THE COASTAL SHIPPING POLICY OF INDIA- ASSESSING PROGRESS, CHALLENGES AND THE NEED FOR REFORM

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ABSTRACT

The transportation of domestic goods and people by sea between ports situated inside national territorial seas along a nation's coastline is referred to as coastal shipping.[1] With more than 11,000 km of coastline, 12 major ports, and more than 200 recognized non-major ports, coastal shipping is an essential part of domestic logistics in India. Currently, a variety of bulk, break-bulk, liquid bulk, and limited containerized goods are handled by India's coastal shipping industry. Coal, iron ore, petroleum products, fertilizers, cement, food grains, steel, and project cargo are important commodities that are shipped along coastal routes.[2] In order to move toward waterways, the Indian government has implemented a number of policy-related initiatives under the Coastal Policy Shipping framework. The research paper aims to evaluate the objectives of the policy, implementation, challenges and the need for reforms.

[1] Directorate General of Maritime Administration, Ministry of Ports, Shipping & Waterways, *Coastal Shipping in India: Potential for Growth and Action Framework: Report by Committee on Coastal Shipping* (Jan. 2026), https://dgma.gov.in/download/1769691524_697b598415456_coastal-committee-report-final-jan2026.pdf.

[2] Directorate General of Maritime Administration, Ministry of Ports, Shipping & Waterways, *Coastal Shipping in India: Potential for Growth and Action Framework: Report by Committee on Coastal Shipping* (Jan. 2026), https://dgma.gov.in/download/1769691524_697b598415456_coastal-committee-report-final-jan2026.pdf.

Background of Coastal Shipping in India

There were a lot of problems before the coastal shipping act came into effect.[3] The logistics cost was very high and unsustainable. Another issue was the congestion of the road and other capacity constraints. The road used to get congested due to movement of trucks.[4] The Coastal Shipping policy has reduced these issues to a big extent.

Coastal shipping presents numerous strategic benefits for India's transport and logistics landscape.[5] It becomes an affordable choice for long-distance and bulk cargo transportation, particularly for trips longer than 500 kilometres, where traffic, capacity constraints, and growing external expenses are putting an increasing strain on both the road and rail systems. Evidence drawn from international practices, along with various studies conducted within India, consistently demonstrates that coastal shipping offers lower unit transport costs.[6] When compared to conventional road transportation techniques, this form of transportation also reduces fuel consumption per tonne-kilometre and makes a substantial contribution to the reduction of greenhouse gas emissions.

Coastal shipping is emphasized as a very economical, eco-friendly, and effective mode of transportation.[7] It is a popular option for logistics due to its ability to move huge quantities of products swiftly and more affordably than road and rail transportation. In particular, the cost of transportation by waterways is between Rs. 0.2 and 0.3 per ton-km, which is much less than the cost of transportation by rail, which is between Rs. 1.2 and 1.5 per ton-km, and by road, which is between Rs. 2.0 and 3.0 per ton-km.[8] This substantial cost difference demonstrates the clear comparative advantage coastal shipping has over other modes of transportation, making it a desirable option for shippers trying to maximize cargo flow while lowering costs and environmental effect.

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[3] Directorate General of Maritime Administration, Ministry of Ports, Shipping & Waterways, *Coastal Shipping in India: Potential for Growth and Action Framework: Report by Committee on Coastal Shipping* (Jan. 2026), https://dgma.gov.in/download/1769691524_697b598415456_coastal-committee-report-final-jan2026.pdf
[4] Directorate General of Maritime Administration, *Coastal Shipping in India*, supra note X,
[5] Directorate General of Maritime Administration, *Coastal Shipping in India*, supra note X
[6] Directorate General of Maritime Administration, *Coastal Shipping in India*, supra note X
[7] Ministry of Ports, Shipping and Waterways (n.d.) *SAGARMALA*. Government of India. Available at: https://shipmin.gov.in/hi/node/446 (Accessed: 19 July 2026).
[8] Ministry of Ports, Shipping and Waterways (n.d.) *SAGARMALA*. Government of India. Available at: https://shipmin.gov.in/hi/node/446 (Accessed: 19 July 2026).

