

## **Andhra Pradesh Port Policy 2015: Centre's Vision and State's Need**

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At the Maritime India Summit held in Mumbai on 14 April 2016, the Indian Prime Minister Narendra Modi released the Sagarmala National Perspective Plan; spelt out his government's vision and rationale for 'port-led development model' which is central to the Sagarmala vision; and stated, "...This will be done in collaboration with the coastal states."<sup>1</sup> Sagarmala is the national program aimed at accelerating economic development in the country by harnessing the potential of India's coastline and river networks. The press release of the Ministry of Shipping of 14 April 2016 states, "...The Sagarmala program has taken shape using the government's core philosophy of cooperative federalism."<sup>2</sup>

Thus, the port policies of the coastal states of India will play an important role in the success of the Sagarmala Project. Interestingly, the AP (Andhra Pradesh) Port Policy 2015 of the state Government states, "The coastline is the strength of Andhra Pradesh and 9 out of 13 districts of the state are coastal districts. The state has adopted a port led development strategy aligned with the development principles of the Sagarmala Project".<sup>3</sup>

In the above context, this issue brief spells out the salient features of the AP Port Policy and the manner in which it incorporates the vision of Sagarmala. It then briefly discusses the agreements concluded by Andhra Pradesh at the Maritime India Summit 2016.

The AP Port Policy is guided by the state's needs and the centre's vision of Sagarmala. Thus, it incorporates both the manufactured led development and the port-led development path for economic growth, which are not exclusive to each other, and benefit both in terms of modernisation of ports and port connectivity. The port policy brings out that the state's and the centre's development narrative converge with regard to leveraging maritime assets for economic growth, which till now, have been underutilised in the country.

### **AP Port Policy 2015<sup>4</sup>**

Among the coastal states of India, Andhra Pradesh has the second longest coastline of 974 km. It is strategically located on the east coast of India facing the Bay of Bengal; and beyond it, the maritime rimland of the Asia Pacific, to which the world's economic and political power is shifting to.

The state has one major port - Visakhapatnam, and has so far declared 14 other locations as non-major ports. The Government of India plans to establish a major port at Dugarajapatnam. The port policy however, shall only apply to all the existing and future ports in the state defined as non-major ports. The development of these ports is sought to be done through primarily private investment. As per the port policy, all the existing and future ports in the state have been divided in four categories. They are:

- Ports earmarked for future development. The development of these ports will be done keeping in view the traffic potential and sustainability of the existing ports;
- Ports under PPP concessions awarded to private investors. These are Gangavaram Port, Kakinada Deep Water Port , Krishnapatnam Port and Machilipatnam Port;
- Ports under concessions awarded to private investors for development as captive ports, eg ports of Kakinada SEZ, Rawa, Meghavaram, and Nakkapalli;
- Ports under state, as the owner-operator. Currently this comprises the Kakinada Anchorage Port.

Development of ports is capital intensive, sometimes with long gestation period. Private investors will not invest unless growth in traffic volumes of ships to ports is ensured. The AP Port Policy asserts that the states ports have the potential to attract large volumes of traffic.

### ***Opportunities***

First, the state of AP has taken many initiatives to boost manufacturing sector, in which it lags behind. The development of these industries is expected to create large demand for shipping and logistics relating to raw materials and manufactured goods. AP has also proposed creation of special economic zones for specific commodities, such as the Petroleum and Petro Chemical Investment Region, which will need specific port infrastructure to meet its needs.

Second, providing impetus to the state is the Vizag-Chennai Industrial Corridor (VCIC). This proposed corridor is part of the East Coast Economic Corridor, the nation's first coastal corridor, aligned to the Golden Quadrilateral, the national roads network. Almost eleven districts of AP covering 80 per cent of state's area fall in the influence zone of VCIC. They are expected to become home to industrial nodes giving thrust to domestic and export manufacturing. This is expected to create demand for both in-bound and out-bound logistics through port networks.

Third, the ports of AP also seek to attract customers from the states of northern and central India. These states are also likely to see a boost of industrial activity following development of industrial corridors. The prospects for APs ports arise because many ports normally accessed on the west coast are facing congestion.

Fourth, the state also has the advantage of connectivity backbone along the coastline in the form of the south-eastern leg of the golden quadrilateral road network (NH 5) and the Calcutta Chennai railway route, which is already operated as an electrified double link trunk route.

