

**ESTIMATES COMMITTEE  
1960-61**

**HUNDRED AND THIRTY-FIFTH REPORT**

(SECOND LOK SABHA)

**MINISTRY OF TRANSPORT AND COMMUNICATIONS  
(Department of Transport)**

Action taken by Government on the recommendations contained in the Thirty-Eighth Report of the Estimates Committee (Second Lok Sabha) on the Ministry of Transport & Communications (Department of Transport)—Eastern Shipping Corporation Ltd., Bombay and Western Shipping Corporation Ltd., Bombay.



PARLIAMENTARY	
Central Govt. Reports	
No. R .....	16761 (C)
Date .....	6/5/61

**LOK SABHA SECRETARIAT  
NEW DELHI**

*April, 1961/Vaishakha, 1883 (S)*

*Price : Rs. 1.50*

**LIST OF AUTHORISED AGENTS FOR THE SALE OF PARLIAMENTARY PUBLICATIONS OF THE LOK SABHA SECRETARIAT, NEW DELHI-I**

Agency No.	Name and Address of the Agent	Agency No.	Name and Address of the Agent	Agency No.	Name and Address of the Agent
1.	Jain Book Agency, Connaught Place, New Delhi	20.	The English Book Stores, 7-L, Connaught Circus, New Delhi.	37.	Amar Kitab Ghar, Diagonal Road, Jamshedpur-1.
2.	Kitabistan, 17-A, Kamla Nehru Road, Allahabad.	21.	Rama Krishna & Sons, 16-B, Connaught Place, New Delhi.	38.	Allied Traders, Motia Park, Bhopal.
3.	British Book Depot 84, Hazratganj, Lucknow.	22.	International Book House Private Ltd., 9, Ash Lane, Bombay-1.	39.	E.M. Gopalkrishna Kona, (Shri Gopal Mahal), North Chitral Street, Madura.
4.	Imperial Book Depot, 268, Main Street, Poona Camp.	23.	Lakshmi Book Store, 42, M. M. Queensway, New Delhi.	40.	Friends Book House, M.U., Aligarh.
5.	The Popular Book Depot (Regd.), Lamington Road, Bombay-7.	24.	The Kalpana Publishers, Trichinopoly-3.	41.	Modern Book House, 286, Jawahar Ganj, Jabalpur.
6.	H. Venkataramiah & Sons, Vidyanidhi Book Depot, New Statue Circle, Mysore.	25.	S. K. Brothers, 15A/65, WEA, Karol Bagh, New Delhi-5.	42.	M.C. Sarkar & Sons (P) Ltd., 14, Bankim Chatterji Street, Calcutta-12.
7.	International Book House, Main Road, Trivandrum.	26.	The International Book Service, Deccan Gymkhana, Poona-4.	43.	People's Book House, B-2-829/1, Nizam Shahi Road, Hyderabad Dn.
8.	The Presidency Book Supplies, 8-C, Pycroft's Road, Triplicane, Madras-5.	27.	Bahri Brothers, 188, Lajpat Rai Market, Delhi-6.	44.	W. Newman & Co. Ltd., 3, Old Court House Street, Calcutta.
9.	Atma Ram & Sons Kashmere Gate, Delhi-6.	28.	City Book-sellers, Sohan-ganj Street, Delhi.	45.	Thacker Spink & Co. (1938) Private Ltd., 3, Esplanade East, Calcutta-1.
10.	Book Centre, Opp. Patna College, Patna.	29.	The National Law House, Near Indore General Library, Indore.	46.	Hindustan Diary Publishers, Market Street, Secunderabad.
11.	J. M. Jaina & Brothers Mori Gate, Delhi-6	30.	Charles Lambert & Co., 101, Mahatma Gandhi Road, Opp. Clock Tower, Fort, Bombay.	47.	Laxami Narain Aggarwal Hospital Road, Agra.
12.	The Cuttack Law Times Office, Cuttack-2.	31.	A.H. Wheeler & Co., (P) Ltd., 15, Elgin Road, Allahabad.	48.	Law Book Co., Sardar Patel Marg, Allahabad-
13.	The New Book Depot, Connaught Place, New Delhi.	32.	M.S.R. Murthy & Co., Visakhapatnam.	49.	D.B. Taraporevala & Sons Co. Private Ltd., 210, Dr. Naoroji Road, Bombay-1.
14.	The New Book Depot 79, The Mall, Simla.	33.	The Loyal Book Depot, Chhipi Tank, Meerut.	50.	Chanderkant Chiman Lal Vora, Gandhi Road, Ahmedabad.
15.	The Central News Agency, 23/90, Connaught Circus, New Delhi.	34.	The Good Companion, Baroda.	51.	S. Krishnaswami & Co., P.O. Teppakulam, Tiruchirapalli-1.
16.	Lok Milap, District Court Road, Bhavnagar.	35.	University Publishers, Railway Road, Jullundur City.	52.	Hyderabad Book Depot, Abid Road, (Gun Foundry), Hyderabad.
17.	Reeves & Co. 29, Park Street, Calcutta-16.	36.	Students Stores, Raghunath Bazar, Jammu-Tawi.	53.	(R) M. Gulab Singh & Sons (P) Ltd., Press Area, Mathura Road, New Delhi.
18.	The New Book Depot Modi No. 3, Nagpur.				
19.	The Kashmir Book Shop, Residency Road, Srinagar, Kashmir.				

Page 55, col. 4, line 26 :

for 'curcumstance' read 'circumstance'

Page 74, col. 3, lines 13 & 14 :-

for 'fourtenth' read 'Fourteenth'

Page 83, col. 4, line 29 :-

for 'For' read 'Far'

Page 85, col. 3, line 2 :-

delete 'be'

Page 98, col. 3, lines 3 and 4 :-

'for 'hierachical' read 'hierarchical'

Page 101, col. 4, line 26 :-

delete 'tion'

Page 105, col. 5 :-

insert 'Please see para 2 of Chapter I'

Page 111, col. 4, line 8 :

for 'foreight' read 'freight'

Page 111, Footnote :-

for 'or' read 'for'

Page 117, col. 3, line 19 :-

delete 'to'

-----

CORRIGENDA

HUNDRED AND THIRTY-FIFTH REPORT OF THE ESTIMATES COMMITTEE (SECOND LOK SABHA) ON ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE 38TH REPORT OF THE ESTIMATES COMMITTEE (SECOND LOK SABHA) ON SHIPPING CORPORATIONS.

-----

Page (v), para 4, line 3 :-

for 'Appendx' read 'Appendix'

Page 2, ~~last~~ line:

for 'subsequet' read 'subsequent'

Pages 3 to 104 :-

Delete last column 5

Page 15, col. 4, line 1 :-

for 'rate' read 'route'

~~Page~~ 21, col. 4, line, line 18 :-

for 'corgo' read 'cargo'

Page 27, col. 3, line 16:-

Delete 'the'

Page 27, col. 4, lines 14 and 15 :-

for 'Hindusthan' read 'Hindustan'

Page 35, col. 4, line 5 :

for existing entry read 'the 27th August, 1960'

Page 36, col. 4, line 4 :

add 'the' between the words 'of' and 'then'

Page 37, col. 3, line 12 :-

for 'earings' read 'earnings'

P.T.O.

## CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE . . . . .	(iii)
INTRODUCTION . . . . .	(v)
CHAPTER I. Report . . . . .	I
CHAPTER II. Recommendations that have been accepted by Government .	3
CHAPTER III. Replies of Government that have been accepted by the Committee	47
CHAPTER IV. Replies of Government which have not been accepted by the Committee . . . . .	105
CHAPTER V. Recommendations in respect of which final replies have not been received from Government . . . . .	116
APPENDIX	
Analysis of the Action taken by Government on the recommendations contained in the 38th Report of the Estimates Committee (Second Lok Sabha) . . . . .	119

ESTIMATES COMMITTEE

1960-61

CHAIRMAN

Shri H. C. Dasappa

MEMBERS

2. Shri Premji R. Assar
3. Shri C. R. Basappa
4. Shri Chandra Shankar
5. Shri Panna Lal\*
6. Shri Shambhu Charan Godsora
7. Shri H. C. Heda
8. Shri Yadav Narayan Jadhav
9. Shri D. A. Katti
10. Shri Khushwaqt Rai
11. Shri Bhausahab Raosaheb Mahagaonkar
12. Rani Manjula Devi
13. Shri Bibhuti Mishra
14. Shri G. S. Musafir
15. Shri M. Muthukrishnan
16. Shri K. P. Kuttikrishnan Nair
17. Shri Jagan Nath Prasad Pahadia
18. Shri P. T. Thanu Pillai
19. Shri P. T. Punnoose
20. Shri Raghunath Singh
21. Shri T. Nagi Reddy
22. Shri Vutukuru Rami Reddy
23. Sardar Amar Singh Saigal
24. Shri Satis Chandra Samanta
25. Shri Kailash Pati Sinha
26. Shri Tayappa Hari Sonavane
27. Shri Sunder Lal
28. Shri A. M. Tariq
29. Shri Mahavir Tyagi

---

\*Elected *w.e.f.* 25th November, 1960, *vice* Shri Dinesh Singh resigned.

(iii)

(iv)

30. Shri M. G. Uikey

SECRETARIAT

Shri A. K. Ray—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

## INTRODUCTION

I, the Chairman, Estimates Committee, having been authorised by the Committee, present this Hundred and Thirty-fifth Report of the Estimates Committee on the Action Taken by Government on the recommendations contained in the Thirty-eighth Report of the Estimates Committee (Second Lok Sabha) on the Ministry of Transport and Communications (Department of Transport)—Eastern Shipping Corporation Ltd. and Western Shipping Corporation Ltd.

2. The Thirty-Eighth Report of the Estimates Committee (Second Lok Sabha) was presented to the Lok Sabha on the 4th April, 1959. Government furnished their replies to the recommendations contained in the Report between the 13th October, 1959 and the 22nd March, 1961. The Study Group 'F' of the Estimates Committee (1960-61) examined these replies on the 23rd February, 1st March, 6th March, 13th April and 19th April, 1961.

3. The Report has been divided into the following five Chapters:

- I. Report.
- II. Recommendations that have been accepted by the Government.
- III. Replies of the Government that have been accepted by Committee.
- IV. Replies of Government that have not been accepted by the Committee.
- V. Recommendations in respect of which final replies have not been received from Government.

4. An analysis of the action taken by Government on the recommendations contained in the Thirty-Eighth Report of the Estimates Committee (Second Lok Sabha) is given in the Appendix. It will be observed therefrom that out of 96 recommendations made in the Report, 56 per cent of the recommendations have been accepted fully by Government. Of the rest, replies of Government in respect of 36 per cent of the recommendations have been accepted by the Committee, while replies in respect of 5 per cent of the recommendations have not been accepted by the Committee. The final replies of Government in respect of 3 per cent of the recommendations have not been received from Government.

NEW DELHI;

*April 29, 1961.*

---

*Vaisakha 9, 1883 (S).*

H. C. DASAPPA,

*Chairman,*

*Estimates Committee.*



## CHAPTER I

### REPORT

#### *Amalgamation of Shipping Corporations*

In paragraph 24 of their Report, the Committee had observed that they were not convinced of the desirability of having two separate Corporations for operating the small fleet they owned. They had, therefore, recommended that the feasibility of amalgamating the two Corporations be considered. In their reply sent in October, 1960, Government stated that there were weighty arguments for and against the amalgamation of the two Corporations and that the matter was receiving their very earnest consideration. *The Committee are glad to learn that Government have now decided to amalgamate the Eastern Shipping Corporation and the Western Shipping Corporation to form the Shipping Corporation of India.\**

#### *Priority for Shipping Development*

2. In para 9 of the Report the Committee expressed the hope that considering the importance of shipping for the national economy and its present inadequacy, the planners of the Third Plan will accord higher priority than hitherto and allocate greater resources for the development of shipping so that the objectives of the Shipping Policy might be attained within a reasonable time. The Committee were informed by Government that in its Report on the Shipping target for the Third Plan, the National Shipping Board had also recommended that 'Shipping' should be accorded a higher priority and accordingly, the need for making a higher monetary allocation was impressed on the Planning Commission. Having regard to the availability of resources, and the needs of other development projects, however, the Planning Commission could make an allocation of only Rs. 55 crores for 'Shipping' in the Third Plan as against a monetary provision of Rs. 104.77 crores recommended by the National Shipping Board. *The Committee consider that unless the development of 'Shipping' is co-ordinated with the requirements of the country, it would be difficult not only to make good the country's deficiency but also keep pace with the additional requirements of tonnage called for by the growing economic development of the country. They urge that this matter may be re-considered and the possibility of making available greater resources for the development of Shipping examined.*

---

\*As per the statement made by the Minister of Shipping in the Lok Sabha. (Lok Sabha Debates—Thirteenth Session—Thursday, 6th April, 1961, Col. 9746).

### *Appointments in Public Undertakings*

3. The Committee in para 163 of the Report referred to a suggestion made to them that in order to tone up the administration of public undertakings an annual declaration of the relatives of Ministers, Directors, Members of Parliament, Members of Planning Commission or Officers of Government who are employed in such Corporations and who may be drawing a remuneration exceeding Rs. 500 a month might be given in the Annual Report of the respective undertakings. It was added by the Committee then that in the Indian Companies Act also there was a provision for getting the prior sanction of the Company in the case of appointment of a Director's relative. The Committee had, therefore, felt that there should be no objection to extending the principle underlying this provision of the Companies Act to other cases mentioned above and suggested that prior to the appointment of such a person, the matter should be brought to the notice of the Ministry concerned and its consent obtained. The Committee had further suggested that the appointments of such persons should be mentioned in the Annual Report of the Corporation for the year in which it was made. While accepting this recommendation Government have stated that it is not necessary to include such details in the Annual Report. *The Committee, however, suggest that even if Government do not consider it necessary to include the names of all such people in every Annual Report, at least the names of persons recruited during a particular year, who fall under this category, may be mentioned in the Annual Report of the year in question and it may not be necessary then to repeat these names in the Annual Reports for subsequent years.*

## CHAPTER II

### RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Sl. No. (as in Appendix XIV to the Report)	Reference to Paragraph No. in the Report.	Recommendations/conclusions	Reply of the Government	Committees Remarks
1	2	3	4	5
2	7	<p>The Committee are surprised at the wasteful procedure adopted for the examination of the recommendations made by an expert Committee (Port and Shipping Statistics Committee) with regard to the collection of statistics relating to Shipping Transport and the inordinate delay in taking decisions thereon. They, however, recommend that speedy steps be taken to collect and maintain the</p>	<p>The Government regret the delay in implementing the recommendations of the Port and Shipping Statistics Committee. This report has been under consideration for some time but, due primarily to reasons of economy, it has not yet been possible to create a Central Agency for collection and publication of these statistics. There has also been considerable difficulty in settling, who</p>	

statistics which are vital for planning the development of shipping Trans - port.

should be the authorities to submit basic data for the Central Agency to compile and publish the processed data.

