

SectorVector

Reading the topical trends

October 2024

From ground to rivers

Inland waterways offer significant opportunities for growth via PPPs

India's inland waterways, a cost-effective, environmentally sustainable and efficient mode of transport, saw little investment for decades.

As a result, much of its infrastructure, such as canals and shipping channels, is not usable.

The cost of transporting one tonne of freight by waterways is about Rs 1.06 per km, compared with Rs 1.36 per km by railways and Rs 2.50 per km by roads. However, with minimal traction in the sector, cargo transportation depends heavily on roads and railways.

Water transport produces lower emissions, less noise and consumes less energy, making it an environmentally friendly alternative to the traditional road and rail transport.

The government started changing its approach in 2016, when it declared the development of 106 new national waterways. The move was a turning point for the sector, as the number of operational waterways increased from three in fiscal 2014 to 26 in fiscal 2024. Also, the budgetary support for inland waterways transport (IWT) has increased in recent fiscals.

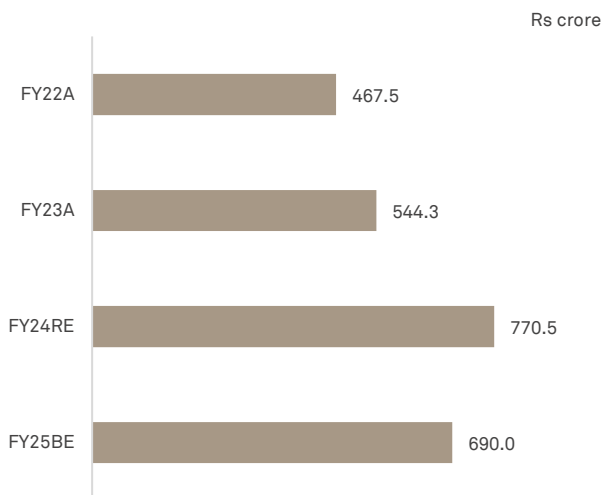
Jal Marg Vikas Project (JMVP), launched in 2018 with a financial outlay of Rs 5,369.18 crore, aims to increase the capacity of National Waterway 1 (NW-1), which spans 1,390 km along the Ganga-Bhagirathi-Hooghly river system from Haldia to Varanasi. The project has been instrumental in enhancing the navigability of the waterway, enabling seamless transport of goods.

Digital innovations have played a key role in improving efficiency in the IWT sector. Platforms such as the **IWAI Vessel Tracker**, **PANI Portal** and **Car-D Portal** provide real-time navigation information, updates on cargo tracking, and efficient management of cargo and passenger data. These technologies have helped integrate IWT with the broader logistics networks, optimising operations and improving transparency.

Freight capacity improvement and future growth

Cargo transport on national waterways surged from 18.1 million tonne in fiscal 2014 to 132.9 million tonne in fiscal 2024. Further, the government aims to reach 200 million tonne by fiscal 2030 and 500 million tonne by fiscal 2047.

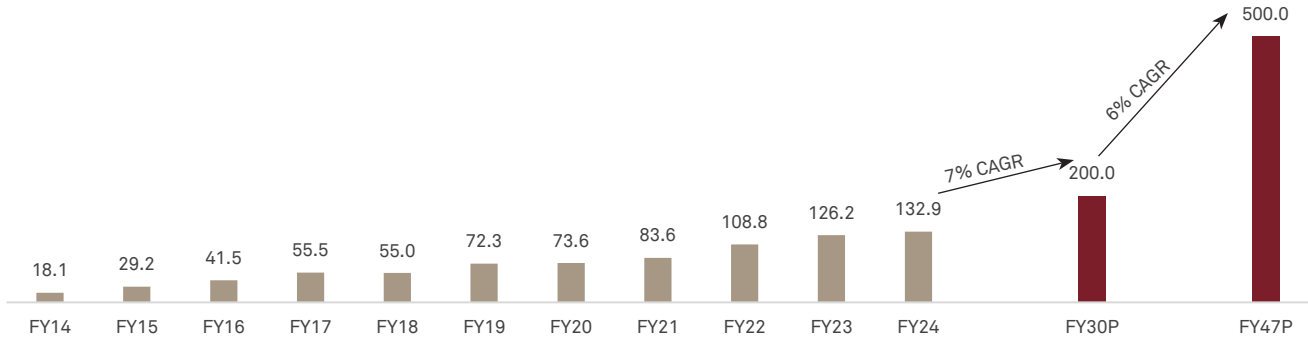
Government support and initiatives



Source: Union Budget, CRISIL MI&A

Total cargo volume transported on national waterways

(Million tonne)



Source: Inland Waterways Authority of India (IWAI), CRISIL MI&A

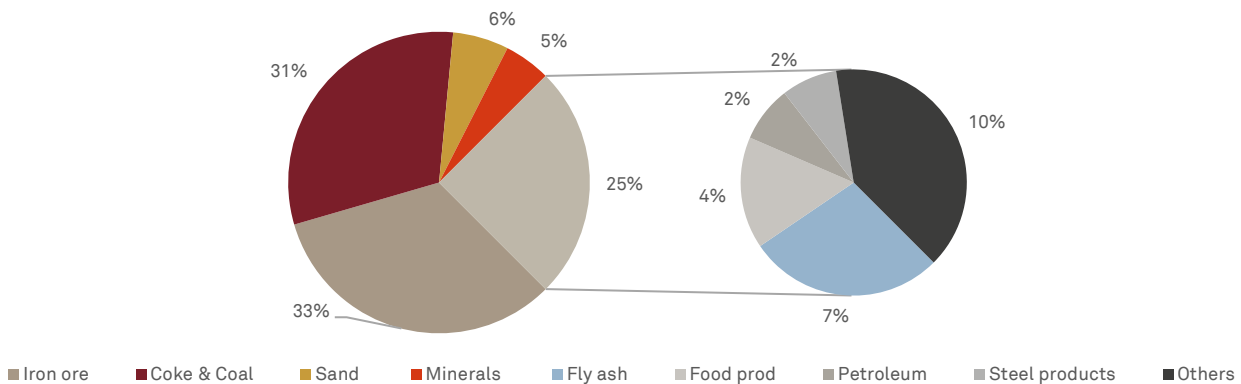
The increase in cargo volume presents an attractive opportunity for investment in IWT, which is particularly suited for bulk commodities.

an important part of the country’s industrial supply chains. Essential commodities can be transported at significantly lower costs, reducing the burden on roads and railways.

National waterways: Commodity profile of traffic

Waterways, suitable for moving bulk commodities such as coal, iron ore, iron ore fines, sand and minerals, are

Commodity-wise split of total cargo volume transported on national waterways in fiscal 2023



Source: IWAI, CRISIL MI&A

Way forward: Unlocking PPP potential and government policy intervention

The IWT sector presents significant opportunities for growth through public-private partnerships (PPPs), and the government is eyeing expansion of the PPP model to drive development. A subsidy scheme is being formulated for NW-1, NW-2 and NW-16, which traverse key states such as Uttar Pradesh, Bihar, Jharkhand, West Bengal and Assam, to promote the use of inland waterways for freight transport.

In addition, the Shipping Corporation of India is likely to offer a discount of up to 35% on the invoice value of goods transported via waterways. The government will reimburse the company for any revenue loss incurred from these discounts. These financial incentives are aimed at achieving greater private sector participation, driving infrastructure development in IWT, and improving cargo volumes.

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