Fifth, the AP port policy spells out, "the states coastline is naturally suited for tighter integration with East Asia and South East Asian economies in terms of

participating in global manufacturing chains.” It adds, “the state government seeks to leverage its locational advantage and pursue a port-led economic development strategy that could also result in the state emerging as the node integrating India into the global manufacturing chain.”<sup>5</sup>

Sixth, port led development is central to the Sagarmala vision. Its focus is logistics-intensive industries, where transportation either represents a high proportion of costs or timely logistics is a critical success factor. Its four components are: port modernisation (ports having efficient and modern infrastructure); port connectivity, which taps into coastal and inland waterways projects also; port led industrialisation; and coastal community development, in which population in the coastal regions will be employed in the industries, which come up after requisite skills are imparted to them. As regards port-led industrialisation, it is sought to be delivered through the coastal economic zones (CEZs), which will be the focal point for development along India’s coastline. Fourteen CEZs have been identified, and of these two are in Andhra Pradesh. They are:

- The VCIC Central Andhra Pradesh Coastal Economic Zone. It covers the district of Chittoor and Nellore. The port which will cater to these areas is Krishnapatnam Port. The possible industries suggested are ‘Electronics’- related. The likely benefits in terms of sample projects are up-gradation of road connecting Krishnapatnam port to Nellore city, and road to Krishnapatnam Port from Naidupeta.
- The VCIC North Andhra Pradesh Coastal Economic Zone. The potential districts likely to benefit are Guntur, Krishna, West Godavari, East Godavari, Visakhapatnam, Vizianagaram and Srikakulam. The Ports being targeted are Vizag and Kakinda. The possible industries are petrochemicals, cement apparel, food processing. The sample projects are Machilipatnam /Vodarevu Port, Oil jetty at Vizag, road from Machilipatnam to NH-SH-46. As observed, these CEZs are planned to align with industrial corridors.<sup>6</sup>

The above manufacturing activity and port-led industrialisation proposals will ensure that traffic volumes of ships to AP ports grow. The industrial activity will also give a boost to coastal shipping and waterway transport, and the port policy proposes to focus on these too. It proposes to incorporate supply chain perspective in planning; promote integrated development of ports along with industries and inland infrastructure connectivity; and create a multimodal line and evacuation strategy that precedes port development. To look into all dimensions of functioning of the non major ports and to ensure transparency, a maritime board will be formed.

### ***Challenges***

To implement its vision, the state needs to plan for optimal use of its port land; upgrade its ports to attract traffic from hinterland too; make necessary logistics and linkages to make it the choice for evacuation of cargo; and ensure deep draft ports to cater to larger ships which are in demand as they cut transportation costs by 30 per cent to 40 per cent.

A dynamic political leadership and official machinery which understands the potential of the maritime assets to transform the economic landscape of the state is of utmost importance. They should constantly interact with the other states, the centre, maritime stakeholders; and investors to tap opportunities, address grievances and receive suggestions.

The state's new discourse of economic development based on its ports and rivers needs to be internalised by the academia too. The educational institutions need to make suitable changes in their syllabus, imparting new skills to ensure that the employment opportunities which will be generated will remain within the state.

Most important, the coastal communities have to be taken into confidence before projects are implemented.

## **Maritime India Summit**

Two important agreements were concluded by the Andhra Pradesh government at the Maritime India Summit held in Mumbai in April 2016. Over 42 countries, 5000 delegates and numerous maritime stakeholders had participated in this summit.

One is a MOU (memorandum of understanding) between the Dredging Corporation of India (DCI) and the Government of AP for setting up a Dredging and Dredge Repair complex at Antarvedi in East Godavari district. Once constructed, the dredging harbour will be the first of its kind in the country and the third in the world. The Rs 180 billion dredging harbour-cum-training centre is also expected to take care of the maintenance of the dredgers that are into the job of de-silting the ports for maintenance of depths for ships. This harbour can also become a centre to facilitate dredgers from entire South Asia. The setting of this harbour is expected to improve connectivity between East and West Godavari in the form of rail cum road bridge. The state government would provide 200 acres for the proposed harbour. <sup>7</sup>

The second agreement relates to the development of inland waterway transport. The state government signed an MOU with the Inland Waterways Authority of India for the development of National Waterway 4 with an outlay of Rs 300 billion. It will play a big role in reviving the economic activity along the waterway by facilitating transportation of cargo and developing tourism sector. With about 888 km of the 1,095-km waterway in Andhra Pradesh, its development is seen to play a major role in the transport of cargo from East and West Godavari, Krishna, Guntur, Prakasam and Nellore districts. The waterway is seen as having the potential to transport 11 million tonnes of cargo every year, and be especially useful to the agriculture sector in moving produce. The state expects inland waterway transport to become growth engine of AP. <sup>8</sup>

## **Conclusion**

The AP Port policy brings out the numerous inputs the state has considered in formulating the policy. These are not just the states needs but the capacity to anticipate the development trends in the hinterland and the opportunities it offers; the ability to

see merit in centre's Sagarmala vision; and opportunities in foreign policy initiatives like Act East Policy. The state has to now focus on implementing them. It's important to note that, earlier on 23 March 2016, the container vessel MV *Harbour 1* left Chittagong Port in Bangladesh and reached Krishnapatnam Port in Andhra Pradesh on India's east coast on 28 March 2016 and thereby commenced coastal shipping between the two countries.