The most important recommendation of the Port and Shipping Statistics Committee relates to the collection and collation of cargo statistics. It has now been decided to entrust the work of the proposed Central Agency to the Central Statistical Organisation, who have spare capacity to undertake this responsibility without much additional staff. Accordingly, the Central Statistical Organisation have now assumed charge of direction, co-ordination and collation of statistics and have drawn up a scheme for the purpose. The scheme visualises collection of data classified according to different cross sections from the six major ports and all the 18 intermediate ports and their consolidation into various tables. The scheme is now in the process of implementation and it is hoped that the cargo statistics

would be made available at an early date.

The collection of other types of Shipping Statistics in a systematic manner will be taken up in phases after the scheme of collection of cargo statistics has been tried and experience gained.

*(Ministry of Transport and Communications O.M. No. SY-19(7)/59 dated 4th November, 1960).*

5 17 The delay in the setting up of the Shipping Corporations has been a major factor in retarding the development of shipping in the public sector.

The opinion of the Committee is noted. It may be mentioned, however, that it was never the aim of the Government to set up three Corporations within one year. The intention was to set up shipping corporations upto three in number as and when it became necessary and no definite time limit was laid down for that.

It was also felt that 1,00,000 GRT would be the optimum tonnage for each Corporation. In spite of persistent endeavours, even the Eastern Shipping Corporation which was set up in 1950, could not acquire tonnage to this extent. With the outbreak of the Korean War, the prices of ships rocketed up and

ships were not available at economic prices. Subsequently, there was the problem of obtaining requisite foreign exchange. In spite of these difficulties, the Western Shipping Corporation was established and four new ships were ordered in 1956 along with one second hand tanker which was purchased in that year. The two Corporations also booked the Hindustan Shipyard to full capacity by ordering nine new cargo ships. Again, the Western Shipping Corporation ordered one coastal tanker from Japan and the Eastern Shipping Corporation has acquired two second hand ships recently. Both these Corporations are now reaching the 100,000 GRT mark if ships ordered but not yet delivered are taken into consideration.

In the circumstances, the Committee will appreciate that the delay in the setting up of the Shipping Corporations could not be regarded as a major factor in retarding the

development of shipping in the public sector.

(*Ministry of Transport and Communications O.M. No. SY-19(6) /59 dated 25th February, 1960.*)

7 22 Though the association of the Scindias with the Eastern Shipping Corporation has since been terminated, the Articles of Association have not so far been amended. For this reason, there are many dissimilarities between the Articles of Eastern Shipping Corporation and the Western Shipping Corporation with regard to the Board of Directors and certain other matters. The Committee recommend that early action might be taken to amend the Articles suitably.

The work of amending the Articles of Association of the Eastern Shipping Corporation has already been taken up. It is hoped to complete the necessary formalities for adoption of the revised Articles very soon.

[*Ministry of Transport and Communications O.M. No. SY-19(12)/59 dated 28th October, 1960.*]

8 24 The Committee are not quite convinced of the desirability of having two separate Corporations for operating the small fleet they own at present. They, therefore, recommend that the feasibility of amalgamating the Corporations be considered.

Please see paragraph 1 of Chapter I.

The recommendation of the Estimates Committee is noted. There are, however, weighty arguments for and against the amalgamation of the two Corporations and the matter is receiving the very earnest consideration of Government. As soon as a decision is taken, the same will be

communicated to the Estimates Committee.

[Ministry of Transport and Communications O.M. No. SY-19 (10)/59 dated 28th October, 1960].

The Committee do not think that the Government standard of remuneration being not attractive enough to secure the services of suitable persons to man the Board of Directors is an insuperable difficulty. Since the standards are fixed by the Government themselves the desirability of revising the same might also be looked into by them if considered necessary.

The recommendation is noted. Under the Articles of Association of the Companies concerned the salary/allowances of Directors have to be determined by the President (or by the Board of Directors as in the case of Eastern Shipping Corporation). No rigid standards have been laid down by Government in regard to the remuneration to be paid to Directors and each case is considered on merits.

[Ministry of Transport and Communications O.M. No. SY-19 (2)/59 dated 18th June, 1960].

(f) The Committee do not consider it necessary to restrict the choice for manning the Boards merely to the

It is the policy of Govt. to appoint the most suitable persons—officials or non-officials—with experience and



same category of business which they are required to administer.

(ii) The decision of Government not to appoint non-officials on the Board of Directors on the grounds of their having no stake in the business is not convincing. For that matter, the officials appointed on the Board, also do not have stake in the concerns which they are required to administer. The Committee therefore feel that what is required is to secure the best talent and experience for the management of public enterprises in the interest of the nation as a whole.

competence required for the efficient management of a particular concern and, in pursuance of this policy, Govt. have appointed non-officials as Directors in the public sector Undertakings. The Ministries and Departments have, from time to time been reviewing the composition of the Boards of Directors of the various public undertakings in the light of this general principle and, where necessary, changes in the composition of such Boards have been made.

So far as the Eastern and the Western Shipping Corporations are concerned, it may be mentioned here that one non-official has been appointed as Director, viz., Shri Varadachari, Retd. Commissioner of Income-Tax. The recommendation of the Committee in regard to the appointment of non-officials has been accepted and noted. At the next opportunity when the composition of the Boards is reviewed the appointment of further non-officials will be certainly considered.

[*Ministry of Transport and Communications O.M. No. SY-21(10)/60 dated August, 1960.*]

The views of the Committee have been noted.

The question of location of the head office of the Corporation will be reviewed as suggested by the Committee after the pattern of development of the Public Sector under the Third Plan has been settled.

*[Ministry of Transport and Communications O.M. No. SY-21(3)/60 dated 13th February, 1960].*

The Committee recommend that the question of the proper location of the headquarters of the Corporation might be reviewed with particular reference to the future pattern of its operations.

After the termination of the Managing Agency of the Scindias, the intention of the Eastern Shipping Corporation was to take over the agency functions from the Scindias. Efforts were made to secure accommodation for the office. It was, however, possible to secure a limited accommodation only and it was considered that this accommodation should be utilised for a small office to look after the operational side of the Corporation's fleet. This, it was considered, would save the Corporation expenses

The Committee fail to see why, when the branch office has been set up at Calcutta, the agency functions of the Scindias have also not been transferred to that office and whether maintenance of an establishment for the limited function of looking after the survey and repairs which are in any case contracted out, would be justified. They therefore recommend that the agency functions at Calcutta may be entrusted to the Branch office there, as early as possible.

relating to supervision of repairs and supply of stores to vessels, which the Corporation had to pay to the Scindias. The Corporation have now been able to secure on lease suitable accommodation and certain renovations are now being carried to this. The office is expected to be opened very soon and thereafter the agency of the Scindias will be terminated.

[*Ministry of Transport and Communications O.M. No. SY-19(13)/59 dated 5th March, 1960*].

19

The Committee are glad to observe that the Mombasa office has registered a steady progress in securing business for the Corporation and that the ratio of expenditure (Management Expenses) to the amount of freight and passage earnings has been falling. They recommend that the Corporation might endeavour to make further improvement in this respect.

44

The observations of the Committee have been noted.

It may be mentioned here that there was further increase in the business secured by the Mombasa office during the year 1958-59. The freight and passage earnings have increased from Rs. 23,64,621 in 1957-58 to Rs. 28,30,622 in 1958-59. The ratio of management expenses to the amount of freight and passage earnings has further fallen from 4.18% for 1957-58 to 3.83% in 1958-59.

[*Ministry of Transport and Communications O.M. No. SY-19(13)/59 dated 5th March, 1960*].

The views of the Committee have been noted.

The Committee recommend that the economics of having branch offices *vis-à-vis* agencies at various ports may be worked out from time to time keeping in view the trend of trade earnings and expenses; and if there are prospects of securing a larger amount of business, the desirability of setting up branch office in those places be considered.

As already stated, the Corporation are shortly opening a branch office at Calcutta. They have deputed two of their officers to Singapore and Madras to study the conditions there and report on the advisability of opening offices there. Their reports are shortly expected and the Board of Directors of the Corporation are expected to decide on the opening of offices at these ports immediately after the receipt of these reports.

[*Ministry of Transport and Communications O.M. No. SY-19(13)/59 dated 5th March, 1960*].

Noted. This recommendation is already being implemented by the Government. Article 32 of the Articles of Association of the Western Shipping Corporation provides that if the Corporation are to operate on any route as a result of a directive by the Government, the Corporation are to be

The Committee realise that the Corporations may have to operate on behalf of Government certain routes for reasons other than economical or with the object of promoting trade on those routes. They therefore recommend that such cases should be declared as essential routes so that if

they happen to be uneconomical, the Corporations might if necessary be subsidised and the working of the Corporations on these routes evaluated in that light.

reimbursed the loss, if any, incurred as a result of operating on that route. It is proposed to insert a similar provision in the Articles of Association, of the Eastern Shipping Corporation, which are currently under revision.

*[Ministry of Transport and Communications O.M. No. SY-21(4)/60 dated 15th October, 1960].*

24

While the policy of avoiding competition with the private companies and filling the gaps may be guiding factor, the Committee do not believe that it can be the sole criterion for selection of routes. In their opinion, the question of a Corporation entering a particular route should be determined by considering the nature and volume of trade carried on in that route and the share of trade that can be secured for Indian shipping. The Committee, therefore, recommend that the Government and the Corporations should evolve a proper procedure for selection of routes in future.

The suggestion of the Committee that the guiding principle in the allotment of a route to a Corporation should be the nature and volume of trade in that route and the share of the trade that can be secured for Indian shipping, is accepted by Government. Even now, it is not the policy of the Government that there should be complete exclusion of one sector from the routes that are being operated by the other, but of providing the best possible co-operation between the two sectors with a view to secure maximum possible cargo for Indian shipping. In so far as trade routes which are controlled by us consequent on trade or shipping agreements with foreign countries, this principle is readily enforced. This is evidenced by the India/USSR and India/Poland Shipping Services which the Western

Shipping Corporation are operating in cooperation with two private shipping Companies.

However, the Committee would appreciate that in a number of trade routes we have no control over the foreign shipping conferences and admission of either private or public sector Indian shipping companies to such conferences is extremely difficult if not impossible in some cases.

Where the close preserve of conferences dominates the trade route, neither Government nor Corporations have any choice. Thus the matter of selection of trade routes is not exclusively in the hands of Government. In some cases it may be possible for an Indian shipping company already member of a Conference to assist another Indian shipping company to become a member. In one case where this was possible, necessary assistance has been promised. For example, the public sector Eastern Shipping Corporation has agreed to vote for the membership of a private sector shipping company, namely,

the Great Eastern, for membership of the India-Japan Conference. It is hoped that other Indian shipping companies would also take the same helpful attitude. It will be appreciated that these problems have, therefore, to be tackled on an *ad-hoc* basis as they arise.

[*Ministry of Transport and Communications O.M. No. SY-21(4)/60 dated 15th October, 1960.*]

25 The Committee recommend that the route pattern of the Govt. shipping Corporations should be reviewed from time to time and if it is found that the route pattern is out of tune with the trade pattern or that by some alteration in the route pattern within the broad policy laid down by the Government, the result of the operations could be improved upon, such alterations should be made.

53

The Government accept this recommendation. The rate patterns are under constant examination by the Corporations. Whenever they find that some alteration in the route pattern is required to suit the trade pattern, necessary adjustments will be made. However, entry into new trade routes which are dominated by the Conference System is difficult and despite efforts may not be possible. It is not always possible to have a choice of routes, and this applies to Shipping Companies whether Indian or foreign or whether operating in the private sector or the public sector.

[*Ministry of Transport and Communications O.M. No. SY-21(4)/60 dated 15th October, 1960.*]

26

The Committee believe that the Government should allot to the Corporations only such routes as are considered essential leaving the other routes to be selected by the Corporations themselves and the question of paying indemnity should be limited to losses incurred on the essential routes allotted by Government. They therefore suggest that the terms of the Indemnity Agreement may be modified accordingly.

54

As already stated in reply to recommendations at Serial Nos. 21 to 25, the Corporations operate only such routes as are considered by them to be profitable or there is an express direction from the Government to berth their vessels on those routes.

The Indemnity Agreement with the Eastern Shipping Corporation expired in 1955 and has not been renewed. Article 32 of the Articles of Association of the Western Shipping Corporation provides that the Corporation will be indemnified to the extent of loss if any incurred by the Corporation as a result of operating on any route on the explicit direction of the Government. It is proposed to insert a similar provision in the Articles of Association of the Eastern Shipping Corporation which are currently under revision.

*[Ministry of Transport and Communications O.M.No. SY-21(4)/60 dated 15th October, 1960].*



The Committee do not appreciate why foreign ships should have preference over the Eastern Shipping Corporation in catering to the coastal trade in spite of the declared objective of cent percent reservation of coastal trade for national shipping. They suggest that the matter be re-examined so as to enable the Eastern Shipping Corporation also to participate in the coastal trade, if necessary, after taking into account the likely pattern of coastal traffic in future.

The observations of the Committee that foreign ships are given preference over vessels of the Eastern Shipping Corporation in catering to the coastal trade of India are apparently based on a misconception. It is not correct to say that foreign ships have been given any such preference. Foreign dry cargo ships are allowed to trade on the coast only when they are under charter to Indian Shipping companies and also, very infrequently, when they have to lift mislanded cargoes from one coastal port to another for which generally no freight is collected.

As regards tankers, since an adequate number of Indian owned tankers are not available at present, foreign tankers are being permitted on an *ad hoc* basis to carry oil products from the three Oil Refineries to the coastal ports in India. There are at present three Indian owned coastal tankers and these are fully employed in carrying oil products on the Indian coast.

The Eastern and Western Shipping Corporations' dry cargo vessels are now permitted to carry coastal cargoes for positioning purposes on the same basis as private

sector shipping companies operating in the overseas trades are allowed to do at present. There is, however, no scope at present for the Corporations' vessels to participate in the coastal trade on a regular basis. The volume of coastal trade has shown a decline during recent years and even the existing coastal shipping companies are finding it difficult to provide adequate employment for their ships. If, however, the volume of the coastal trade increases substantially, in future, the question of Corporations' regular entry in the trade will be reconsidered.

