encouraged by the success of operations by Mumbai’s first cruise ship, the ‘Costa neo Classica’, the Ministry of Shipping has planned to develop cruise terminals
in all the above-mentioned ports. Costa Cruises, for instance, have extended their reach in India to Kochi and Mangalore Ports as well.\textsuperscript{v} Likewise, the Royal Caribbean Cruises plan to begin domestic voyages in India on the West Coast, starting in December 2017.\textsuperscript{vi} With major cruise lines entering India, one can imagine the potential Indian market has, to develop a domestic cruise tourism industry. In 2016-17, India’s passenger traffic for cruise tourism stood at 1.76 lakh, and this is estimated to grow to 1.5 million by 2031-32.\textsuperscript{vii}

The government of Kerala, too, has drawn up an ambitious, ₹ 300 crore ‘Malabar Cruise Tourism Plan’, to link the rivers and backwaters in North of Kerala.\textsuperscript{viii} The plan is a part of the development of the National Waterway 3, which is a major tourist destination in the state.

Other than state governments, the central government, too, has launched several initiatives to boost India’s cruise tourism industry. Amongst these are the following\textsuperscript{ix}:

(i) The Ministry of Shipping has further requested the Goods and Services Tax (GST) Council to continue to exempt Cruise Tourism from the ambit of GST.

(ii) E-visa facilities have been extended to five major ports, following the model of Kochi port.

(iii) A 30 per cent rebate is being offered on vessel related charges by all major ports to cruise ships.

(iv) Cruise vessels are exempted from any priority, ousting, or shifting charges at all major ports, provided the vessel informs the port 30 days in advance.

(v) Major ports provide 25 per cent rebate in vessel related charges for coastal cruise movements, in addition to the existing rebate of 40 per cent for coastal vessels.

(vi) Walk-in or preferential berthing is given to cruise vessels at their home ports, without any extra charge.

(vii) Foreign Flag passenger vessels are allowed to call at Indian ports without obtaining a license from DG Shipping. This was initially allowed for a maximum
period of 10 years, but now (with effect from 06 February 2009) the period for which this relaxation is applicable has been extended to 15 years.

(viii) A Task Force to promote cruise tourism has been constituted jointly by the Ministry of Shipping and the Ministry of Tourism. The Task Force is responsible for formulating suitable strategies and for facilitating their execution.

(ix) The government has implemented Standard Operating Procedures (SOPs) for the handling of cruise vessels.

(x) A number of ‘Port-Level Committees’ have been constituted to address manpower, coordination, and logistics issues, for the optimal handling of cruise vessels. Each such committees comprises the chairman of the respective Major Port Trust as its Chairman, the Secretary Tourism of the concerned state as its Vice-Chairman, and the Regional Director of the respective region of the Ministry of Tourism as its Convener.

(xi) The Ministry of Tourism also extends financial assistance to Ports for tourism infrastructure, under its Scheme for Assistance to Central Agencies.

These reforms have attracted various foreign-flag vessels to Indian ports, and has also opened up opportunities for domestic companies to venture into this sector. With other projects, such as ‘Sagarmala’ and its sub-projects such as port industrialisation, existing companies and entrepreneurs can set up cruise tourism-related businesses. They would be supported by the above-mentioned rebates, along by other initiatives like ‘Start-Up India’, ‘Skill India’ and ‘Make in India’. All these initiatives and projects complement one another and hence, it will not only promote domestic cruise tourism, but also help in the development of Coastal Economic Zones and the success of Project Sagarmala.

Cruise tourism is gaining currency among Indians, albeit incrementally. This changing trend has seen people of all age and income groups preferring cruises as a mode of travel and relaxation; it is no longer considered to be an unaffordable luxury. With the concept of the Blue Economy very much part of the global discourse, cruise liner operators are looking for islands as their destinations, which makes India, which has more than 1300 islands and islets, a potential cruise hub.
Challenges

Despite growing interest of Indians in cruise tourism industry, India is yet to use its potential to the optimum usage. Except for South Asian cruises, where India’s passenger share was six per cent in 2016, Indians form a very small percentage on other cruise lines. Though India has the potential to develop its cruise tourism industry, certain challenges have hindered the growth of businesses in this industry. Inadequate infrastructure and a lack of clear cruise policy are two of the more significant ones.

India’s first cruise ship, AMET Majesty, offers a telling example of these challenges, whereby the AMET Group faced several hurdles in achieving their goal of making their cruise ship an economically viable venture that could be afforded by common people.