Andhra Pradesh is standing on the threshold of historic change. An analysis of the AP port policy brings out that the coastal state is keen to leverage its unutilised maritime assets of ports and rivers and develop coastal shipping and inland waterways transport. These will play a major role in the success of its manufactured led and port-led path for economic development. Once these projects are implemented, the state's economic and social landscape is bound to change.

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## Notes and References:

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<sup>1</sup> For details of the entire speech of Prime Minister Modi, refer ,PMINDIA, PM's Inaugural Address at the Maritime India Summit, 2016, 14 April 2016 [http://www.pmindia.gov.in/en/news\\_updates/pms-inaugural-address-at-the-maritime-india-summit-2016/](http://www.pmindia.gov.in/en/news_updates/pms-inaugural-address-at-the-maritime-india-summit-2016/) ( last accessed 14 June 2016)

<sup>2</sup> Press Information Bureau, Government of India, Ministry of Shipping, Sagarmala National Perspective Plan Released, 14 April 2016, <http://pib.nic.in/newsite/PrintRelease.aspx?relid=138881> ( last accessed 14 June 2016)

<sup>3</sup> For the complete port policy of the government of Andhra Pradesh, refer , AP Port Policy 2015, Government of Andhra Pradesh, [http://ports.ap.gov.in/port\\_info\\_content/Port-Policy.pdf](http://ports.ap.gov.in/port_info_content/Port-Policy.pdf) ( last accessed 14 June 2016) p.23

<sup>4</sup> AP Port Policy 2015, Government of Andhra Pradesh, [http://ports.ap.gov.in/port\\_info\\_content/Port-Policy.pdf](http://ports.ap.gov.in/port_info_content/Port-Policy.pdf) ( last accessed 14 June 2016)

<sup>5</sup> AP Port Policy 2015, Government of Andhra Pradesh, [http://ports.ap.gov.in/port\\_info\\_content/Port-Policy.pdf](http://ports.ap.gov.in/port_info_content/Port-Policy.pdf) ( last accessed 14 June 2016) p.8

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<sup>6</sup> Ministry of Shipping, Government of India, Sagarmala- “Building Gateways of Growth”, National Perspective Plan , 2016, <http://pibphoto.nic.in/documents/rlink/2016/apr/p201641402.pdf> (last accessed 15 June 2016) p.22

<sup>7</sup> “Dredging Harbour at Antarvedi to Improve Road Connectivity” 16 April 2016, The Hindu <http://www.thehindu.com/news/national/andhra-pradesh/dredging-harbour-at-antarvedi-to-improve-road-connectivity/article8481715.ece> (last accessed 14 June 2016); “Centre Announces Dredging Harbour in Antarvedi” 30 September 2015, Andhra Metro, <http://www.andhrametro.com/centre-announces-dredging-harbor-in-antarvedi/> (last accessed 14 June 2016) ; K N Murali Shankar, “Dredging Harbour Works May begin in six months” The Hindu, 27 October 2015 <http://www.thehindu.com/news/national/andhra-pradesh/dredging-harbour-works-may-begin-in-six-months/article7807645.ece> ( last accessed 14 June 2015); Dredging Corporation of India Limited Visakhapatnam, Maritime India Summit held at Mumbai from 14to 16 April 2016, <http://www.dredge-india.com/files/Maritime-2016.pdf> (last accessed 14 June 2016)

<sup>8</sup> V Rishi Kumar, “A Rs 3000 crore Makeover for Buckingham Canal” The Hindu Business Line, 20 April 2016, <http://www.thehindubusinessline.com/economy/logistics/a-3000crore-makeover-for-buckingham-canal/article8500129.ece> (last accessed 14 June 2016); “Shipping Ministry seeks more budgetary allocation to push waterways” The Economic Times, 4 February 2016, [http://articles.economictimes.indiatimes.com/2016-02-04/news/70343741\\_1\\_inland-waterways-kakinada-puducherry-east-coast-canal](http://articles.economictimes.indiatimes.com/2016-02-04/news/70343741_1_inland-waterways-kakinada-puducherry-east-coast-canal) (last accessed 14 June 2016); Amit Mitra, “Kakinada Puducherry Waterways Initial Traffic potential seen at 282 mt” The Hindu Business Line 14 June 2011 <http://www.thehindubusinessline.com/economy/logistics/kakinadapuducherry-waterways-initial-traffic-potential-seen-at-282-mt/article2101628.ece> ( last accessed 14 June 2016)