*[Ministry of Transport and Communications O.M. No. 38-MC(21)/59 dated 26th August, 1960].*

30 The Committee feel that a policy of mutual exclusion of private companies and Government corporations from the routes operated by them would not be desirable at this early stage of shipping in the country. As such,

Government are in full agreement with the views expressed by the Committee and in his address to the Indian National Steamship Owners' Association, in Bombay on the 22nd June, '60, the Minister for Transport

they consider that in order that maximum traffic is secured for national shipping and that the available space is utilised to the maximum mutual advantage, there should be better co-ordination and co-operation among all the Indian shipping companies belonging to both the sectors.

and Communications made a fervent appeal to Indian shipowners in both the sectors to co-operate fully among themselves in the larger interests of the country. Already good results have been achieved as will be seen from the fact that both in the Indo-Soviet and Indo-Polish trades, the public and private sector companies are operating joint services to mutual advantage.

[*Ministry of Transport and Communications U.O. No. 38-MC(24)/59-MD dated 6th October, 1960.*]

33

The Committee understand that for want of adequate tonnage the Eastern Shipping Corporation has not been able to offer regular and sustained service on the routes operated by it. They also understand that for the same reason the Corporation has not been able to open new routes. They fear that judging from the facts as have been stated, the services of the Western Shipping Corporation, if and when they are taken up, would be no better.

The Eastern Shipping Corporation have recently acquired two second-hand cargo vessels. With the addition of these, they will be operating on the India/Australia and the India/Japan/Far East routes with 4 vessels on each route and will thus be in a position to provide regular and monthly services on these routes. Two new constructions under order at the HSL are also likely to join the fleet of the Corporation during the years 1960 and 1961. With these additions the Corporation would be able to effect further improvements.

68

The Western Shipping Corporation have at present two tankers and three cargo vessels in their fleet. They have also on order 5 ships in the Hindustan Shipyard Limited and 1 in the Lubbeck Shipyard in West Germany. Proposals for the acquisition of ocean-going tanker tonnage are under consideration. There is no reason, therefore, to apprehend that the Western Shipping Corporation would not be able to operate regular or sustained service.

[*Ministry of Transport and Communications O.M. No. SY-21(6)/60 dated 5th March, 1960.*]

The Committee recommend that Government might consider the possibility of making some re-adjustment in the allocation of funds under the second Plan and allot additional funds for acquisition of ships.

On a re-appraisal of the Second Plan schemes, the Planning Commission have raised the monetary provision for shipping from Rs. 45 crores to Rs. 54.25 crores, and the whole of this provision is expected to be fully utilised for acquisition of ships. In spite of the difficult foreign exchange position, Government have released free foreign exchange to a limited extent for the acquisition of ships

on deferred payment terms. Since 1957, the Indian shipping companies both in the private and public sectors have acquired 29 ships totalling about 128,000 G.R.T. on deferred payment terms. According to present indications, there is every hope that the Second Plan target of 900,000 G.R.T. will be achieved.

[*Ministry of Transport and Communications U.O. No. 31-MD(117)/59 dated 28th September, 1960*].

39 75 The Committee hope that the Corporations will take quick steps to acquire more ships with the aid of the loan funds which have been or may be allotted to them.

Noted. The Corporations are taking active steps to purchase more ships with the aid of such funds as are available to them. They have already acquired one coastal tanker out of the Yen loan, and two second-hand cargo ships from a sterling loan negotiated with an Indian Bank.

[*Ministry of Transport and Communications O.M. No. SY-21(9)/60 dated 4th February, 1960*].

40 76 The Committee recommend that in building up their fleet with second-hand ships the Corporations should keep in view the operational factors

The observations of the Committee have been noted and will be kept in view.

and the competitive aspect of the shipping business and acquire only modern and efficient ships.

It may be mentioned in this connection that the two second-hand vessels "State of Bihar" and "State of Assam", recently acquired by the Eastern Shipping Corporation, are both of recent construction (1957) and have a speed of 13 knots.

[*Ministry of Transport and Communications O.M. No. SY-21(10)/60 dated 13th February, 1960*].

41 79 The Committee recommend that the possibility of acquiring some ships on charter basis to be placed on the India/Poland service may be reconsidered in order firstly to fulfil the obligations under the agreement with Poland, and secondly to secure the traffic on this route pending acquisition of its own vessels by the Western Shipping Corporation.

The question of the Western Shipping Corporation entering the India/Poland route was carefully considered by the Corporation as well as this Ministry in 1959. For the reasons given below, it was considered that it would be advisable to defer the question of entry into this route till a new long-term agreement for trade with Poland for 1960-65 is concluded:—

(1) The volume of trade on this route had diminished contrary to expectations.

(2) The current freight rates on this route were comparatively low and there was a possibility of annual loss of about Rs. 10 lakhs in the beginning.

(3) The Polish shipping lines were able to run the service economically by entering into an agreement with the India/ U. K. /Continent Conference for berthing their vessels at the ports of Hamburg and Antwerp and extending the service to other countries in South-East Asia. If the Corporation were to run the service economically, they had also to enter into similar arrangements. This was considered in advisable as other Indian companies were already operating their vessels on the India/U.K./Continent route and the entry of the corporation would have been opposed by the Conference. Thus cargo prospects in future would alone justify reconsideration of the matter.

[*Ministry of Transport and Communications O.M. No. SY-21(11)/60 dated 1st March, 1960.*]

*Further reply of Government*

A reference is invited to the reply already sent to this recommendation.

A new Trade Agreement between India and Poland having been signed this year, a fresh Agreement has now been concluded with the Government of Poland for running a regular shipping service between the two countries. Under this

Agreement, it is envisaged that the Indian side will put in 4 vessels and the Polish side an equal number, and altogether these 8 vessels would give two services each month from the Indian and two from the Polish end. The Indian side would be operated by the Western Shipping Corporation representing a consortium of Indian Shipping Lines comprising of themselves, the Scindias and the India Steamship. The Western Shipping Corporation would put in two vessels and the other two Companies one each, thus making up the total of 4 Indian vessels. This new Shipping Service has, in fact, already been started.

[*Ministry of Transport & Communications*  
O. M. No. SY-21(11)/60 dated 21st  
December, 1960].

42 The Committee commend the suggestion that in building their fleet the Corporations should aim at maintaining a balance among various kinds of vessels.

80 The suggestions of the Committee are already being kept in view. The fleet of the Eastern Shipping Corporation at present includes two passenger-cum-cargo vessels. Of the cargo vessels owned by the



Corporation, two are of the old Liberty type, one is an old second-hand vessel built in 1947, two have been obtained from the Hindustan Shipyard and are modern with a speed of 14 knots, one is a modern vessel built in a German Shipyard having a speed of about 13 knots and the two recently acquired second-hand vessels were built in 1957 and have a speed of 13 knots. The vessels now on order with the Hindustan Shipyard will be modern fast vessels with a speed of 17 knots.

The Western Shipping Corporation owns two tankers, one of which has been recently built in a Japanese shipyard, and has two cargo vessels, both modern, which have been recently delivered, one by a shipyard in Yugoslavia and the other by a shipyard in West Germany. A third cargo vessel has also been delivered in January, 1960 by an Italian Yard. Another cargo vessel is under construction at the West German Shipyard and one at the Hindustan Shipyard. Both these are modern vessels having a speed of 17 knots.

*[Ministry of Transport and Communications O. M. No. SY-21(10)/60 dated 13th February, 1960].*

The recommendation of the Committee is accepted. In fact the Corporations even now do keep in touch as far as possible with the latest trends in shipbuilding in the advanced maritime countries.

*(Ministry of Transport and Communications O.M. No. SY-21(19)/60 dated 17th June, 1960)*

The Committee recommend that in building up their fleet of ships and tankers, the Corporations should keep in touch with the latest trends in respect of shipbuilding in the advanced maritime countries.

The Committee suggest that the examination of final payments with reference to the operation of the escalation clause should be entrusted to qualified Cost Accountants and that as far as possible the services of the Cost Accounts Branch of the Ministry of Finance be utilised for this purpose.

The suggestion of the Committee has been noted. The verification of the claims under the escalation clause of the contract in regard to the ships under construction at the yards in Europe has hitherto been entrusted to qualified Cost Accountants only. The work in regard to m.v. "Vishva Jyoti", the first vessel constructed at the Lubecker Yard, West Germany, was undertaken by M/S Price Waterhouse and Co., a firm of reputed Cost Accountants, while that regarding the vessels constructed in Yugoslavia and Italy and the one under construction at the Lubecker Yard has been entrusted to Shri

N. Sundaram, Cost Accounts Officer stationed at London in connection with the work relating to the Durgapur Steel Project.

[*Ministry of Transport and Communications O.M. No. Sy-21(20)/60 dated the 15th June, 1960.*]

46 The Committee do not appreciate why the cost of supervision of three ships in India should be higher than the cost of supervision of four ships in Europe. They, therefore recommend that for orders to be placed for the construction of ships in future, the possibility of making a more economical arrangement for their supervision be considered. The Committee also suggest that with a view to reduce dependence on foreign firms in this regard, a large number of technicians trained in the Hindustan Shipyard or at the Indian Institute of the Technology, Kharagpur might be sent abroad for advanced training and acquiring more experience.

89 The views of the Committee have been noted. The work of supervision of the construction of ships in the foreign yards was entrusted to the Lloyds' Surveyors stationed at those places, while the work in regard to the ships under construction at the Hindustan Shipyard had to be entrusted to a foreign firm for want of Surveyors in the country. This firm had to depute one of their Surveyors to India for staying at Visakhapatnam during the entire period of construction of these vessels. As a result, there was considerable expenditure in regard to his hotel accommodation, etc., especially as the time taken in the construction of ships at Hindustan Shipyard Ltd. is much longer than that taken in the foreign yards. Every effort will be made in future to keep down the expenditure on this account.

It is considered that it will not be possible to entrust the supervision work to the Mercantile Marine Dept. as, at present, the Department have no senior officers who could be spared for this purpose. Secondly, this work requires specialised training which is quite different from that received by the Government Surveyors. Also the Government Surveyors have to discharge certain duties which are entrusted to them under the Merchant Shipping Act and it may not be quite proper for them to supervise the construction on behalf of owners.

The question of affording advanced training to Indian technicians in the supervision of the construction of ships is being examined by Government in consultation with the interests concerned. This is, however, a long term measure and its effect will be felt only after some time.

(Ministry of Transport and Communications O.M.No. Sy-21(21)/60, dated the 6th October, 1960).

The Committee suggest that the feasibility of acquiring more ships from Yugoslavia on rupee payment basis might be reconsidered, after trying for some time the vessel for which orders have already been placed.

The recommendation has been noted. An Officer of the Ministry of Transport and Communications was recently deputed to Yugoslavia in order to ascertain the possibility of acquiring more ships from that country. Accordingly, it is proposed to ascertain the requirements of Indian shipowners with a view to orders for ships being placed in Yugoslavia.

*(Ministry of Transport and Communications O.M. No. 31-MD (50)/60, dated the 4th October, 1960)*

(i) The Committee suggest that the feasibility of deputing young technicians from the Hindustan Shipyard to Japan to learn the know-how of the Japanese techniques of building ships might be considered.

(i) The need for the training of Indian nationals in the different processes of ship-building is recognised.

The recommendation of the Committee has accordingly been noted and arrangements for specialised training in foreign shipyards including Japan would be made as and when this is found necessary either for the personnel of the existing shipyard or of the proposed Second Shipyard.

(ii) They would further suggest that while placing orders on foreign yards for building ships, it should be ensured that Indian technicians are

(ii) & (iii) All the ships which were on order with foreign shipyards have already been delivered to Indian shipowners, except for one ship which

associated with every phase of ship building so that they might learn the techniques employed by those yards as well.

(iii) The possibility of such deputations to the yards on which orders have already been placed might also be considered.

is also scheduled to be delivered within the next few months. The question of sending Indian technicians to foreign yards with specific reference to these orders does not, therefore, arise now.

In regard to the future, it may be pointed out that the Hindustan Shipyard is concentrating on the construction of standardised vessels. Thus at present 8 vessels of a particular German design are under construction in various stages. Technical know-how for the building of these ships has been obtained to the extent necessary from the shipyard concerned.

It is possible that after the construction of this series has been completed, another type of vessels may be chosen by the shipyard for the construction of next series of vessels. When this is done, the shipyard will bear in mind the need for an arrangement under which the shipyard's employees may be trained at the foreign shipyards from whom technical know-how is obtained.

Though for the present the training of Indian nationals has to be confined to the particular types of vessels chosen for construction, in future such training may be diversified when the shipyard is in a position to undertake the construction of different types of ships.

*(Ministry of Transport and Communications O.M. No. SY-19(14)/59, dated the 24th October, 1960).*

55 103 The Committee are surprised that although the State Trading Corporation and the Eastern Shipping Corporation are both Government undertakings, there was no co-ordination between the two Corporations with the result that while negotiating the agreement with Japan, the State Trading Corporation overlooked the interests of the Eastern Shipping Corporation. The Committee, therefore, suggest that in future effective steps should be taken to ensure better co-ordination amongst the various State undertakings.

Government accept the view that there should be a close co-ordination amongst various State undertakings in respect of linked activity. Instructions have already been issued to ensure utilisation of Indian Shipping in regard to contracts of the State Trading Corporation. It may be mentioned that Director General of Shipping is a Director of the State Trading Corporation.

*(Ministry of Transport and Communications O.M. No. SY-19(2)/59 dated the 18th June, 1960.)*

56 105 The Committee strongly urge that the machinery of the Shipping Co-ordination Committee might be made a more effective instrument for securing

This recommendation has been accepted. The question of making the Shipping Co-ordination Committee a more effective organisation for secur-

co-ordination among different shipping interests.

ing necessary coordination among the shipping interests and the Government Departments concerned in the matter of allocation of Government cargoes to Indian ships has been constantly under consideration by the Committee itself. The Committee has already initiated necessary action to set up a more effective liaison organisation of shipping companies in New Delhi and to evolve a suitable procedure for consultation between Government Departments and the Shipping Coordination Committee. It has also been decided to set up a Chartering Organisation in the Department of Transport as a separate wing of the Shipping Coordination Committee for centralised chartering of foreign ships required for cargoes moving on Government account when Indian ships are not available. This organisation has since been set up and is functioning with effect from 1st March, 1960.