Case Study: AMET Majesty Cruise Ship – 2011

In 2011, the Chennai-based company, AMET Shipping Pvt Ltd, of the AMET Group, invested ₹ 100 crore in procuring a 35-year-old cruise vessel, the Arberia from its Greek owner. This training-cum-cruise vessel was renamed the AMET Majesty. The ship had a capacity of 700 passengers, who were served by a crew of 200.

The company tied up with the famous Thomas Cook Group for weekend tourist voyages, targeted at urban, middle-class Indians and foreign tourists. It offered affordable rates and also gave opportunities for the training of young cadets. The Directorate General of Shipping accorded approval for the ship to train 90 deck cadets and 120 engineering cadets for a period of six months, which was the period stipulated before they could appear for the competency examination conducted by DG Shipping. The routes on which the ship voyaged were Chennai-Andaman-Phuket-Chennai; Chennai-Vizag-Chennai; Chennai-Trincomalle-Karaikal-Chennai; Mumbai-Lakshadweep-Mumbai; Kochi-Lakshadweep-Kochi; and Kochi-Maldives-Colombo-Kochi.

The AMET Majesty offered every service a cruise could have, but faced formidable challenges in terms of economic viability. Regulations such as harbour charges were incurred at every single entry and exit in same ports, making it difficult for the company to keep its rates pocket-friendly. Moreover, these charges are based on the Gross Registered Tonnage (GRT) of a vessel, which is a measure of volume and
not mass. Consequently, a cruise vessel has comparatively higher GRT than a cargo ship. The security clearances to be taken by the ship were no different from those mandated for an international cruise liner. Thus, flying the Indian flag on the ship made it no easier or simpler to clear security than it would have been had the AMET Majesty been a foreign flag vessel. The high costs incurred in obtaining security clearances was a further constraint in the company’s effort to make the cruise economically viable for the public. Hence, in spite of good passenger traffic, the company discontinued their venture.

Based upon its unhappy experience, the AMET Group submitted a series of recommendations to the Ministry of Shipping, Government of India. This document is appreciated to have served as a catalyst for the present reforms.

The above case study brings out many facets of the challenges the company faced a couple of years ago. Though various projects and initiatives are now in place for the development of port infrastructure and to address major challenges faced by cruise liners, the time and costs inherent in the implementation of these initiatives are, in and of themselves, a matter of concern. Moreover, ensuring adequate awareness of these initiatives amongst the various components of the cruise industry, is another aspect needing focused attention directed at the travel fraternity as well as the passengers themselves.

In June 2017, the Minister of Shipping, Mr. Nitin Gadkari, announced the release of India’s New Cruise Shipping Policy in July 2017\textsuperscript{xiv}, but there have not been any further developments on the same till date. He has also written to the Home Ministry requesting the enhancement of human security at 12 major ports by deploying the Central Industrial Security Force (CISF), to promote cruise tourism.\textsuperscript{xv} This would also mitigate any threats to India’s coastal security that might be associated with the increased movement of cruise liners.

**Recommendations**

For India to develop its cruise industry, port infrastructure is of prime importance. Infrastructural developments need to pick up the pace at various ports, prioritising the existing major ports, which are already ports-of-call for foreign cruise vessels. Moreover, passenger facilities at all major ports are necessary for cruise ships to berth; this will also allow passengers to visit the port city, in turn increasing tourism for India.
Hence, instead of developing the ports merely as cruise terminals, the government should consider developing these as ‘port destinations’.

There is also a need to promote river cruises to complement coastal ones. River cruises plying on India’s National Waterways will complement Coastal Cruise Tourism. Vessels can be reconfigured as ‘River-Sea Vessels’, suitable for both rivers and the sea, which can then help to integrate cruise tourism as a whole.

At present, the various projects and initiatives do complement one another’s development, but integrating them completely is what India needs. For instance, the ‘Skill India’ initiative can be incorporated to create awareness about the cruise tourism industry. Likewise, the ‘Digital India’ campaign can be used to market the potential of the cruise industry in India, while organizing and conducting workshops for the various other industries that constitute a part of the cruise industry.

A holistic approach needs to be adopted by India, to be able to fully tap the potential that the domestic cruise sector quite clearly possesses.

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Notes and References

i “Shri Vasan Flags off India’s First Cruise Liner ‘M.V. AMET Majesty’”. Press Information Bureau, Government of India, June 8, 2011.


iii Gupta, Moushami Das, “Cruising from Indian shores to get easier and more exciting.” Hindustan Times, June 12, 2017.


xi Based on a Personal Interview, given by a former employee of AMET Group.


xiii Ibid.