Coastal Shipping Act, 2025

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Provisions of the Coastal Shipping Act, 2025

Provisions of the Act

The legislation outlines several key provisions regarding maritime operations, specifically focusing on dispute resolution, enforcement, penalties, and data transparency. [11]

1. **Dispute Resolution**: The framework facilitates the resolution of disputes in alignment with the Maritime Labour Convention (MLC), 2006. It establishes a process for fast, fair, and accessible grievance redressal, which includes a mandated 'on-board complaint mechanism' to address complaints directly on vessels.

2. **Enforcement**: The act stipulates that all vessels engaged in trade must comply with regulations enforced by the Director General of Shipping in accordance with the Inland Vessels Act.[12] The Director General is granted the authority to revoke, suspend, or modify licenses as necessary. Furthermore, vessels are required to provide the Directorate with detailed reports regarding their voyage routes, port stops, goods transported, passenger counts, and entries into

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[9] Treelife (2025) *Coastal Shipping Act, 2025: India's Revolutionary Maritime Law*. Available at: https://treelife.in/legal/coastal-shipping-act-2025/ (Accessed: 19 July 2026)
[10] Treelife (2025) *Coastal Shipping Act, 2025: India's Revolutionary Maritime Law*. Available at: https://treelife.in/legal/coastal-shipping-act-2025/ (Accessed: 19 July 2026)
[11] Poreddy, P. (2025) *Modernising the Coastal Shipping Framework: Coastal Shipping Bill, 2025*. IMPRI Impact and Policy Research Institute. Available at: https://www.impriindia.com/insights/policy-update/coastal-shipping-bill/ (Accessed: 19 July 2026)
[12] Poreddy, P. (2025) *Modernising the Coastal Shipping Framework: Coastal Shipping Bill, 2025*. IMPRI Impact and Policy Research Institute. Available at: https://www.impriindia.com/insights/policy-update/coastal-shipping-bill/ (Accessed: 19 July 2026)

offshore areas.

3**. Penalty System**- Engaging in trade practices that violate Indian legal provisions or involve illegal trading is subject to penalties, including a maximum of six months in jail or a fine of fifteen lakh rupees, or four times the illicit gain, whichever is higher, thereby establishing a strict legal framework to deter unlawful activities.[13]

4. **Data Transparency**- The legislation mandates the Central Government to publish a 'National Coastal Inland Shipping Strategy Plan' within two years, aimed at enhancing data transparency and management. This plan will be developed in collaboration with a stakeholder committee that includes representatives from state government and the major ports.

In essence, this legislation serves to enhance governance in maritime operations through structured dispute mechanisms, strict enforcement of regulations, significant penalties for non-compliance, and a commitment to data transparency, thereby fostering a more efficient and accountable maritime sector.

Why was Coastal Shipping Act implemented?

By connecting interior waterways with the major canals, the new legislation seeks to improve trade possibilities for Indian vessels and simplify rules, creating a more productive business climate.[14] It significantly strengthens the Indian Coast Guard, Marine Police, and Indian Navy, promoting sea routes as a practical trade alternative and guaranteeing the safety of goods through controlled licensing procedures. This act's emphasis on improving port infrastructure is one of its main features. The Union administration has committed to updating marine sector infrastructure to support logistical and digital improvements, and it has set ambitious aims to expand water traffic by 2030. This reflects a deliberate drive to improve India's marine capabilities and includes creating extensive databases and putting green port plans into action showing a push towards

The seacoast, which spans 7,517 kilometres and over 200 minor harbours, encompasses 12 of

[13] Poreddy, P. (2025) *Modernising the Coastal Shipping Framework: Coastal Shipping Bill, 2025*. IMPRI Impact and Policy Research Institute. Available at: https://www.impriindia.com/insights/policy-update/coastal-shipping-bill/ (Accessed: 19 July 2026)