[*Ministry of Transport and Communications O.M. No. 38-MC(20)/59 dated the 11th April, 1960.*]



The matter has already engaged the attention of the Government. A general directive has been issued to all the Ministries and Departments of the Government of India that they should, as a rule, make their purchases on f.o.b. basis and sales on c.i.f. basis, and that if, for any special reasons, this procedure cannot be acted upon, prior concurrence of the Shipping Coordination Committee, which has already been set up in the Department of Transport should be obtained for any departure from the prescribed procedure. Steps have also been taken for the more effective functioning of this Committee by adding to it a chartering wing under a Chief Controller of Chartering whose responsibility it will be to charter foreign ships when no Indian tonnage is available to move Government cargoes purchased/sold on f.o.b./c.i.f. basis.

(*Ministry of Transport and Communications O.M. No. 38-MC(23)/59, dated the 23rd May, 1960*).

While the Committee appreciate that the problem of development of shipping is fraught with many difficulties, they at the same time feel that unless determined efforts are made to overcome them, Indian shipping cannot make much headway. The Committee therefore feel that it should be possible to issue a directive on the lines as contemplated earlier at least in respect of certain categories of contracts if not all, in the first instance. They hope that serious attention would be given to this matter without further loss of time.

Acquisition of tankers for the carriage of refined products along the coast was taken up first, as the coastal trade has been reserved for national shipping

The Committee suggest that the Corporation might examine the economics of overseas trade *vis-à-vis* the coastal trade and consider placing one or

more of the tankers which it proposes to acquire in future on the overseas trade.

and therefore it was necessary to provide coastal tankers which could be utilised for the transport of refined products along the coast. There are now three Indian-owned coastal tankers, which are now fully employed and meet to some extent the present needs in this trade. The tankers that can be utilised in overseas trade have to be of much larger size and it is hardly feasible to switch over the same tanker from coastal to overseas trading and *vice-versa*. The economics of the purely overseas trade have already been studied and it has been decided in principle that India should acquire overseas tankers. At present under the agreement with the Oil Refineries in India, the refineries are permitted to use foreign tankers for the carriage of crude oil from overseas to their refineries but they are required to enter into negotiations with the Government for the chartering of Indian tankers subject to their existing commitment. Accordingly negotiations

are being held with the Oil Companies at present.

[*Ministry of Transport and Communications O.M. No. SY-21(32)/60 dated the 1st, 1960.*]

64 119

The Committee observe that the agreement with the British India Steam Navigation Co. is not favourable to the Eastern Shipping Corporation. They, therefore, recommend that the possibility of having them revised so that the Corporation may have equal rights with that Company might be examined.

Noted,

The agreement with the British India Steam Navigation Co. in respect of the Bombay/East Africa route has recently been revised and the revised agreement gives the Corporation equal rights with the BISN Co.

65 120

The Committee feel that the terms on which s.s. "Jalagopal" was chartered were unduly liberal and the net gain to the Corporation on account of the service of the vessel has been very insignificant.

The views of the Committee will be borne in mind at the time of revision of the agreement in respect of the Madras/Singapore route.

[*Ministry of Transport and Communications O.M. No. SY-21(34)/60 dated the 27th September, 1960.*]

The Government agree that the terms of charter of "Jalagopal" were unusual. This relates to an early period (1950) of the Corporation's existence when the Scindias were themselves the Managing agents and had a

powerful representation on the Board with a non-official Chairman. The charter was made with the approval of then Board of Directors of the Corporation. In any case, there is nothing that can be done to rectify the position now.

[*Ministry of Transport and Communication O.M. No. SY-21(35)/60 dated the 27th September, 1960.*]

The suggestion of the Committee has been noted. The Corporation have been, and will continue in future to be, reviewing their agency arrangements at various ports. The Corporation have opened their own office at Calcutta and terminated the agency of Scindias. Similarly, the Scindias agency in East Pakistan has been terminated and another firm, considered to be more influential locally, has been appointed in their place.

[*Ministry of Transport and Communications O.M. No. SY-21(37/60, dated the 27th September, 1960.*)]

The Committee suggest that the service rendered by the agents at various ports and the terms allowed to them may be reviewed in the light *inter alia*, of the business procured by them in the past.

67

122

- 70 125 The Committee are of the opinion that for purchases of stores in London the services of the Government Organisation, namely, the D.G.I.S.D., London, should be utilised instead of engaging private agents for the purpose.
- 71 126 The Committee consider that it is a false economy to save the foreign exchange involved in deputing an officer to visit foreign ports as such visits are likely to improve the earnings of the Corporation and this might help earning a larger volume of foreign exchange. They would do well to follow the best traditions of Commercial practice.
- 72 127 (i) It was suggested to the Committee that the officials of the Corporation should develop personal contacts with the users of their vessels, such as, shippers and passengers. The Committee commend this suggestion for consideration of the Corporation.
- This recommendation is accepted.  
[*Ministry of Transport and Communications O.M. No. SY-19(5)/59, dated the 31st October, 1960.*]
- Government agree with the principle of the recommendation.
- Whenever Government are satisfied that the deputation of an officer of the Corporation is necessary in the interest of the business of the Corporation, such deputation is invariably sanctioned.
- [*Ministry of Transport and Communications O.M. No. SY-21(39)/60, dated the 23rd September, 1960.*]
- (i) Noted. The Officers of the Corporation are at present having personal contacts with shippers and passengers as is the case in all commercial concerns.

(ii) In this connection, the Committee also suggest that the Corporations would do well to maintain liaison with the All India Transport Users' Conference which is doing valuable work on coordinating the needs of the transport users with the facilities provided by the transport undertakings.

74 130

The Committee hope that suitable steps would be taken to improve repair facilities in the country on the basis of recommendations of the Ships Repairs Committee appointed by Government.

The views of the Committee have been noted. The recommendations of the Ship Repairs Committee are being implemented wherever possible.

[*Ministry of Transport and Communications O.M. No. SY-21(42)/60, dated the 7th October, 1960.*]

76

136

The Committee suggest that the Corporation might explore the possibilities of improving its earnings and reducing its expenses in order that the net profits may be higher and that a portion thereof might be contributed to the revenues of Government.

The views of the Committee have been noted. The Corporations are making constant efforts to increase their earnings and reduce their expenses.

[*Ministry of Transport and Communications O.M. No. SY-21(44)/60, dated the 24th September, 1960.*]

(ii) This suggestion has also been noted for compliance.  
[*Ministry of Transport and Communications O.M. No. SY-21(40)/60, dated the 26th September, 1960.*]

77 137

The views of the Committee have been noted. Every effort is being made to make the rate of turn-over of the Corporations as efficient as possible.

*[Ministry of Transport and Communications O.M. No. SY-21(45)/60, dated the 23rd September, 1960.]*

The Committee suggest that the Corporation may work out the most efficient rate of turn-over by comparison with the rates of turnover of other companies in India and abroad, determine the defect, if any in its investment or organisation and take suitable steps to rectify it.

78 139

The Committee recommend that a shipping expert might be appointed to examine the working of the Eastern Shipping Corporation and to advise on the changes required to improve its results.

Noted. The Committee have observed that an Expert be asked to "suggest changes required to improve results" of the Corporation. Such changes could be in (a) the organisational set-up of the Corporation and/or (b) in respect of the trade routes operated by it. In regard to (a) Shri Ramaswami Mudaliar, Chairman of the India Steamship Company and Shri Smart, Operations Manager of that Company were requested to go into the working of both the Corporations. Shri Ramaswami Mudaliar has had discussions with the Boards of both the Corporations and offered some suggestions for improved working. Shri Smart who studied the detailed working of the Corporations, has submitted a report. These are at present being considered by the Boards of Directors of both the Corporations.

In regard to (b) above, it is pointed out that the Private Sector was the first to enter the trade (even before 1947 as against Corporations' entry in 1950) and it is neither possible nor desirable at this stage to pull out the private sector Shipping Companies from the lucrative trade routes and to substitute public sector in their place. The participation of both Sectors in lucrative trade routes has to be considered as the only alternative and efforts are being made to assist the entry of the Corporation in addition to the private sector companies that are already in position. Meanwhile it is submitted that results of the Corporations have to be viewed in the context of the routes in which their ships operate at present.

[Ministry of Transport and Communications O.M. No. SY-21(46)/60, dated the 3rd October, 1960.]



79 140

The Committee are concerned to observe the periodic rise in the operational expenses of the Corporation. They suggest that the Corporation might with advantage ascertain the percentages of different items of cost of earnings of other shipping companies, compare them with its own and take steps to make improvement in its cost structure where necessary.

80 141

The Committee consider it necessary that the Corporation should introduce the system of reviewing their operational costs and be constantly on the look-out for effecting economies in expenditure.

81 142

(i) The Committee suggest that the Corporation might consider the desirability of setting up a Cost Accounting Unit to work out the estimates and cost of each voyage and to indicate the points where economies or other improvements would be possible.

(ii) The Units might work out a practicable operational co-efficient to judge the working of each vessel.

82 143

The Committee consider it desirable that in view of the fact that many

The views of the Committee have been noted and the Corporation will take action accordingly.

[*Ministry of Transport and Communications O.M. No. SY-21(47)/60 dated the 23rd September, 1960.*]

Noted. This recommendation of the Committee is being kept in view by the Corporation.

(*Ministry of Transport and Communications O.M. No. SY-21(48)/60, dated 27th September, 1960.*)

The recommendation has been accepted. A Cost Account Unit has been created in the Eastern Shipping Corporation.

[*Ministry of Transport and Communications O.M. No. SY-21(49)/60 dated the 27th September, 1960.*]

The recommendation is accepted. Instructions have been issued that

of the State Undertakings are not yielding profits and might not also be in a position to yield profits due to some of them assuming a social service character, there should be separate organisation to evaluate the working of such undertakings independently of profit consideration. They also suggest that the organisation to be set up in respect of such undertakings should not be of an *ad-hoc* nature but should be able to undertake examination of each undertaking periodically.

inspection teams should be set up by the administrative Ministries in consultation with Ministry of Finance for taking up periodical inspection of these undertakings. It has also been decided that such inspections should not be restricted to financial matters only but should also cover other aspects such as general efficiency. Apart from *ad-hoc* inspection teams evaluation is also arranged through the Committee on Plan Projects Organisations for evaluation will be developed according to requirements.

[*Ministry of Transport and Communications O.M. No. Sy-19(2)/59, dated the 18th June, 1960.*]

The Committee consider that in the normal course the cost of replacement of fixed assets should be raised within the business and therefore feel that the rate of depreciation provided by the Corporation is not adequate for the purpose. They suggest that the Corporation might review the practice in that respect.

Noted.

The Corporation provide a depreciation of 5% per annum on the original cost of the vessels. This is also the practice generally followed by other shipping companies. It would be difficult to make changes in the provision for depreciation according to

the replacement cost of the vessels as the latter is liable to fluctuate with any change in the market conditions. However, the Corporation would bear in mind the possibility of making increased provision in the depreciation reserve provided such increase is justified on the basis of the working results of the Corporation.

[*Ministry of Transport and Communications O.M. No. SY-21(50)/60 dated 4th October, 1960.*]

85 149 The Committee do not consider that there is adequate justification for the existence of the Commercial Adviser's Secretariat. They, therefore, recommend that the necessity of maintaining the Secretariat may be reviewed.

The Commercial Adviser's Secretariat has since been abolished.

[*Ministry of Transport and Communications O.M. No. SY-21(52)/60 dated 4th October, 1960.*]

86 150 The Committee do not see any adequate justification for the existence of the post of an Operations Manager to co-ordinate between the Marine Superintendent and the Engineering Superintendent and recommend that the desirability of abolishing this post might be considered.

The post of Operations Manager has since been abolished.

[*Ministry of Transport & Communications O.M. No. SY-21(53)/60 dated 3rd October, 1960.*]

1

2

3

4

5

porations might take steps to estimate their requirements of technical personnel and make a phased programme for their training in appropriate institutions in order to ensure that they are available to man the vessels which are likely to be added to their fleet in the near future.

that direction as far as practicable.

[*Ministry of Transport & Communications O.M. No. Sy.-21(59)*]/60 dt. 4th October, 1960].

96

167

The Committee recommend that some persons may be deputed to the shipyards abroad for being associated in the construction of ships which are being built there for the Corporation.

Noted.

The recommendation will be adopted when opportunity arises next time. At present there is no order under execution in Shipyards abroad.

[*Ministry of Transport and Communications O.M. No. Sy-21(60)*]/60 dated 4th October, 1960].

### CHAPTER III

## REPLIES OF THE GOVERNMENT THAT HAVE BEEN ACCEPTED BY THE COMMITTEE

5

4

3

2

1

6 The Committee have no doubt that with the economic development of the country and consequent expansion of commerce and trade, the requirements of shipping would have gone up since 1947. They, therefore, recommend that the requirements of shipping may be reviewed in the light of the present trends and the objectives of the Shipping policy restated on a realistic basis.

This recommendation of the Committee was referred for examination to the National Shipping Board, which has been established under the Merchant Shipping Act of 1958. After carefully considering the matter, the Shipping Board have advised that

- (i) the target of two million tons recommended by the Reconstruction Policy Sub-Committee on Shipping in 1947 should now be regarded as inadequate for the Country's requirements having regard to the increase that has since taken place in the volume of our Overseas trade ; and

had the Head Quarters of the Eastern Shipping Corporation been located at that port. Thus the amount spent on this account could as well be regarded as an additional expenditure incurred on account of the Managing Agents, if not as additional remuneration paid to them.

(ii) The Comminnee cannot but feel that the terms of appointment of the Scindias as Managing Agents of the Eastern Shipping Corporation were not in the interest of the Government.

at ports other than those where the headquarters issituated, shipping companies employ the services of Agents except where they open a Branch office of their own. Where the services of Agents are employed, at ports within the country or outside, payments are made for such port agency functions on a scale generally accepted in the shipping world. The Scindias who have an office in Calcutta were appointed as the port Agents of the Corporation there just as other parties were appointed as port Agents of the Corporation in Madras, Singapore, Tokyo, Sydney etc. The payments made to the Scindias for functioning as port Agents in Calcutta were in respect of specific services quite distinct from those rendered by them at the headquarters in their capacity as the Managing Agents of the Corporation.

At its inception the Corporation was a joint venture of Government and the Scindias and its headquarters

were located in Bombay which is the headquarters of Scindias also.

It was not found feasible in the early stages to open a Branch Office for the Corporation in Calcutta. However, even such an office had been opened, it would be correct to say that the expenditure incurred in making payments to the port Agents there would have been saved. By opening an office of its own, the Corporation would have had to incur expenditure on accommodation, salaries etc. which would have offset substantially the savings in making payments to the port Agents.

