

## MARITIME CLUSTERS

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Despite the fact that Gujarat handles far more cargo throughput than any other State in India, there is no distinct town or city in Gujarat with a strong maritime identity. The first private ports were established in Gujarat. Gujarat is home to many more firsts of its kind landmark developments in the ports and infrastructure sector in the country. However, when the term maritime hub is referred to, the only city in India that strikes attention is possibly Mumbai. The reason for this could probably be attributed to the fact that Mumbai is the commercial capital of India. But is this a sufficient reason for Mumbai to evolve as the maritime hub in India? Mumbai has in fact been quick to leverage upon the opportunities that were derived out of port and port led development. Over a period of time, Mumbai has witnessed development of a cluster of industries comprising of ancillary and



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auxiliary organizations related to ports and shipping. These support industries which comprise the soft infrastructure has provided impetus to the growth of maritime sector.

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Thus, looking to the above, maritime services can be defined to include an interconnected supply chain that covers several distinct activities like:

**Shipping:** Ship-owners; charterers and cargo interests; ship managers; shipbrokers; liner agencies

**Intermediate Services:** Marine insurers (capital providers, insurance companies, underwriters/managing agents; Lloyd's insurance brokers); bankers and accountants; technical consultants and surveyors; legal advisers (lawyers, arbitrators etc)

**Maritime Governance and Regulation:** International Maritime Organisation and country representatives; classification societies; Flag State; insurance market; Exchanges; Government

**Support Services:** Commercial consultants and researchers; media firms / publishers / conference organisers; information and communication technology (ICT) services; manning and recruitment agencies; maritime universities and colleges Industry Associations: National and international sector representatives; unions

The value and demand generated in the clusters trickles down through the overall economy to create further jobs and demand, making the combined economic importance of an even greater nature than simply direct activities. This has led to the realization that the full economic significance of maritime activities is not the jobs at sea, but rather the derived employment and economic activities on shore.

The total economic impact of maritime activities could be broken down into direct and indirect effects. Direct effect considers the economic activity and jobs generated directly by the cluster. Indirect effects include the jobs and demand created up and down the supply chain, as well as the consumption generated in the rest of the economy.

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Though maritime activities are international, the value they create remain to a large extent domestically to benefit their hosts.

### Clusters - a room full of opportunities for allied industries:

Firms locate or come together in a cluster because a cluster environment holds advantages such as proximity to customers and suppliers, existence of positive externalities from investments by cluster firms, which facilitates the development and sharing of specialized labour pools, knowledge and information. These aspects of cluster enhance dynamics such as cooperative rivalry, innovation pressures and the establishment of trust relations between cluster firms.

The benefits from cluster dynamics are actively sought by some sectors in the cluster, such as maritime services providers and marine equipment manufacturers, as well as related and supporting industries. In doing so, they seek to locate themselves close to the 'core cluster area'. This could imply that the presence of shipping and related companies in such clusters enhance local demand, interaction between the trade, thereby providing a basis for cluster dynamics. Thus, it is important to ensure that these core companies can operate on a level playing field with their international competitors, so that they are not driven to re-locate abroad due to cost and tax disadvantages in the cluster. For eg., Most of the operations of Adani Group are based out of Gujarat. However, it is understood that for their chartering operations, they have made base at Dubai which has a huge cluster of maritime activities.

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Again, there are many firms in Gujarat which use chartering services available in Mumbai or Middle East. For eg., Gujarat Ambuja Limited, Sanghi Cements or many trading houses could be examples of charterers with the need for ship or vessel services. To fulfil that requirement, they approach a ship broker, who is actually a key player in the shipping business. Although these companies are based in Gujarat, their operations are diverse geographically. Since there is a limited availability of soft infrastructure related to shipping in Gujarat, they are not able to capitalise upon their businesses here as much as they could do in a place like Mumbai or Dubai.

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The maritime cluster model could be as such successful only when there is a co-existence of all essential or key components comprising of the soft infrastructure discussed earlier. In other words, it can be said that Gujarat does not have the soft infrastructure like ship finance, IT support etc in place to complement the hard infrastructure that GMB has created for facilitation of the trade.

#### **Need for Gujarat Maritime Cluster:**

Need for providing a geographic concentration of interconnected companies, specialised suppliers, service providers, firms in related industries and associated institutions that not only competes but also co-operates first needs to be analyzed.

Due to high growth in trade, Indian shipping industry has grown many folds in the last few years. Indian shipping industry now consists of several players including Government ports, private ports, shipowners, charterers, brokers, forwarders, agents, surveyors, manning agents, ship managers, ship operators, maritime lawyers, shipping consultants, and several other service providers.

Gujarat, and in particular Ahmedabad, has seen a substantial influx of shipping and marine related projects. Several shipping lines have their offices in the city, including Maersk, Shell, etc to name a few. Lawyers like Mulla and Mulla have offices here, while consulting & accounting firms like PwC, E & Y and industry associations like FICCI & CII also have a presence here. We also have an example where a UK based leading maritime consulting firm BMT Consultants India have chosen to operate from Ahmedabad as their Headquarters in India. This is not surprising particularly when coupled with various incentives and the investor friendly policies of Gujarat, current conditions provide excellent conditions for consolidating these geographically spread out and disjoint units into a maritime cluster. The national advantage of outsourcing activities from clients abroad can also be leveraged once the necessary skills are developed.

In the initial phase of development of any maritime cluster, the following entities could possibly constitute the formation:

1. Shipping lines: Container lines, tramp shipping companies based out of the State
2. Shipping agents including freight forwarders etc
3. Shipbrokers, ship operators, trading houses with chartering and shipping requirements and ship commercial managers, chemical traders, importers.
4. Ship breaking companies
5. Banks with exposure to shipping lines, breaking companies, commodity trades, financial advisors, consultants.
6. Surveyors, stevedores
7. Port companies, marine infrastructure providers
8. Maritime law firms
9. Port consulting firms
10. Marine outsourcing agencies - commercial and technical
11. Classification society, P & I clubs representatives

#### **The way forward:**

Ambitious projects of the Government of Gujarat like the GIFT city could provide a very suitable platform for development of maritime clusters. The concept of maritime cluster can be integrated with such projects by providing suitable physical infrastructure (office space, connectivity etc), to industries concerning the ports and shipping sector. These industries can be encouraged to set up offices in Gandhinagar with the sole aim of making Gujarat truly the maritime capital of India. In addition to the services mentioned above, we can also consider providing incentives like commencing specialized shipping courses jointly with other leading maritime universities in order to train specialised manpower for ports and shipping.