[14] Poreddy, P. (2025) *Modernising the Coastal Shipping Framework: Coastal Shipping Bill, 2025*. IMPRI Impact and Policy Research Institute. Available at: https://www.impriindia.com/insights/policy-update/coastal-shipping-bill/ (Accessed: 19 July 2026)

India's 26 states. The government has unable to turn coastal shipping into a profitable commercial opportunity in India, despite having a solid foundation. Traditional forms of transportation, such as rail and road, are still used for the majority of cargo that may be delivered by coastal shipping. Government rules are still not conducive to coastal shipping.[15]

Major challenges in India's coastal shipping

Coastal shipping in India is hindered by several significant challenges that impede its growth and efficiency.[16] Firstly, a lack of infrastructure is a primary obstacle, as the government has not adequately developed the necessary facilities to facilitate easy and efficient shipments. Key elements of infrastructure, such as electricity, a robust road network, and overall area development, are essential to support coastal shipping but remain underdeveloped. The lack of investment in port infrastructure and technology has led to congested ports, extended ship wait times, and higher costs for businesses.[17]

Secondly, the absence of lucrative government schemes further disadvantages the coastal shipping sector compared to other transportation channels.[18] Unlike other modes of transport, which benefit from various financial incentives, coastal shipping operators face burdensome and stringent taxation. There are no exemptions from Income tax, and companies must also pay customs duties on bunkers and landing fees, which exacerbate their financial strain.

India's maritime trade sector faces significant challenges due to a governing regulatory framework that is both complex and outdated.[19] This situation has led to considerable confusion among stakeholders and inefficiencies within the sector (UNCTAD, 2019).[20] The ambiguity surrounding current regulations impedes operational clarity for businesses,

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[15] Chetty, P. (2012). *Challenges faced by coastal shipping in India*. [online] Project Guru. Available at: https://www.projectguru.in/challenges-faced-by-coastal-shipping-in-india/ [Accessed 18 Jul. 2026]

[16] Chetty, P. (2012). *Challenges faced by coastal shipping in India*. [online] Project Guru. Available at: https://www.projectguru.in/challenges-faced-by-coastal-shipping-in-india/ [Accessed 18 Jul. 2026]

[17] Sharma, S. and Sharma, S. (2023) *The role of maritime trade in the economic development of India*. *International Journal of Law*, 9(1), pp. 150–154. Available at: https://www.lawjournals.org/assets/archives/2023/vol9issue1/9034-624.pdf (Accessed: 19 July 2026).

[18] Chetty, P. (2012). *Challenges faced by coastal shipping in India*. [online] Project Guru. Available at: https://www.projectguru.in/challenges-faced-by-coastal-shipping-in-india/ [Accessed 18 Jul. 2026]

[19] Chetty, P. (2012). *Challenges faced by coastal shipping in India*. [online] Project Guru. Available at: https://www.projectguru.in/challenges-faced-by-coastal-shipping-in-india/ [Accessed 18 Jul. 2026]

[20] United Nations Conference on Trade and Development (UNCTAD). (2019). Review of Maritime Transport, 2019.

ultimately diminishing the sector's competitiveness on a global scale.

The Indian government is urged to revisit and enhance its maritime trade regulations for clarity, conciseness, and consistency, as recommended by the Ministry of Shipping (2020).[21] Such revisions aim to create a stable business environment, thereby boosting the sector's competitiveness. Additionally, the government's focus should be on improving infrastructure, particularly by modernizing ports and shipping facilities. Investments in new terminal construction and the deepening of channels are essential to attract more ships and cargo, addressing one of the major hindrances to India's maritime trade.