It may be mentioned for the information of the Estimates Committee that the Corporation has now decided to set up a Branch Office of its own in Calcutta and the preliminary estimates of expenditure show that the total amount would not be much short of the total amount of annual payment made previously to the Scindias in respect of their functions as the Corporation's Agents in Calcutta.

*[Ministry of Transport & Communications O.M. No. Sy-21 (2) /60 dated 5th March, 1960].*

the year 1959 over 100,000 tons of shipping were added to the Indian fleet representing the largest increase in any single year so far.

Government, therefore, consider that the existing arrangement should continue for the time being in the interest of public work though the position may be reviewed at a later stage when there is any indication that the combination of the post of D.G. Shipping with that of the Joint Secretary (Shipping) is unsatisfactory on any ground or when the financial position is such as to permit the creation of a separate post of a Joint Secretary to the Government in New Delhi and the Director General of Shipping in Bombay.

(2) In regard to the position of the D.G. Shipping *vis-à-vis* the Government Shipping Corporations, Government would like to mention that the



association of D.G. Shipping with the Corporations has not in fact vitiated his position in so far as his dealings with the private sector shipping companies are concerned. The D. G. Shipping is a senior official of Government and he has to be relied upon to discharge his official functions in a fair and impartial manner. It is true that the D.G. Shipping is called upon in the course of his duty to deal with matters which may involve a conflict of interest between the companies in the public sector and the private sector but that position arises in the case of Government themselves who are responsible for the efficient functioning of the public sector undertakings. This situation cannot, therefore, be regarded as a circumstance of vitiating the independence of judgement and impartiality on the part either of D.G. Shipping or Government themselves. In fact, in several Ministries, senior Government officials have to function as Directors

obtained by locating the head office at Bombay.

at that formative stage, at the headquarters of the managing agents, to enable them to give the best possible attention to the work of the Corporation.

With the termination of the managing agency in 1956, the desirability of having the head office at Calcutta was fully appreciated. Every effort including the insertion of advertisements in newspapers was made to secure suitable office accommodation at Calcutta. All these efforts failed. With great difficulty the Corporation were able to secure limited accommodation and this was utilised for the setting up of the Operations Deptt. of the Corporation to look after the maintenance and operation of the fleet. However recently they have secured a floor of the Deck Passenger Welfare Committee's Dharamsala building and after effecting necessary repairs to the building, it is proposed to locate the branch office of the Corporation at Calcutta and terminate the agency

of the Scindias. Again, in view of the increasing number of the fleet of the Western Shipping Corporation many of which are likely to operate from Bombay, the question of shifting the office is proposed to be re-examined taking into consideration the future pattern of operations of both the Corporations.

(*Ministry of Transport and Communications O.M. No. Sy-21(3)/60, dated 13th February, 1960*).

39 The Committee believe that the Corporation might have been able to do without the agents at Calcutta had the head office been located at that port and thereby economised in the expenditure on this score.

15 It is true that had the head office of the Corporation been located at Calcutta, it would not have been necessary to appoint agents at that port. But it would have been still necessary to maintain an office in Bombay to look after the Bombay/East Africa Passenger Service as well as the vessels of the Western Shipping Corporation. In the circumstances it is difficult to say which of the alternatives may have been cheaper. As separately stated a branch office is now being opened in Calcutta.

(*Ministry of Transport and Communications O.M. No. Sy-20(3)/60 dated 13th February, 1950*).

21 The Committee do not see why Government should take over the entire responsibility with regard to the selection of routes for the Corporations. They believe that the responsibility of the Government in regard to the operation of routes by the Shipping Corporations should be limited to laying down a broad policy within which they should have discretion to select the best and the most profitable routes in accordance with commercial methods.

The normal commercial practice is that the promoters of a shipping company indicate, at the time of the formation of such a company, the routes in which their ships are proposed to be operated. In accordance with this practice, the Government of India as the promoters of both the Corporations, enumerated the routes in which the Corporations were likely to operate. This initial selection of the routes by Govt. did not fetter the right of the Board of Directors of the Corporations in regard to entry into any other routes.

According to commercial practice, the decision to operate in any particular route is dependent upon two major considerations, firstly whether the route is likely to prove profitable and secondly whether it is possible to get admission into the Conference or Conferences governing that route. Even where a particular route may be profitable, the shipping company may find it difficult to secure admission into the Conference if adequate

tonnage is being provided by the existing members of the Conference. This is, however, a matter of negotiation and it may be stated that the Eastern Shipping Corporation has succeeded in joining some of the Conferences governing the routes in which its vessels are operating. The general policy of Government is to encourage the employment of Indian vessels to maximum advantage and to prevent wasteful competitions. Within the framework of this policy the Corporations are as free as any of the other companies to select the routes in which to ply their vessels.

[*Ministry of Transport and Communications O.M. No. Sy-21(4)/60 dated 15th October, 1960*].

23 The Committee feel that even though the routes selected for the Eastern Shipping Corporation are stated to be good, yet the route and service pattern of the Corporation might have been better.

51

23

The Eastern Shipping Corporation was formed in 1950 with the Govt. taking 74% of the shares and the Scindias who functioned as the managing agents subscribed the rest of the capital. The Scindias were then operating on the India/U.K./Continental and the India/USA routes which were considered to be the best routes. It was, however, considered that it would not be feasible to enter into

these routes for the following reasons :—

1. Scindias managed to enter these routes only in 1947-48 and it would not be desirable to put another Indian shipping company in competition with them at that stage.
2. If the Corporation were also to enter these routes, the Scindias who were the managing agents, could not be looked upon to safeguard the interests of the Corporation in these routes.

In the circumstances, the routes which were considered the next best *viz.*, the India/Japan/Far East, the India/Australia, India/Malaya and India/East Africa were allotted to the Corporation.

The Committee will therefore appreciate that the routes allotted to the Eastern Shipping Corporation were the best possible under the circumstances.

[*Ministry of Transport and Communications O.M. No. Sy-21(4)/60 dated 15th October, 1960.*]

The Committee recommend that the Ministries of Home Affairs and Transport and Communications might together review the working of the India/Andamans service and consider the possibility of transferring it to one of the Corporations and also explore the ways of improving its financial results. However, in order that this arrangement might not cause administrative inconvenience to the Ministry of Home Affairs, the right to issue directives to the Corporation with regard to the operation of the service might be reserved to that Ministry on the understanding that should the implementation of such directives result in a loss to the Corporation, the concerned route be declared as an essential route or the losses reimbursed otherwise.

This recommendation has been examined in consultation with the Ministry of Home Affairs. It is considered that under the present circumstances, the ownership of the vessels should continue to be vested in the Ministry of Home Affairs. That the Corporation have agreed on the terms and conditions under which the Corporation should manage these vessels. In order however to have a better coordination between the Ministry of Home Affairs and the Corporation in the running of this service, it has been decided to nominate a representative of the Ministry of Home Affairs on the Board of Directors of the Corporation.

[*Ministry of Transport and Communications O.M. No. SY-19(9)/59 dated 25th October, 1960.*]

There are several islands in the Indian ocean like the Laccadives, Minicoy, Amindivi etc. and a large number of people of Indian origin live there who are not in a position to maintain contacts with this country for want of proper means of communications.

So far as the question of establishing proper means of communications with Laccadive, Minicoy and Amindivi islands is concerned it may be stated that during the fair season, the Ministry of Home Affairs are running through the agency of the Eastern

These islands also give rise to a substantial volume of trade which, for the same reason, is understood to be passing elsewhere. The Committee consider that, first of all, a survey of the traffic and trade potential of these islands should be made and recommend that thereafter the desirability of starting such a service and entrusting it to one of the Corporations should be considered. In case it entails any losses, the question of declaring these routes also as 'essential' might be considered.

Shipping Corporation, a passenger-cum-cargo service with a chartered vessel. That Ministry are also considering the question of either acquiring or building a suitable vessel to maintain the service on a long term basis. So far as India/Mauritius trade is concerned, it may be stated that the Scindia Company's cargo vessels plying in the India/West Africa service touch Mauritius on their outward journeys. The Eastern Shipping Corporation's passenger-cum-cargo service to East Africa also caters to the trade to and from Seychelles on alternate sailings. According to Indian ship owners, the traffic does not warrant introduction of a regular service between India and these Islands.

[*Ministry of Transport and Communications U.O. No. 38-MC(19)59-MD, dated 4th October, 1960.*]

31 Considering that the Corporations were set up to quicken the pace of development of shipping the Committee regret to observe that the progress made

64 Ever since its incorporation, the Eastern Shipping Corporation has been endeavouring to increase its tonnage and to put an adequate number of



by them in regard to the acquisition of tonnage has been comparatively poor.

66

The Committee regret to observe that though it is eight years since the formation of the Eastern Shipping Corporation it is still far from reaching the target of 100,000 GRT.

32

vessels on the routes operated by it. But it could not achieve its target, due to reasons beyond its control.

During the years 1950-56 when the Corporation was under the management of the Scindias, the prices of vessels were very high and it was not possible to obtain suitable vessels at economic prices.

After 1957, the prices of vessels began registering a downward trend but difficulties regarding the availability of necessary foreign exchange arose.

In spite of the above difficulties, the Eastern Shipping Corporation have so far been able to secure ten vessels, including the two recently acquired second-hand vessels, to their fleet, raising the tonnage to 69,863 GRT. They have orders for three vessels pending with the HSL, two of which are expected to be delivered during the second plan period. Taking into consideration orders already placed, the tonnage of the Corporation is estimated to reach a GRT of about 90,000.

The Western Shipping Corporation, which was floated in 1956, has so far

already acquired a fleet of two tankers and three cargo ships, aggregating to a GRT of 38,400 approx. In addition, one vessel from the HSL, and another from abroad, are expected to be delivered during the Second Plan period. In all five cargo ships have been ordered on HSL and taking these orders into consideration the tonnage of the WSC is expected to reach a total of about 80,000 GRT. It is proposed to acquire within the Second Plan period a second-hand ocean-going tanker of about 30,000 DWT and if this proposal materialises the target of 100,000 GRT will be reached.

It will be appreciated, therefore, that there has been no dearth of efforts to obtain requisite tonnage for the Corporations and the results achieved cannot be regarded as disappointing. [Ministry of Transport & Communications O.M. No. SY-21(57)/60 dated 1st March, 1960.]

The Committee recommend that speedy decisions might be taken in regard to the acquisition of tonnage on self-financing basis so that the Corporations might be able to make purchases when the market is favourable.

*(Further information required)*

Specific action that has been taken by the Government to implement this recommendation may be intimated.

*(L.S.S. O.M. No. 36-PU/59, dated the 1st March, 1961).*

The views of the Committee have been noted.

*[Ministry of Transport and Communications O.M. No. SY-21(8)/60 dated the 5th March, 1960.]*

The Eastern Shipping Corporation acquired during 1959 two second-band cargo vessels ["State of Assam" (Built—1957 ; Price—Rs. 77.33 lakhs) and "State of Bihar" (Built-1957 ; Price—Rs. 77.33 lakhs)]. Foreign exchange to the extent of about 20% of the price was released by Government from the free foreign exchange resources and the Corporation obtained foreign exchange loans from the Central Bank of India and the State Bank of India to meet the balance of the price.

During 1960, the Corporation acquired 2 more cargo vessels ["State of Maharashtra" (Built—1959; Price— Rs. 99.33 lakhs) and "State of Gujarat" (Built-1957 ; Price-Rs. 92.33 lakhs)]. The Government released foreign exchange to the extent of 30% for the purchase of these ships and the balance of the price was met out of loans raised by the Corporation from the National and Grindlays Bank, Central Bank of India and the Life Insurance Corporation of India.

The Corporations, as always, are on the look out for additional tonnage and will be acquiring more ships whenever suitable ships are available at the most economical places, whether it be on self-financing, deferred payment or rupee payment basis, and adequate foreign exchange either by way of loans or otherwise is available.

[*Ministry of Transport and Communications O.M. No. 31-MD(30)/61, dated the 22nd March, 1961.*]

37 The Committee recommend that in view of the fact that the responsibility for the development of shipping has been placed mainly on the public sector, Govt. may reconsider their decision with regard to the purchases on deferred payment basis by the Corporation. In this connection, the Committee suggest that the possibility of diverting a portion of the funds allocated for payment of freight on imported foodgrains for initial payments for deferred purchases may also be considered.

73 When the Estimates Committee looked into this matter, the releases of foreign exchange for shipping were of limited amounts and in one quarter no allocation could be made to the public sector Corporations. However, the position has since eased and as a result these Corporations have purchased two recently built second-hand ships with the help of an initial release of foreign exchange by Government from the free foreign exchange resources supplemented by foreign exchange loans secured through banking institutions.

Proposals for the purchase of additional tonnage are under consideration. Government are allocating a certain amount of foreign exchange from free resources in order to meet the requirements of shipping companies, both in the private sector and in the public sector, for making the initial payment of a portion of the cost of ships which may be acquired either on deferred payment terms or with the help of loans secured through banks. Recently, the percentage of initial payment of foreign exchange release by Government has been increased from 20% of the total price to 33-1/3% and shipping companies have again been asked to submit their proposals for the acquisition of further tonnage.

As regards the proposal for the acquisition of tonnage by diverting a part of the funds meant for the payment of freight for the import of food-grains, this matter has already been referred to the Indian National Steamship Owners' Association but so far they have not come up with any specific proposals. The difficulty involved is that while the freight rates are very low the cost of

purchasing a ship on deferred terms becomes anything upto 25% higher than on cash basis. These two factors make the operation of the vessels uneconomic.

*[Ministry of Transport & Communications O.M. No. SY-210(8)/63 dated 5th March, 1960].*

The Shipping Development Fund is a Statutory Fund intended for the grant only of rupee loan assistance to Indian Shipping Companies. The Merchant Shipping Act, 1958, does not envisage any other functions for the Fund.

As regards the question of utilisation of at least a part of the foreign exchange earnings of Indian ships plying in the overseas trade for the acquisition of additional tonnage, it may be stated that during the Second Plan period, Government have not only been releasing foreign exchange from free resources for the purchase of ships but have also been permitting the utilisation of

The Committee suggest that having regard to the importance of the Shipping industry, the feasibility of permitting the utilisation of a part of the foreign exchange earned by the shipping companies (private and public) for the acquisition of tonnage in future, through the Shipping Development Fund, might be considered.

the net foreign exchange earnings of the vessels acquired on self-financing/deferred payment terms for the payment of the price of the vessels themselves. On this basis, a substantial part of the net foreign exchange earnings of Indian shipping is already being utilised for the acquisition of additional tonnage. It is not, however, possible for Government to agree to earmark the earnings (even a part of such earnings) of any industry to meet the requirements of the same Industry as the entire foreign exchange earnings of the country belong to one common pool from which releases have to be made to meet the requirements of all essential industries regardless of whether such industries earn foreign exchange or not.