Policy Reforms

As the coastal shipping is efficient, the Indian government has launched a number of programs to encourage it. The Merchant Shipping Act of 1958, which has undergone 17 revisions up till 2014 and is sometimes referred to as the "Bible" of the shipping industry, is essential to these initiatives. On November 23, 2016, a further modification that reduced the Act's number of sections to 280 in order to improve streamlining was enacted. This was a substantial shift.[22] A pivotal move came in September 2015 when the government relaxed the Cabotage Law, allowing international companies to engage in coastal transportation. Traditionally, foreign vessels were prohibited from transporting cargo between domestic ports. However, the government allowed certain special vessels, including Roll-On Roll-Off (Ro-Ro) vessels, Ro-Ro cum passenger carriers, truck carriers, Liquefied Natural Gas (LNG) vessels, and over-dimensional cargo carriers, to operate under a partial relaxation for five years, addressing the scarcity of such shipping resources in India.[23]

Despite these advancements, industry experts advocate for an indefinite relaxation of the Cabotage Law, similar to policies in the Netherlands and South Korea. They warn that a temporary relaxation could create monopolistic conditions favouring early entrants, thus hindering competition for new companies. Conversely, maintaining the current five-year limitation could foster intense competition, compelling companies to excel in service quality

[21] Chetty, P. (2012). *Challenges faced by coastal shipping in India*. [online] Project Guru. Available at: https://www.projectguru.in/challenges-faced-by-coastal-shipping-in-india/ [Accessed 18 Jul. 2026]
[22] Chawla, V. (2016) *Evaluating recent policy changes on coastal shipping*. National Maritime Foundation, 21 December. Available at: https://maritimeindia.org/evaluating-recent-policy-changes-on-coastal-shipping/ (Accessed: 19 July 2026).
[23] Chawla, V. (2016) *Evaluating recent policy changes on coastal shipping*. National Maritime Foundation, 21 December. Available at: https://maritimeindia.org/evaluating-recent-policy-changes-on-coastal-shipping/ (Accessed: 19 July 2026).

to secure contract renewals. This competition may positively impact the industry and contribute to India's economy, suggesting that a more permanent relaxation of the Cabotage Law could align the shipping sector with the country's good economic growth.

Port Connectivity Reforms with respect to Coastal Shipping

As the coastal shipping is so important to the economies of India's nine coastal states, some states have improved their port infrastructure and businesses. [24]Project "Sagarmala," the government's main program, focuses on port-led development, which includes social and economic developments associated with ports and their linkage to interior regions. By redistributing traffic to smaller ports, this modernization project hopes to improve trade operations. It suggests building additional ports to handle growing cargo traffic and includes initiatives to increase the capacity of current ports.[25] The future Coastal Economic Zones (CEZs) in several coastal states will lower industry costs and support future growth. Business houses have several options when it comes to coastal shipping. These businesses would consider coastal shipping to be very advantageous because of the government's recent relaxations. The products would be more affordable than they are now once their supply chain is established and logistical expenses are decreased.[26]

Conclusion

The Coastal Shipping has led to the strengthening of the maritime logistics of India but continues to face infrastructural, operational and regulatory constraints. Coastal Shipping can become a big component of multimodal logistics network of India with reforms. Coastal shipping volumes might increase to over six times their present levels, resulting in annual cost savings of around ₹25,000 crores. The future reforms should give emphasis on governance reforms and integrated logistics planning to enable coastal shipping to become an important part of freight transport system of India.

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[24] Chawla, V. (2016) *Evaluating recent policy changes on coastal shipping*. National Maritime Foundation, 21 December. Available at: https://maritimeindia.org/evaluating-recent-policy-changes-on-coastal-shipping/ (Accessed: 19 July 2026).

[25] Chawla, V. (2016) *Evaluating recent policy changes on coastal shipping*. National Maritime Foundation, 21 December. Available at: https://maritimeindia.org/evaluating-recent-policy-changes-on-coastal-shipping/ (Accessed: 19 July 2026).

[26] Chawla, V. (2016) *Evaluating recent policy changes on coastal shipping*. National Maritime Foundation, 21 December. Available at: https://maritimeindia.org/evaluating-recent-policy-changes-on-coastal-shipping/ (Accessed: 19 July 2026).

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