[*Ministry of Transport & Communications O.M. No. 31-MD (118)/59 dated 28th September, 1960*].

43 The Committee are surprised to note that it should have become necessary to replace the 'State of Bombay' only after four years of its purchase and ten years of its being built when the normal life of a ship is stated to be between 20 to 25 years.

83

The main reasons for considering the replacement of t.s.s. "State of Bombay" from the India East Africa route are the need to have a master and more modern passenger vessel with amenities such as air-conditioning, swimming pool, children's play-

room etc. On this route in keeping with the recent trends in passenger services it is also necessary that the vessel should have a lesser fuel consumption to be run more economically in competition with those of the B.I.S.N. Co. which are faster and better equipped. There is no proposal to scrap the vessel. In case another suitable vessel is placed on this route, this vessel will be utilised on some other route. The Corporation are also examining the economics of replacing the engine of this vessel by a diesel one *vis-à-vis* going in for a new vessel.

As regards the purchase of "State of Bombay" and the "State of Madras", these vessels were purchased after full consideration of the position by the Board of Directors of the Corporation and the Govt. The prices paid, namely Rs. 91,72,845 for the *State of Bombay* and Rs. 95,52,699 for the *State of Madras*, were less than the valuation of M/s. Rugg & Co., which were

They fear that these ships were not properly examined before they were purchased.

(ii) As replacement of the 'State of Bombay' in the immediate future is likely to cause a capital loss of large magnitude the Committee recommend that an enquiry might be made into the matter with a view to investigating how the ships were purchased and if there were any negligence or irregularities in it to fixing responsibility therefore.



£10,50,000 and £10,60,000 for the vessels respectively. The ships were inspected by the Lloyds' Surveyors both afloat and in dry dock and the repairs suggested by them were carried by the vendors before delivery. In the circumstances, it cannot be said that there was any negligence or irregularity in the purchase of these vessels; and it is considered that no useful purpose would be served by instituting an enquiry into the circumstances under which these vessels were purchased.

*(Ministry of Transport & Communications O.M. No. SY-21(5)/60 dated 21st June, 1960).*

47 The Committee were informed that the Corporations could not depute their engineers for the supervision of the ships being built for them in Europe on account of the difficulty of foreign exchange. While the Committee appreciate the consideration given by the Corporations to the foreign exchange difficulties of the Government, they feel that as large investment is involved in the ships under construction, it might have been advisable to spare some foreign exchange for deputing a

90

47

The Western Shipping Corporation which had placed certain building orders on foreign shipyards decided that (a) one Chief engineer should be deputed to each of the foreign yards where ships were being constructed for them approximately four months before the date of delivery and (b) one Master/Chief Officer/Superintendent should also be sent approximately six weeks before the date of delivery of each ship. In accordance with this decision, the Corporation have been deputing a

few engineers to be associated with the different stages of construction of these ships, in order firstly, to ensure that the ships are constructed according to the specifications of the Corporations and, secondly to provide an opportunity to the engineers to secure the know-how of the building of the ships.

their officers to each of the yards where orders have been placed for the construction of ships. As ships officers are not qualified Shipwrights it was considered that the deputation of these officers earlier would not be necessary. The work of supervision of the construction of these ships had been entrusted to the Lloyd's Register of Shipping as they are experts in Ship Construction.

*[Ministry of Transport and Communications O.M. No. SY-21(22)/60 dated the 18th June, 1960].*

49 The Committee regret that even after a period of seven years of working and despite the comments of the Estimates committee in their fourteenth Report (First Lok Sabha) it has not been possible for the Hindustan Shipyard to accept normal conditions of contract and adhere to the stipulated dates of delivery.

93 The Shipbuilding contracts of the Hindustan Shipyard now include all the conditions normally found in shipbuilding contracts entered into by our shipping companies with the foreign shipyards excepting the 'penalty clause' regarding delays in delivery.

The reason why it has not been possible for the Shipyard to agree to the

insertion of such a clause in its contracts so far, is that it is not yet in a position to control or accurately forecast the time taken :—

- (a) by the shipowners for finalising the ships specifications ; and
- (b) in obtaining the machinery and equipment required for ship construction from abroad including the release of the necessary foreign exchange.

The procedure for the latter has since been streamlined. Simultaneously, measures have also been taken to adhere to the scheduled dates of delivery as far as possible. It is hoped that when the position in regard to (a) and (b) improves, the Yard will be able to accept a penalty clause for delays in delivery also. In fact in one or two cases the Yard has already promised the owners that they will consider the acceptance of the principle of penalty for delays against their future orders.

[*Ministry of Transport & Communications O.M. No. SY-19(8)/59 dated the 18th June, 1960.*]

The Committee consider that the progress made in acquisition of tankers

95

51

The question of acquisition of tankers both overseas and coastal is linked

is very slow. Further with the prospects of finding sufficient quantities of oil in the country, there would be need for more tankers for the transport of crude and refined oil. In this connection they refer to the recommendation made by them in para 168 of their 65th Report (First Lok Sabha) for acquiring more tankers and urge that the same might be implemented expeditiously.

up with the employment of these vessels by the Oil Companies concerned. Apart from the normal commercial practice, the present surplus tanker tonnage in the world makes it imperative to have a firm charter commitment from the Oil Companies before a tanker is acquired whether on the coast or for overseas trading. After considerable negotiations the three Oil Companies were made to agree to accept one Indian flag tanker each on charter hire for the movement of refined products on the coast. Accordingly three coastal tankers have been acquired in the Second Plan period, two in the public sector and one in the private sector and possibilities of adding more tankers to the coastal fleet is under negotiation with the Oil Companies concerned who are resisting the very idea of further acquisition of tanker tonnage on coast because of the possible decline of movement of refined products by the sea route after the Indian Refineries coming into operation in the eastern region.

In regard to the ocean going oil trade for import of crude oil negotiations have already been started with the Oil Companies for accepting Indian flag tankers and Burmah Shell have indicated that owing to their existing commitments, they could not accept an Indian tanker until January, 1963 and Caltex have stated that they could accept an Indian flag tanker only by the end of that year (1963). In order to expedite acquisition of tanker tonnage for the overseas oil trade an acceptable arrangement has been found by which it is proposed to purchase one of the vessels already on charter hire to Burmah Shell to which the latter have no objection. Stanvac have also expressed their willingness to accept this arrangement. It is hoped that in the near future Government Shipping Corporations may be able to acquire ocean going tankers already on charter with Burmah Shell and Stanvac as well as possibly Caltex. This aspect is being progressed.

*[Ministry of Transport and Communications O.M. No. SY-21(24)/60 dated the 7th July, 1960].*

52

While the Committee appreciate the safeguards provided by the Corporation to minimise the incidence of brokerage, they are not convinced if it was necessary to appoint the brokers. In the circumstances, the Committee suggest that the necessity of continuing the services of the brokers might be examined. If however, it is considered necessary to continue the agency of brokers, the Committee suggest that the possibility of encouraging Indian brokers to develop their activities in the field may be explored.

The facts are that no firm or concern has been appointed as the exclusive brokers of the Corporation. Thus offers received from all principal brokers are entertained with the result that out of a total of 8 vessels acquired since 1956 by the public sector, there were only two which were purchased through Harley, Mullion & Co. Again, the new vessels ordered by the Corporation in Yugoslavia (Pula Yard) and Japan (Harima Yard) were directly negotiated with the shipyards with the result that no commission was paid to any broker. In the case of two ships built in Germany (Lubecker Yard) there was one broker namely, Fisher & Company who took commission on regional basis irrespective of whether his services were used by the Corporation or not. However, it is to the credit of the Corporation that a Commission of 50,000 DM was deducted from the price of each vessel. Again, in regard to the purchase of two second-hand ships namely, "STATE OF ASSAM" ex-

Statensingel and "STATE OFF BIHAR" ex-Coolsingel, a Dutch broker who was in direct contact with the owners of these vessels was employed on the basis of sharing the commission equally with the Corporation. Thus, it will be seen that there is no appointment of brokers as such to the Corporation and the latter utilises the services of all brokers who offer vessels and are in direct contact with the owners so that the commission of sub-brokers is eliminated. It is not obligatory for the Corporation to purchase ships through any particular broker nor is any retainer fee paid to any broker. The question therefore of continuing the services of brokers, let alone appointing any one, does not arise.

The Corporations have no objection to employing Indian brokers provided such a broker is able to establish that he is the direct agent of the vendor and not a mere sub-agent of some other European broker, and can really help in the negotiations in such ways as bringing down the price, arranging deferred payment terms etc. As will be appreciated, a sub-broker merely adds his commission to the price which the

purchaser has to pay, and therefore, there is no advantage in having a sub-broker to come in addition to the broker. As long as the Indian broker is not in a position to directly contact the owners of the vessels which are for sale, no useful purpose will be served by negotiating through him. In fact, adding an Indian broker would prove highly undesirable as it would inflate the price of the ship representing the commission earned by the Indian broker while he would have rendered no service towards the purchase of the vessel. In the circumstances, Indian brokers as they exist today in the category of sub-brokers can not be patronised without loss to Government.

[*Ministry of Transport and Communications O.M. No. SY-21 (26)/60 dated the 30th June, 1960.*]

53 The Committee fail to understand what special advantage is secured by the Eastern Shipping Corporation restricting its operations to the liner services.

99 The Eastern Shipping Corporation operate liner services on the following routes in order to develop the trade of India on these routes :—  
(1) India/Japan/Far East  
(2) India/Australia



- (3) India/Malaya/Singapore
- (4) India/East Africa.

For this purpose, they have joined the Conferences governing the Shipping services on these routes, as otherwise it is not ordinarily possible to operate liner services. Under the Conference rules, it is not possible to operate ships both on liner and tramp basis on the same route. Therefore the Corporation can run tramp services only on routes on which they do not operate liner services or to entrust the tramp trade to the Western Shipping Corporation. As soon as tramp ships are acquired by the Government Shipping Corporations it is proposed to enter the Tramping trade of the country.

In this connection it may however be stated that liner services have their own advantages over tramp operation. Regular shippers of general cargoes prefer liner ships because of the regularity of sailings which such ships offer. Tramps can be made use of by shippers of bulk cargoes only. The traffic that is catered for by the two forms of ship operation is thus entirely different. The liner services not only offer regularity of schedules

of sailings but also advertise their sailings much in advance. The freight rates charged by liner companies are also fixed for long periods and are not allowed to fluctuate frequently. Regular shippers prefer such stability in freight rates as it enables them to contract business on forward basis. The tramp ships do not offer these advantages. The tramp rates are always *ad hoc* and fluctuated widely and tramp shipping never offers regularity of sailings. The development of trade on any route on a regular basis is thus promoted better by liner services. It is, however, upto a shipowner to decide for himself what form of operation he would adopt on a particular route and his decision is dependent on his own assessment of the requirements of traffic on that route. Having made this decision, it is not easy for him to change over subsequently from one form of operation to the other, as such change over would involve his seeking to cater for a new form of traffic and would need canvassing and

establishing contacts afresh with a different group of shippers for patronising the new form of service. It will, therefore, be appreciated that it is not possible for the Corporation lightly to decide now to switch over to tramp operation over the routes on which it has developed liner services as such switch-over might mean starting a fresh and taking the attendant risks of a new venture. Moreover, the same Corporation cannot be permitted by the Conference to do tramping as well as plying in Conference route.

[*Ministry of Transport and Communications O.M. No. SY-21(27)/60 dated the 4th July, 1960.*]

(i) The Committee consider it to be somewhat paradoxical that while the Government has entered international trade on a large scale and has become a major importer and exporter, its own Shipping Corporation should be faced with dearth of cargo.

(ii) The Committee consider it advisable for the Eastern Shipping Corporation also to take to tramp business.

The vessels of the Eastern Shipping Corporation do carry Government cargoes, that are available on the routes on which they ply, to the extent feasible. Thus the Railway Department cargoes coming from Japan and Australia and the wheat cargoes imported by the Department of Food from Australia have been carried by ships of the Corporation, which ply on the India/For East and India/Australia routes. However, as the bulk of the Government cargoes move

on the India/United Kingdom/Continent and the India/America routes, the advantage out of Government's participation in the import and export trade of the country is derived mainly by the other Indian shipping companies which operate on these routes and not by the Corporation.

The question of the Eastern Shipping Corporation also entering tramp trade will be considered when its fleet has increased. Provision is proposed to be made in the Third Plan for acquiring a larger number of tramps and these when acquired will enable the Corporation to take to tramp business.

[*Ministry of Transport and Communications O.M. No. SY-21(28)/60 dated the 23rd June, 1960.*]

57 The Committee feel that development of shipping is as vital as the promotion of trade and it is necessary to have a coordinated policy for development of both. They, therefore, suggest that the policy of Government

107 The question of rates to be allowed to Indian Companies has been referred to the National Shipping Board set up by Government under the IMS Act, 1958. Further necessary action will be taken in the light of the re-

with regard to the rates to be allowed to be the Indian companies for carriage of Government cargo might be reconsidered.

commendations of the Board. Meanwhile every request for giving a higher freight to Indian Ships is being considered on an *ad hoc* basis.

[*Ministry of Transport and Communications O.M. No. 38-MC(23)/59 dated the 23rd May, 1960.*]

59

The Committee feel that the practice of building tankers in accordance with the specifications etc. given by the oil companies in effect would amount to chartering the tankers to those companies only in perpetuity and would leave little scope for obtaining competitive charter rates for the owners.

It is usual for tankers to find gainful employment on the basis of long term charters. Cargoes are available only in one direction and these are controlled by Oil Companies who make their own long term shipping arrangements either by owning tankers themselves or by taking tankers from their associates etc. on long term basis. The aim that has been pursued by the Western Shipping Corporation in acquiring tankers is to charter them to the three Oil Companies in India on a long term basis. It is therefore necessary and desirable that any tanker acquired should meet the needs and requirements fully of the particular Oil Companies to whom it is to be chartered. The specifications etc. are therefore finalised in consultation with them so that the tankers are acceptable to them in all respects. This action

can be compared to an owner of a house who builds it to suit the requirements of his tenant who is prepared to take it on a long term tenancy basis.

The Oil Companies are bound by agreement to renew this charter so long as they have any need for tankers and it is always possible for Government to make them pay a reasonable charter hire on the coastal trade and world market rate in respect of overseas oil trade.

It is therefore considered that there is no ground to apprehend that the practice of building tankers according to the specifications of the oil companies would be against the interests of the Western Shipping Corporation.

In fact building tanker to oil companies specifications is the established commercial practice and charter parties

are signed even before the vessel is built.

[*Ministry of Transport and Communications O.M. No. 21(29)/60 dated the 8th September, 1960.*]

60 114 The Committee feel that in order at least to know what would be the reasonable rate for chartering a vessel, the Corporation should operate a vessel directly and acquire a knowledge with regard to the cost and profit that may be secured in the trade.

It is considered that it is not necessary to operate a tanker directly to determine what the reasonable charter rate should be for a tanker. It is not at all difficult to assess accurately what should be an economic rate, yielding a reasonable margin of profit for a given tanker. The actual rate that can be secured will however be regulated not by what may be an economic rate but by the prevailing world market conditions which are changing from time to time. It is not the practice of the tanker trade to operate vessels directly, nor is there much scope for it as oil interests who have a monopoly of the cargo make long term arrangements for the movement of oil, either by owning tankers themselves or by taking tankers from tanker owners on long term charter basis.

[*Ministry of Transport and Communications O.M. No. SY-21(30)/60 dated the 25th August, 1960.*]

61            115            The Committee recommend that the terms of the contract with the brokers in respect of the share of the charter hire of s.t. "Desh Sewak" may be re-examined.

As desired, this matter has been re-examined. When the tanker 'DESH SEWAK' was approved by Government for purchase by the Western Shipping Corporation, it was decided that a firm charter commitment should be obtained from Burmah-Shell so that the continued employment of the tanker for a further term was assured at an economic rate. Accordingly, negotiations took place with the representatives of Burmah-Shell and after bids and counter-bids and with the assistance and good offices of the Indian High Commission in London, a charter hire of 32 sh. per d.w.t. per month was settled with the prior approval of Government. This was the maximum rate which could be obtained after all possible efforts had been made in that direction.

When the official brokers of the Corporation, M/s. Harley, Mullion and Company, through whom the purchase of the tanker was being arranged and who had also assisted in the



charter negotiations asked for their commission from the charter hire of 32 sh., and this they purported to claim on the basis of well-recognised commercial practice in shipping, they were told that the rate of 32 sh. was a net rate from which the Corporation could not pay any percentage to the brokers. However, the Corporation would not object if the brokers could persuade Burmah-Shell to pay a commission to the brokers provided always that of the amount paid as commission 50% of it would be re-funded to the Corporation. M/s. Harley, Mullion then pressed their claims with Burmah-Shell who eventually agreed to give an extra 6d. per ton to enable brokerage being paid to the former. Ordinarily, this extra amount of 6d. per ton would have gone in entirety to the brokers but the Corporation told the brokers that this would have to be shared between the two on 50 : 50 basis. In other words, the Corporation asked for half the amount which had been obtained solely through the efforts of the brokers as their share. The brokers were pressed to accept this arrangement and eventually they agreed. The intervention of the brokers brought an extra earning of

3 d. per ton to the Corporation which could not have been obtained otherwise. In the circumstances, the Committee will appreciate that no alteration in the terms of the charter party is required.

*[Ministry of Transport and Communications O.M. No. SY-21(31)/60 dated 6th September, 1960].*

62 117 The Committee recommend that the Western Shipping Corporation might try to operate one or more of the tankers to be acquired in future on a tramp or on a scheduled service instead of chartering out them all to the oil companies.

The world tanker tonnage at present is one out of surplus, resulting in many tankers being diverted to the grains traffic or lying idle. The charter rates for tankers have therefore fallen very low and it is felt that it will be completely uneconomical for the Corporation to place a tanker either on tramp trade or on a scheduled service. Moreover the nature of the oil trade is such that there is little or no scope for free tramping or for running scheduled liner services with tankers.

*[Ministry of Transport and Communications O. M. No. SY-21(32)/60 dated 27th August, 1960].*

The Committee suggest that the reasons for the loss incurred on account of the operation of the chartered vessel 'Culross' might be investigated and the possibility of placing more economically chartered vessels on the India/Japan route in order to secure maximum traffic for the Corporation pending replacement thereof by owned vessels might also be considered.

S. S. 'Culross' was chartered for 8 months minimum or completion of the 3rd voyage. The 1st voyage from Japan commenced on 27-8-1957 and the 3rd voyage was completed on 24-6-58 at Calcutta when the vessel was redelivered to the owners. It was reported earlier to the Committee that during the Charter period the vessel made 2½ voyages out of which the Corporation had earned Rs. 7,94,392/- against which it paid Rs. 10,99,260 as charter hire. These figures were based on estimates at that time. The actual results now reveal that the loss was only Rs. 12,000. During the 2½ voyages, this vessel carried no less than 18,535 bills of lading tons of Wheel Sets on Railways' account and the voyage results were at first estimated on interim freight rate of sh. 75/- per ton paid by the Railways as against sh. 149/6 which was the tariff rate in 1957-58. The difference in freight on this cargo at tariff and Railways' rate amounts to about Rs. 9 lacs.

After protracted negotiations, the Eastern Shipping Corporation

were partially successful in persuading the Railways to agree to a rate of sh. 132/- for the shipments effected in 1957, while for the shipments in 1958, the rate offered by them *vis.*, sh. 75/- could not be improved upon. In 1957, this vessel had carried 6396 of Wheel Sets and, applying the revised rate of sh. 132/- and, including the heavy lift and other incidental charges which the Railways have agreed to pay, the earnings for the first voyage have gone up by about Rs. 2,62,000/-. Thus, the net loss on the 2½ voyages now stands at about Rs. 12,000/- as against Rs. 2,73,954 indicated at first.

Had the Corporation received freight at tariff rate, the overall profit on the 2½ voyages would have amounted to about Rs. 5,50,000/-. At the time of chartering this vessel, along with the availability of other cargoes, the Corporation had the wheel sets cargo more prominently in view. However, they

did not expect the Railways to cut down the tariff rate by 50%. The expectation of the cargoes moving in both directions during the charter period proved to be correct as can be seen from the fact that during the 2½ voyages the vessel lifted 44,636 tons cargo against her total lifting capacity of 46,500 tons.

In regard to employment of economically chartered tonnage, due to inadequacy of owned tonnage to provide more sailings on the Corporation's trade routes, it may be mentioned that, even though foreign vessels were available at low rates, the Corporation could not always take advantage of the situation because of foreign exchange difficulties.

The owned tonnage of the Corporation has recently been increased by the addition of two vessels and more vessels will be acquired during the Third Plan, so that it might not be necessary to employ chartered tonnage in future.

*[Ministry of Transport and Communications O. M. No. SY-21(36)/60 dated 6th October, 1960].*

68 123 (1) The Committee had suggested in para 173 of their 62nd Report (First Lok Sabha) that the Eastern and Western Shipping Corporations should become members of the Charter Committee of the Baltic Exchange so that the interests of the Government might be safeguarded in getting vessels as cheaply as possible and also in order to earn a part of the one per cent commission which the charter Committee would be distributing among its members. The Committee hope that it would no longer be necessary for the Corporation to use the services of the London agents for chartering the ships.

(2) The Corporation has appointed the Scindias as its agents in London. As the Corporation do not operate any service on the India/U. K. route the Committee consider it desirable that the necessity of maintaining agency in London might be reviewed.

Enquiries made about the Eastern and Western Shipping Corporations becoming members of the Chartering Committee of the Baltic Exchange have revealed that being Government owned Corporations they are not straightaway acceptable for membership. The question of setting up of a Chartering Organisation in India is at present under consideration. If this committee is set up and is able in course of time to play an effective role, the Corporation may not have the necessity of chartering vessels through the London Agents.

The London Agents of the Eastern Shipping Corporation M/s Scindia Steamships (London) Ltd., besides arranging for the charter of vessels and collection of freight payable in sterling, attend to matters relating to adjustment of claims and averages, procurement of stores etc. not available in India and to the collection of material and information

relevant to shipping. They are being paid a remuneration of £1000/- per annum for this. Though it is considered that for the present it would be essential for the Corporation to have an agency at London the question would nevertheless be reviewed after a Chartering Organisation has been set up in India.

[*Ministry of Transport and Communications O. M. No. SY-21 (21)/60 dated 7th March, 1960*].

69 124 The Committee hope that instructions would have been issued that as far as possible Government Departments should utilise the services of the Shipping Corporations for carriage of their stores, so that the Corporations might not have to pay agency commission for securing those cargoes.

83  
A Shipping Co-ordination Committee has been set up in this Ministry whose main function is to allot Government owned/controlled cargoes to Indian shipping companies both in the private and public sectors to the maximum extent possible with a view to saving foreign exchange expenditure on freight. On this Committee, both the public and private sector shipping companies are represented. The Committee is responsible for co-ordinating the arrangements for shipment of such cargoes and is required to maintain close liaison with the Ministries, Departments etc. on one hand and the Shipping Companies on the other. Instructions have been issued to Ministries etc.

to intimate their requirements of shipping space to the Committee. On receipt of such intimation, the cargoes are offered to Indian ship-owners both in the public and private sectors and, where they have tonnage to offer in the required position at competitive rates of freight, cargoes are allotted to them for which they do not have to pay any agency commission.

*[Ministry of Transport and Communications O. M. No. SY-21 (38)/60 dated 3rd October, 1960.]*

73 The Committee suggest that the reasons for the heavy expenditure incurred by the Corporation on repairs might be investigated with reference to repair charges incurred by other companies.

129 It is difficult to say that the expenditure incurred by the Corporations on repairs to ships is in any way higher than that incurred by other shipping companies. The cost of repairs of a ship would depend on many factors such as the type of vessel, its age, the routes on which operated, the experience of the officers manning the ship etc. For example, the cost of repairs etc. in the case of a passenger ship will be



higher than that of a tanker or a dry cargo ship and the cost of the repairs will increase as the ships get older. Also the cost of repairs to a steam turbine ship will be different from that of a diesel vessel etc.

All efforts are being made to keep the cost of repairs to the ships of the Corporations at the lowest possible limit consistent with the need to maintain a high standard of efficiency in running the vessels.

*[Ministry of Transport and Communications O. M. No. SY-21(41)/60 dated 3rd October, 1960].*

75 132 The Committee suggest that as the tonnage operated by the two Corporations would be increasing gradually, the possibility of the Corporation owning a workshop for repairs of the vessels may be considered. A workshop of that nature may besides conducting repairs of vessels also undertake the construction of small crafts for coastal trade.

87 The fleets of the two Corporations, as they stand at present or as they are likely to expand during the next few years, do not yet justify the establishment of a repair workshop exclusively for their use. The ships of the Eastern Shipping Corporation are mostly based at Calcutta and those of the Western Shipping Corporation would in due course be based at Bombay and it is not possible to have two workshops, one at Calcutta and the other at Bombay. Moreover, now that the Government of India

have acquired the Mazagon Docks, Bombay and the Garden Reach Workshops, Calcutta, there may be no need for the Corporations to have their own workshops.

It may also be mentioned here that the Ship Repairs Committee have recommended that the Hindustan Shipyard should take up repair works, and, as this recommendation has been accepted in principle, that Yard are now formulating proposals for the purpose and in due course the repair facilities to be developed at Visakhapatnam will also be available to the two Corporations.

[*Ministry of Transport and Communications O. M. No. SY-21 (43)/60 dated 4th October, 1960.*]

151 The Committee are not happy that even in a commercial undertaking there should be an elaborate hierarchical system of organisation. They therefore, suggest that the organisational set-up of the Corporation

The system of organisation prevailing in the Corporation is the same as that prevailing in other commercial undertakings both in the public as well as in the private sectors. However, the Corporation would be

might be reviewed and reorientated on a scientific and rational basis.

reviewing the position from time to time and would not hesitate to introduce such changes as may be considered necessary to improve the efficiency of the organisation.

[*Ministry of Transport and Communications O. M. No. SY-21 (54)/60 dated 17th October, 1960.*]

88 The Committee suggest that the strength of staff aboard the various vessels may be reviewed and where possible uniformity introduced ; and, unnecessary staff, if any, be eliminated.

153 The staff aboard each vessel is strictly in accordance with the minimum requirements of the ship. As the staff requirements of ships vary from one to the other according to such factors as the type of the ships, the nature of employment, type of the engine, tonnage etc., it is not considered possible to have strict uniformity in the matter.

It would be appreciated that by and large, passenger vessels must have larger crew than cargo vessels. Again, as between one passenger vessel and another the strength of the crew would depend to some extent on the passenger capacity of the vessel. In cargo vessels, however, there cannot be a large difference in the number of the crew though there will have to be some difference. These observations will explain the difference in

the strength of the crew of the various vessels of the Corporation mentioned in para 152 of the Committee's Report.

[*Ministry of Transport and Communications O.M. No. SY-21(53)/60 dated 4th October, 1960.*]

91 The Committee do not see any valid justification for officers discharging similar duties in different public undertakings being governed by different scales of pay. They therefore suggest that Government might review the scales of pay, obtaining in all its undertakings and revise them with the object of introducing uniformity where possible.

160 It is agreed that uniform pay scales are desirable in all branches where the conditions are reasonably similar but it is not possible to suggest concrete scales of pay which could be applicable to all the undertakings because conditions differ from re-region to region and industry to industry. Having regard to the need of allowing some measures of flexibility and autonomy to these undertakings and the practical difficulties involved in prescribing uniform scales of pay in respect of the technical, industrial and administrative services in the various undertakings, complete uniformity in this respect is not feasible in all posts, though some measure of uniformity has

been introduced in the managerial cadres through the introduction of the Industrial Management Pool. The nature of responsibility in respect of various posts also varies with the size of the undertakings so that the same scale of pay even for similarly designated posts in undertakings of different sizes would not be appropriate.

[*Ministry of Transport and Communications O.M. No. Sy-19(2)/59 dt. 18th June, 1960*].

94 The Committee fail to understand the distinction made between the floating staff and the shore staff with regard to the payment of allowances in lieu of bonus. They are also not happy over the discrimination that is being made between the employees appointed on or prior to 15-8-56 and those recruited after that date. They therefore, consider it desirable that the Corporation should take steps to evolve a uniform practice in this respect.

165

Before 15-8-56, when the Scindias were the Managing Agents of the Corporation, the members of the shore staff were being paid bonus on the basis of the profits earned during an accounting year. The floating staff were also entitled to get Good Service Allowance on the basis of the profits. However, after the management was taken over by the Govt. it was decided by the Board of Directors of the Corporation, in consonance with the general policy of the Govt. not to pay bonus to the staff in industrial undertakings, but to give to all the members of the shore staff who opted for the service of the Corporation one

increment in their respective grades in lieu of bonus. In the case of the floating staff also, it was initially decided to grant one advance increment in lieu of bonus. But in view of the fact that it would be necessary to grant one additional increment every time an officer was promoted from one rank to the higher or became entitled to higher rate of wages by virtue of obtaining a superior certificate of competency, it was decided to give them 15 days average wages as Good Service Allowance every year, in consultation with the Maritime Union of India. Later it was decided to extend this benefit to the floating staff recruited after 15-8-56 also.

The shore staff recruited after 15-8-56 are not being given any additional increments as the grant of these increments is not one of their conditions of service. On the other hand, the staff who opted for the service of the Corporation on

15-8-56 are being granted such increments to compensate them for the loss of the bonus which they were getting before that date.

[Ministry of Transport & Communications O.M. NO. Sy-21(58)/60 dt. 14th October, 1960.]

95 166(j) The Committee are pained to observe that no serious effort has been made in regard to the implementation of the recommendation contained in para 90 of their 62nd Report (First Lok Sabha) even after the expiry of two years since it was made.

It is not correct to say that no serious efforts have been made in regard to the implementation of the recommendations contained in para 90 of the 62nd Report of the Estimates Committee. Government have been reviewing the position from year to year and as a result of the review undertaken in 1958, the intake of the Directorate of Marine Engineering Training was increased from 50 to 65 boys and that of T.S. "Dufferin" from 60 to 75 boys per year. The position was again reviewed early this year and the intake of the two institutions have since been increased to 100 and 80 boys per year respectively, having regard to the number of Engineering and Navigation Officers that may be required to cope up with the anticipated expansion of the

I

2

3

4

5

Indian Merchant Navy during the Third Plan period. Thus, it will be seen that Government are fully alive to the need of reviewing the position in regard to the requirements of officer personnel for the steadily expanding Merchant Navy.

[*Ministry of Transport & Communications O.M. No. 14-MA(S)/59 dt. 13th October, 1959.*]



## CHAPTER IV

### REPLIES OF THE GOVERNMENT THAT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

1	2	3	4	5
---	---	---	---	---

3            9            The Committee hope that the planners of the Third Five Year Plan will, considering the importance of shipping for the national economy and its present inadequacy, give development of shipping higher priority than hitherto and greater allocation of resources in order that the objectives of the Shipping Policy might be attained within a reasonable time.  
*Further information desired by the Committee.*

The suggestion made by the Estimates Committee has been noted.

*[Ministry of Transport and Communications O.M. No. 14-MA(S)/59 dated the 13th October, 1959.]*

Please state the specific action that has been taken by Government on this recommendation.

*(L.S.S. O.M. No. 36-PU/59, dated the 28th February, 1961).*

In their Report on the Shipping target for the Third Five Year Plan, the National Shipping Board have also recommended that 'Shipping' should be accorded a higher priority than hitherto, and according

ly, the need for making a higher monetary allocation was impressed on the Planning Commission. Having regard to the availability of resources, and the needs of the other development projects, however, the Commission could make an allocation of only Rs. 55 crores for 'Shipping' in the Third Plan.

[*Ministry of Transport and Communications O.M. No. 31-MD(30)/61, dated the 22nd March, 1961.*]

34 While the Committee agree that the resources required for acquiring all the tonnage required for lifting the whole quantity of foodgrains would be too much to be attempted at any time, they believe that with proper planning it might have been possible to acquire some tonnage out of freight paid for the import of foodgrains. As foodgrains are still being imported and such imports may continue for some time, the Committee recommend

69 The views of the Committee have been noted. The Eastern Shipping Corporation are carrying foodgrains from Australia regularly in their ships which ply on the India-Australia route on liner basis. The Scindias also carry parcels of foodgrains from America in their liner service between India and the U.S.A. All the rice cargoes from Burma are being regularly lifted by Indian ships.

that Government might attempt to acquire some ships for the carriage of foodgrains and to reduce the recurrent drain of foreign exchange on account of freight therefor as far as possible.

To encourage Indian shipowners to acquire tramp ships for the foodgrains traffic, standing instructions have been issued to the I.S.M., Washington to allocate full cargoes of foodgrains to all Indian ships that may be offered to them. However, largely because of the ballast voyage involved from India to the U.S.A., Indian shipowners have not evinced much interest in this traffic. The public sector Corporations are however trying to acquire a few tramp ships, which may be utilised for importing wheat from Australia. Provision is also proposed to be made in the 3rd Plan for acquiring a larger number of tramps and these when acquired may be available for the foodgrains traffic.

[*Ministry of Transport and Communications O.M. No. SY--21(7)/60, dated the 1st March, 1960.*]

(*Further information required*)  
 (i) The latest position with regard to acquisition of tonnage for import of foodgrains since 1958-59 *vis-a-vis* the freight paid to foreign bottoms for the transport of foodgrains in the country from the various countries may be stated.

The question of acquisition of ships exclusively for the transport of foodgrains was again considered in the context of the recent Indo-U.S. agreement for the import of 17 million tons of foodgrains in a period of four years. The Indian shipping companies

have not shown any enthusiasm in acquiring ships specifically for participating in the movement of foodgrains from America, mainly because the world market rate for foodgrains is so low that it is not economical for them to run ships in the trade. The paucity of cargo on the return journeys of the ships from India to the U.S.A. is also another factor dissuading them. However, worldwide tenders were invited for the carriage of the foodgrain cargo wherein it was indicated that offers which would enable the addition of ships to Indian Register ultimately would be given special consideration. Several offers were received in response to the tender but none was acceptable to the Government either on account of the fact that the ships envisaged to be added ultimately to the Indian Register were too old and fit for scrap only or on account of the fact that freight rates much higher than the world market rates were demanded, in order to transfer the vessels

to the Indian Flag. However, there is one offer still under the consideration of the Government. The freight paid to foreign shipping companies for the carriage of food-grains since 1958-59 is being ascertained from the Ministry of Food and Agriculture and will be furnished on receipt.

(ii) What is the rate policy followed by the Government for transport of foodgrains by the Indian shipping companies (Government and private). Are the rates economical?

The freight payable for the carriage of foodgrains is the concern of the Ministry of Food and Agriculture. The required information is being ascertained from them and will be communicated in due course.

(I.S.S. O.M. No. 36-PU/59 dated the 1st March, 1961).

[Ministry of Transport and Communications O.M. No. 31-MD(30)/61, dated the 22nd March, 1961.]

*Further Reply of Govt.*

The position regarding acquisition of tonnage for transport of food grains has been explained in the statement already furnished. The freight paid to foreign shipping companies for the carriage of food-grains since 1958-59 has since been ascertained from the Ministry of

**Food and Agriculture and is given  
below :—**

Year	Amount (in '000 rupees)
1958-59 . . . . .	13,97.02.9
1959-60 . . . . .	12,97.95.9
1960-61 (upto Feb., '61) . . .	15,73.21.1

**N.B. :—2 vessels during 1958-59 and  
1 vessel during 1960-61 (upto  
Feb. 1961) brought foodgrains  
under C & F contract.**

For freights, other than Burma, India,  
to Indian ships the prevailing market  
rates—as quoted on the Baltic for  
full shiploads—are paid. As is  
well known due to the general dep-  
ression in the world shipping  
market, the freight rate is rather

on the low side and therefore, the rates are likely to prove uneconomical for the Indian Shipping companies.

For the Burma-India run (for rice) the rates are fixed for each calendar year by negotiations with the shipping companies. The freight paid can, therefore, be considered to be economical from the point of view of both the Government and the Indian Shipping Companies.

\*[*Ministry of Transport and Communications O.M. No. 31-MD(30)/61* dated 21st April, 1961].

9.4 145—46 The Committee consider it unbusiness-like that the Corporations raise their share capital as and when required and do not prepare budgets of their revenue and capital expenditure. In this connection, they refer to the recommendation made in para 25 of their 20th Report (Second Lok Sabha) and suggest that similar action might be taken by the Corporation.

The Corporations have always been preparing their capital budgets and have been submitting the same to Government. They have also commenced the preparation of revenue budgets from the year 1960-61.

The recommendation relating to preparing performance and programme statements for the budget year for submission to Parliament could

Reference is invited to paragraphs 3 and 4 of the 73rd report of the Estimates Committee (Second Lok Sabha). Government may consider this in the light of the suggestions made therein.

---

\*This was received after the Report had been sent to the Ministry or factual verification.

be accepted in principle if by performance programme is meant—

- (i) naming trade routes for operation during the year,
- (ii) stating the number of ships that would operate on each trade route for that year and the number of round voyages each of the ships will make in the year,
- (iii) where possible giving an approximate indication of cargo expectations.

The Committee may like to elucidate and direct on the above point before Corporations are asked to implement this recommendation.

It may be mentioned here that as a Shipping Company is not a producing unit, the performance programme cannot be exact in the sense that a manufacturing concern could always state what its output would be given normal conditions. As



Shipping is a transport unit with no guarantee of cargo from shippers, the indication of future availability of cargo to be carried could at best be an approximate indication only even from which there may be considerable digressions depending on trade condition. If this is accepted by the Committee, the Corporations will be directed accordingly.

*Ministry of Transport and Communications O.M. No. SY-21(51)/60 dated the 18th October, 1960].*

The Committee refer to the recommendation contained in their 39th Report (1st Lok Sabha) regarding the creation of a separate Public Service Commission for all the undertakings in the Public Sector. They feel that with the implementation of the said recommendation the allegation about undue influence being brought to be borne on the selection of officers etc. could be avoided.

92 162(i)

The matter is under consideration. (*Ministry of Transport and Communications O. M. No. SY-19(2)/59 dated the 18th June, 1960.*)

*Final Reply*  
This relates to a general recommendation applicable to all Government undertakings. The Ministry of Finance (Department of Economic Affairs) who are concerned with this general recommendation have already sent a reply to the Estimates Committee. If it is decided to have Public Service Commission for

13 The reply is not final. The matter may be examined and finalised at an early date.

Public Sector Undertakings the Corporation will doubtless come under its scope.

[*Ministry of Transport and Communications O.M. No. SY-19(2)(2)/59, dated the 4th October, 1960*].

(ii) Noted.

[*Ministry of Transport and Communications O.M. No. SY-19(2)/59, dated the 18th June, 1960*].

(ii) Meanwhile they welcome the constitution of the Industrial Management Pool which is intended to provide the Senior executive personnel for all the State undertakings and suggest that the Pool may be enlarged if considered necessary, in order that as many supervisory personnel as may be required by the undertakings are drawn therefrom.

The Committee feel that there should be no objection to extending the principle underlying the provision of the Indian Companies Act for getting the prior sanction of the Company in cases of appointment of relative of a Director to other cases as mentioned in this para and suggest that prior to the appointment of such a person the matter should be brought to the notice of the

Please see para 3 of Chapter I.

The Government accept the recommendation, but consider that it is not necessary to include such details in the Annual Report.

[*Ministry of Transport and Communications O. M. No. SY-19(2)/59 dated the 18th June, 1960*].

Ministry concerned and its consent obtained. The Committee further suggest that appointments of such persons should also be mentioned in the Annual Report of the Corporation for the year when the appointment is made.

---

**CHAPTER V**  
**RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT  
HAVE NOT BEEN RECEIVED**

1	2	3	4	5
4	13			
11	31			

The Committee feel that the policy of the Government in relation to the Shipping Corporations is expressed in negative terms and lacks positive approach. They, therefore, recommend that the policy of the Government with respect to the Shipping Corporations should be redefined in a positive manner.

*(Further information required)*

The latest position in regard to this recommendation may be stated.

The question of redefining the policy of the Government in relation to the Shipping Corporations is under the consideration of the Government in consultation with the National Shipping Board. The latter's recommendation is awaited. The Estimates Committee will be informed of the decision taken in the matter in due course.

*[Ministry of Transport and Communications O.M. No. SY-21(1)/60, dated the 4th October, 1960].*

The National Shipping Board have appointed a sub-committee to consider this question and submit a report for consideration of the Board. The Sub-Committee have not so far finalised their report.

*[Ministry of Transport and Communications O.M. No. 31-MD(30)/61, dated the 22nd March, 1961.]*

The Committee feel that while officials would definitely be of use to Government.

The recommendation is under consideration of Government.

ernment undertakings, the present practice of making appointment of officers who are also entrusted with other departmental duties and are fully occupied with them, with a view to giving representation to Ministries or Departments concerned is not sound. The Committee, therefore, recommend that the question be reviewed in a comprehensive manner and a suitable pattern of organisation devised for the management of Government commercial undertakings.

[*Ministry of Transport and Communications O.M. No. SY-21(17)/60, dated the 19th November, 1961.*]

14

The Committee feel that there are many misconceptions with regard to the nature of responsibility attaching to Government in relation to the public undertakings and the nature and extent of checks and controls that have to and can be exercised over them by the Government. They, therefore, suggest that the whole question may be reviewed comprehensively and a sound and well defined relationship established between the companies and the Government.

This recommendation is under consideration of Government.

[*Ministry of Transport and Communications O.M. No. SY-21(17)/60, dated the 19th November, 1960.*]

NEW DELHI;

April 29, 1961

*Vaishambha 9, 1883 (S).*

H. C. DASAPPA,  
Chairman,  
Estimates Committee.

## APPENDIX

*Analysis of the Action taken by Government on recommendations contained in the Thirty-Eight Report of the Estimates Committee (Second Lok Sabha).*

I.	Total number of recommendations made . . . . .	96
II.	Recommendations accepted fully by Government ( <i>Vide</i> recommendations contained in Chapter II).	
	Number . . . . .	53½
	Percentage of total . . . . .	56
III.	Recommendations not* accepted by Government but replies in respect of which have been accepted by the Committee ( <i>Vide</i> recommendations contained in Chapter III).	
	Number . . . . .	34½
	Percentage to total . . . . .	36
IV.	Recommendations in respect of which replies of Govern- ment have not been accepted by the Committee ( <i>Vide</i> recommendations in Chapter IV)	
	Number . . . . .	5
	Percentage to total . . . . .	5
V.	Recommendations in respect of which final replies have not been received from Government.	
	Number . . . . .	3
	Percentage to total . . . . .	3